

New Zealand		Agricultural Nontariff Barriers		New Zealand	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
04.05	Eggs	HS, ST	The egg marketing authority recommends a ceiling price on eggs and egg pulp to the price tribunal. The authority arranges for imports of egg pulp when local supplies are inadequate.		
05.02	Bristles for brushes	HS			
05.03	Horsehair	HS			
05.04	Sausage casings	HS	The regulations are not, at present, being enforced.		
05.05	Fish waste	HS			
05.06	Sinews and tendons of raw hides or skin	HS			
05.07	Skins and other parts of birds	HS			
05.08	Bones and horn cones	HS			
05.09	Hooves and horns	HS			
06.01	Bulbs, tubers, tuberous roots, corms, crowns, and rhizomes	HS			
06.02	Trees, shrubs and bushes	HS			
06.03	Cut flowers	HS			

New Zealand			Agricultural Nontariff Barriers		New Zealand	
Tariff Number	Commodity Description	Type of Restriction	Remarks			
06.04	Foliage	HS				
07.02.01	Peas, raw, frozen	BA			Do not require license if produce of Australia.	
07.05.12	Beans for sowing, not packed for retail sale	BA			Do not require license if produce of Australia.	
ex. 07.04.01	Herbs other than in retail packs	BA			Do not require license if produce of Australia.	
07.05.06	Peas for sowing, not packed for retail sale	BA			Do not require license if produce of Australia.	
07.04.09	Dried, dehydrated or evaporated vegetables, other than tomatoes	BA			Do not require license if produce of Australia.	
07.05.02 and .03	Split peas not packed for retail sale	BA			Do not require license if produce of Australia.	
07.05.09	Other peas	BA			Do not require license if produce of Australia.	
07.05.19	Other beans	BA			Do not require license if produce of Australia.	
07.05.29	Lentils, not packed for retail sale	BA			Do not require license if produce of Australia.	
07.05.99	Other dried leguminous vegetables not packed for retail sale	BA			Do not require license if produce of Australia.	

New Zealand		Agricultural Nontariff Barriers		New Zealand	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
08.01.10	Fresh bananas and plantains	ST	Fruit Distributors Limited, a registered company owned by wholesale fruit merchants and established by agreement with the Government has sole authority to import and market bananas as well as other tropical fruits.		
08.01.31	Fresh pineapples	ST	Fruit Distributors Limited has sole authority to import and market pineapple.		
08.02.11	Fresh whole oranges	ST	Fruit Distributors Limited has sole authority to import and market citrus fruit.		
08.02.12	Fresh whole tangerines, mandarins, and clementines	ST	Fruit Distributors Limited has sole authority to import and market citrus fruit.		
08.02.19	Fresh oranges, not whole	ST	Fruit Distributors Limited has sole authority to import and market citrus fruit.		
08.02.21	Fresh whole lemons	ST	Fruit Distributors Limited has sole authority to import and market citrus fruit.		
08.02.22	Fresh whole grapefruit	ST	Fruit Distributors Limited has sole authority to import and market citrus fruit.		

New Zealand		Agricultural Nontariff Barriers		New Zealand	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
08.02.23	Other fresh whole citrus fruit	ST	Fruit Distributors Limited has sole authority to import and market citrus fruit.		
08.02.29	Citrus, other than oranges, not whole	ST	Fruit Distributors Limited has sole authority to import and market citrus fruit.		
08.04	Fresh grapes	ST	Fruit Distributors Limited has sole authority to import and market grapes.		
08.08.01	Fresh whole strawberries	BA	Do not require license if produce of Australia.		
10.01.01	Wheat	ST	The Wheat Board, composed of representatives of wheat growers, flour millers, and the Department of Industries and Commerce, is responsible for all imports of wheat and flour. The board maintains prices for wheat and flour, regardless of source, at the same level.		
10.07.01	Canary seed, millet, grain sorghum	HS			
11.01.01 and .19	Wheat flour	ST	The Wheat Board is responsible for all imports.		
12.01.20	Copra	HS			
12.01.30	Palm nuts and kernels	HS			

New Zealand		Agricultural Montariff Barriers		New Zealand	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
12.01.40	Soya beans	HS			
12.01.60	Cotton seed	HS			
12.01.70	Castor seed	HS			
12.01.80	Other oilseeds and oleaginous fruit	HS			
12.02.01	Soya bean flour and meal	HS			
12.02.09	Other flours and meals of oil seeds and oleaginous fruit	HS			
12.03.01	Subterranean clover	HS			
12.03.02	Other clover	HS			
12.03.03	Grass	HS			
12.03.04	Other fodder seeds	HS			
12.03.05	Flower seeds	HS			
12.03.06	Tree seeds	HS			
12.03.07	Vegetable seeds	HS			

New Zealand		Agricultural Nontariff Barriers		New Zealand
Tariff Number	Commodity Description	Type of Restriction	Remarks	
24.01.01	Unmanufactured tobacco for cigars	MR	Tobacco products manufactured in New Zealand must have a minimum domestic leaf content of 32 percent.	
24.01.02	Unmanufactured tobacco for cigarettes and snuff	MR	Tobacco products manufactured in New Zealand must have a minimum domestic leaf content of 32 percent.	
24.01.09	Unmanufactured tobacco for other purposes	MR	Tobacco products manufactured in New Zealand must have a minimum domestic leaf content of 32 percent.	

Sweden	Agricultural Nontariff Barriers	Sweden
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EXPLANATORY NOTES

MP, VL - Sweden employs a form of variable levy system in which the minimum price acts as a trigger for the application of supplementary import charges. In the case of some commodities, the application of import charges (and their amount) is determined by domestic market prices. Commodities encompassed by the MP, VL system are also subject to enabling regulations providing for quantitative restrictions and missing regulations under certain circumstances. These provisions have not been used in recent years.

Sweden		Agricultural Nontariff Barriers		Sweden	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
01.01	Live horses	MP, VL			
01.02	Live cattle, at the most one year	MP, VL			
01.02	Other live cattle	MP, VL			
01.03	Live hogs	MP, VL, HS			
01.04	Live sheep	MP, VL			
01.05	Live poultry	MP, VL, HS			
02.01	Meat and edible offals of animals falling under BTN 01.01 through 01.04 --Horsemeat --Pork	MP, VL, HS L L	All imports of meat require a doctor's health certificate from the country of origin stating that all employees in packing plants processing meat are free from 250 types of salmonello. The U.S. considers only 6-8 types harmful to humans.		
02.02	Dead poultry and edible offal thereof	MP, VL, HS, L	See 02.01		
02.03	Poultry liver (except goose liver)	MP, VL, HS	See 02.01		
02.05	Unrendered poultry and pig fat (except lard)	MP, VL, HS	See 02.01		

Sweden		Agricultural Nontariff Barriers		Sweden
Tariff Number	Commodity Description	Type of Restriction	Remarks	
02.06	Meat and edible meat offals, salted, in brine, dried or smoked --Pork, salted, dried or smoked	MP, VL, HS	See 02.01	
04.01	Milk and cream, fresh, not concentrated or sweetened	MP, VL		
04.02	Milk and cream, preserved concentrated or sweetened	MP, VL, L		
04.03	Butter, margarine	MP, VL		
04.04	Cheese and curd	MP, VL		
ex. 04.05	Eggs not in shell, egg yolks	MP, VL, L		
ex. 04.05	Poultry eggs with shells	MP, VL		
07.01	Potatoes (excluding fresh potatoes harvested 6/6-7/5)	MP, VL		
07.05	Peas, beans, and lentils, edible, dried, also peeled and cut	MP, VL		
07.06	Manioc and arrowroot	MP, VL		
08.06 A	Fresh apples	IC		
	Fresh pears	IC		

Sweden			Agricultural Nontariff Barriers		Sweden
Tariff Number	Commodity Description	Type of Restriction	Remarks		
10.01	Wheat	MP, VL, MR			
10.02	Rye	MP, VL			
10.03	Barley	MP, VL			
10.04	Oats	MP, VL			
10.05	Corn	MP, VL			
10.07	Sorghum and millet	MP, VL			
11.01	Cereal flours (except rice)	MP, VL			
11.02	Cereal, groats, meal and similar grain products	MP, VL			
11.05	Meal, groats or flakes, manufactured direct from potatoes	MP, VL			
11.06	Flour and groats manufactured direct from sago, manioc, arrowroot or salep root or other roots, stems or root tubers referred to in 07.06	MP, VL	Included in 11.08		

Sweden				Agricultural Nontariff Barriers		Sweden
Tariff Number	Commodity Description	Type of Restriction	Remarks			
11.07	Malt, also roasted	MP, VL				
ex. 11.08	Starches	MP, VL, L				
12.01	Hemp seed	MP, VL				
12.02	Hemp seed meal, not , not defatted	MP, VL				
12.04	Sugar beets, fresh	MP, VL				
12.10	Alfalfa meal and other hay meal	MP, VL				
15.01	Lard	MP, VL, HS				
15.13	Artificial lard and other processed edible fat, containing butter	MP, VL				
16.01	Sausage and similar products from meat, pork, or other animal parts or of blood (ex- cluding gooseliver sausage)	MP, VL				
ex. 16.02	Pork and poultry meat, preserved or prepared in airtight containers	MP, VL, L				
17.01	• Beet and cane sugar, solid	MP, VL, L	Licensing requirement applied to all countries.			

Sweden		Agricultural Nontariff Barriers		Sweden	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
17.02	Other sugar, excluding inverted sugar, malt sugar; syrup and other sugar solutions; sugar coloring	MP, VL			
17.03	Molasses, also decolored	MP, VL			
17.04	Sugar fondants, pastes, and other similar semi-manufactures containing at least 80 percent of sugar or syrup, in bulk	MP, VL			
ex. 18.06	Ice cream, ice cream powder and pudding powder containing cocoa	MP, VL			
19.04	Groats and flakes, manufactured from tapioca, sago, potato or other starch	MP, VL			

Sweden	Agricultural Nontariff Barriers		Sweden
Tariff Number	Commodity Description	Type of Restriction	Remarks
21.07	Processed food products, not referable to other customs tariff numbers (excluding fat emulsions and baking aids, also sweetfat, containing more than 10 percent fat, and non-alcoholic preparations for manufacturing beverages): ice cream, ice cream powder, ice cream paste and pudding powder; sweetfat; ravioli, macaroni, spaghetti, and similar products, cooked; coffee paste and other kinds of processed food products	MP, VL	
22.05	Wines	ST	
22.06	Vermouths	ST	
23.02	Bran and other offals, derived through sifting, milling or processing of grain or pulses	MP, VL	
23.03	Beet pulp and other offal from sugar production; mash and other offal from breweries or distilleries; rests from starch production and similar remains	MP, VL	

Sweden		Agricultural Nontariff Barriers		Sweden
Tariff Number	Commodity Description	Type of Restriction	Remarks	
23.04	Oil cakes and other rests from extractions of vegetable oils, excluding sediment, rests from decimating processes and almond bran	MP, VL		
23.06	Vegetable products for feed, not referable to other numbers	MP, VL		
23.07	Feed containing molasses or sugar and other processed feeds, excluding dog biscuits and such vitamin and mineral feeds, which do not contain dry milk	MP, VL		
24.01	Unmanufactured tobacco	ST	Tobacco -- private monopoly with no state interference.	
35.02	Egg albumen	MP, VL		
35.05	Dextrin; soluble starch and roasted starch; starch glue: containing more than 20 percent starch or starch products	MP, VL		

Sweden		Agricultural Nontariff Barriers		Sweden	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
57.01	Hemp, other than manila and cantal hemp, unprepared or prepared, but not spun	MP, VL			

Switzerland		Agricultural Nontariff Barriers		Switzerland
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Tariff Number	Commodity Description	Type of Restriction	Remarks
01.01	Live horses, asses, mules and hinnies	CI, QR	) Restriction applies to slaughter animals of horse, bovine, swine and sheep. Bovine, swine and sheep for slaughter subject to domestic minimum price.
01.02	Live animals of the bovine species	CI, QR	)
01.03	Live swine	CI, QR	)
01.04	Live sheep and goats	CI, QR	) Quota restrictions on imports of sheep and lamb for slaughter and meats of these animals have been eliminated. However, importers are required to take over, at fixed prices, local production of sheep, goats, lambs for slaughter.
02.01	Meat and edible offals of the animals listed in 01.01-01.04, fresh, chilled or frozen	CI, QR	)
02.06.10	Meat and edible meat offals of the animals falling within heading Nos. 01.01-01.04, salted, dried or smoked	SC	)
04.02.10	Dried milk, whole	CI	)
04.03	Butter	SC, QR, ST	)
04.05.10	Eggs in the shell	CI	Subject to domestic minimum price
06.02	Young fruit trees and vine stock	QR	)
06.03	Fresh cut flowers	IC, QR	No restrictions during winter months

Switzerland	Agricultural Nontariff Barriers	Switzerland
Tariff Number	Commodity Description	Type of Restriction Remarks
07.01	Tomatoes, onions (other than seed onions), asparagus, Spanish pepper, artichokes, eggplant, broccoli, greenhouse chicory, green salads, spinach, cauliflower, Brussels sprouts, kale, celery roots, chives, parsley, carrots and red beets	IC, CI, QR
07.01.32	Seed onions	IC
07.01.40-42	Seed potatoes and potatoes for food	CI, QR Subject to domestic minimum prices
08.06.10	Apples and pears for cider manufacturing	QR) NP for apples and pears for cider) manufacturing. Both fresh and for cider) subject to domestic minimum price.
08.06	Other apples and pears, fresh	IC, CI, QR)
08.07	Apricots, plums, and cherries, fresh	IC, CI, QR Subject to domestic minimum price.
08.08	Strawberries, raspberries, blackberries, and currants	IC, CI, QR
10.01.10	Wheat and meslin, undenatured, for food and seed	SC, MR, ST Emergency stocks of government state-traded, undenatured wheat subject to domestic minimum price.

Switzerland	Agricultural Nontariff Barriers		Switzerland
Tariff Number	Commodity Description	Type of Restriction	Remarks
10.01.12	Wheat and meslin, denatured	SC, CI	Emergency stocks of government state-traded, undenatured wheat subject to minimum price.
10.02.10	Rye, undenatured, for food and seed	SC, MR, QR	Subject to domestic minimum price
10.02.12	Rye denatured	SC, CI, QR	
10.03	Barley, for feed and seed	SC, QR, CI	
10.04	Oats, for feed and seed	SC, CI, QR	
10.05	Maize, for feed and seed	SC, CI, QR	
10.06	Rice, except husked, whether or not polished or glazed, undenatured broken rice, for animal consumption.	SC, CI, QR	Import authorization bound to the maintenance of emergency stocks by the importers
	for human consumption	QR	
10.07	Buckwheat, millet, canary seed, and grain sorghum; other cereals	SC, CI, QR	
11.01	Undenatured rice and maize flour and denatured flour	SC, CI, QR	
11.02	Maize, groated, peeled split; pearled barley, semoline, groats	SC, CI, QR	Bilateral (maize and germs of all cereals)

Switzerland	Agricultural Nontariff Barriers	Switzerland
Tariff Number	Commodity Description	Type of Restriction Remarks
11.05	Flour, meal and flakes of potato for human consumption	QR
12.01	Oilseeds, oleaginous fruits, walnut kernels, for animal consumption	SC
12.03	Vetch, for animal consumption	SC
ex. 12.03	Seed for sowing	QR Restriction applies only for a part of the seed species. Imports are bound to the maintenance of emergency stocks by the importer.
12.04.01	Sugar beet, beet chips	SC
15.01.10	Lard for animal consumption human consumption	QR SC
15.02	Tallow, for human consumption	SC
15.07	Soybean and cottonseed oil, crude	SC
16.01	Sausages and the like, of meat, meat offal, or animal	SC
16.02	Other prepared and preserved meat or meat offal except those based on liver	SC

Switzerland		Agricultural Nontariff Barriers		Switzerland
Tariff Number	Commodity Description	Type of Restriction	Remarks	
20.07	Grape juice, in casks, sweet cider and other, completely clarified and preserved	QR		
22.04	Grape must	QR		
22.05	Wine in casks	SC, CI, QR		
22.07.10	Cider of apples and pears	QR		
22.08	Ethyl alcohol or neutral spirits undenatured of a strength of 80 degrees or higher; denatured spirits (including ethyl alcohol and neutral spirits) of any strength	ST		
22.09	Ethyl alcohol, undenatured, of less than 80 degrees	ST		
23.02	Bran	SC		
23.03	Waste in sugar and maize manufactured draff	SC		
23.04	Oil cakes, and oil cake meal, carob bean meal, for animal consumption	SC		
23.07	Sweetened forage	SC		
35.01.10	Milk casein (milk acid and rennet)	CI		

United Kingdom	Agricultural Nontariff Barriers	United Kingdom
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EXPLANATORY NOTES

Abbreviations

QR - Quantitative restrictions
(QR* indicates that the system is discriminatory in application)

MP - Minimum import price system

SC - Supplementary import charge (levy) which may be imposed in conjunction with minimum price system

Notes

For import licensing purposes in the United Kingdom, the world is divided into five areas. These are:

1. The Dollar Area, comprising: Bolivia, Canada, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Republic of Honduras, Liberia, Mexico, Nicaragua, Panama, Philippines, United States and Venezuela.
2. The Eastern Area, comprising: Albania, Bulgaria, Czechoslovakia, Germany (Soviet Zone), Hungary, North Korea, North Viet-Nam, the People's Republic of China, Outer Mongolia, Poland, Rumania, and the Union of Soviet Socialist Republics.
3. Japan
4. The Relaxation Area, which comprises the rest of the world and includes the Scheduled Territories as defined below.

EXPLANATORY NOTES (Cont.)

5. The Scheduled Territories, comprising: British Commonwealth (except Canada and Rhodesia), the Irish Republic, British Trust Territories, British Protectorates and Protected States, Burma, Iceland, the Hashemite Kingdom of Jordan, Kuwait, Libya, South Africa, South West Africa, and Western Samoa. Muscate and Oman are treated as being within the Scheduled Territories for import licensing purposes.

United Kingdom		Agricultural Nontariff Barriers		United Kingdom	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
02.01	Pigmeat (excluding offals)	QR	UK sanitary regulations re hog cholera prevents US shipments		
04.01	Fresh milk	QR			
04.02	Milk, preserved, concentrated, or sweetened	QR*	Licensing control at present without effective restriction from the Relaxation Area of all types of processed milk. Prohibited from Dollar Areas.		
04.03	Butter	QR*	Bilateral quotas with traditional supplying countries		
(SITC 023)	Butter oil	QR	Imports currently prohibited (11/1/67-3/31/68)		
08.01	Bananas	QR*	Global quota from Dollar Area.		
08.02	Fresh grapefruit	QR*, BA	Global quota from Dollar Area and bilateral quota from Cuba. Dollar area quota of 1.15 million pounds sterling in period 12/1-9/30. Maintained for the benefit of the West Indies.		
08.06	Fresh apples and pears	QR*	Global quota from Relaxation and Dollar Areas and Japan. Apple quota divided into two period with smaller portion being allocated July/December period which is our main shipping season.		

United Kingdom		Agricultural Nontariff Barriers		United Kingdom	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
10.01	Wheat and meslin	MP, SC	Minimum import price system forms part of an agreement with major exporting countries. If necessary, a specific or a general levy (in the case of a co-operating or a non-co-operating country) can be imposed to safeguard the minimum price.		
10.03	Barley	MP, SC			
10.04	Oats	MP, SC			
10.05	Maize other than sweet corn on the cob	MP, SC			
10.06	Grain sorghum	MP, SC			
11.01	Cereal flours other than rice flour	MP, SC			
11.02	Cereal groats, cereal meals, other worked cereals and germs of cereals other than: (a) Rice groats, meal, rice germ and other worked rice (b) Blocked, pot and pearled barley	MP, SC			

United Kingdom		Agricultural Nontariff Barriers		United Kingdom	
Tariff Number	Commodity Description	Type of Restriction	Remarks		
12.03	Clover and grass seeds	QR			
12.06	Hops	QR			
17.01	Sugar	QR			
20.06	Canned grapefruit, and mixtures containing apples	QR*	Global quota from Dollar Area (\$1,260,000) maintained for benefit of the West Indies		
20.07	Grapefruit and orange juice, citrus juices blended except frozen orange concentrate	QR*	Global quota from Dollar Area (\$840,000)		
22.09	Rum	QR*	Global quota from Dollar Area		
23.02	Bran, sharps and other residues derived from the sifting, milling or working of cereals other than rice, and excluding the residues of leguminous vegetables	MP, SC			
23.07	Animal feed stuffs containing 80% milk solids	QR*			
24.02	Manufactured tobacco (cigars)	QR*, BA	Bilateral quota from Cuba. Global quota from rest of Dollar Area.		

PRELIMINARY INVENTORY OF NON-TARIFF BARRIERS AFFECTING
UNITED STATES TRADE IN INDUSTRIAL PRODUCTS

ARGENTINA		ARGENTINA
Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Automotive products	Embargo	
Tractors of from 12 to 120 horsepower	Embargo	
<u>Valuation and Taxes</u>		
Nearly all imports except raw materials and capital goods	Prior deposit of 40% c.i.f.	Held without interest for 180 days.
Capital goods	Minimum credit terms	Payment schedule prescribed by Central Bank for shipments exceeding \$10,000. Minimum payment terms range from 2 years for goods valued up to \$30,000 to 5 years for goods valued up to \$1,000,000.
Tractors of any horsepower	Differential tax for imports	Imported products do not enjoy the investment tax credit of up to 60% of total liability granted on purchases of domestically produced tractors.
All products	Statistical tax of 1.5%, levied on c.i.f. value of imports only	If the good is exempted from import duty the statistical tax charge is .3% c.i.f.
All products	Surcharge of 4% on ocean freight charges	
All products	(a) Consular fee of 1.5% levied on f.o.b. value of imports (b) Payment regulation	(a) As the value of the shipment increases, the amount charged is out of line with service performed. (b) Fee must be paid by the exporter to the consulate within whose jurisdiction the commercial invoices to be notarized are issued.
Products made of iron and steel	Special steel fund tax of .20 to 2.00 pesos per net kilo	
Forest products	Special tax of 4% to 10% of c.i.f. value	

ARGENTINA

ARGENTINA

Product	Type of Restriction	Remarks
<u>Valuation and Taxes (cont'd)</u>		
Various, depending on official designation	Minimum official valuation on which import duty levied	The Executive has the authority to establish minimum values.
Various products	Sales tax of 10-20%, levied on c.i.f. duty-paid value	
Various products	Excise tax, levied on c.i.f. duty-paid value	Tax is specific on some products and ad valorem on others.

AUSTRALIA

AUSTRALIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Aluminum and aluminum products, knitted coats, jumpers, cardigans, sweaters and the like, roller and ball bearings, second-hand or disposals machinery or equipment and parts for earth-moving or construction purposes, and second-hand four-wheel drive vehicles	Licensing	Licenses issued on <u>ad hoc</u> basis.
<u>Other Restrictions</u>		
Motion picture films	Screen-time quota	Quota is applied in New South Wales which represents approximately half the theater seating capacity of Australia, requiring by law that 15% of all films shown be British and 2% be Australian.
All packaged products	Arbitrary weights and measures limitations	

AUSTRIA

AUSTRIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Lignite, except bituminous coal	Licensing	
Penicillin, thyrothrium (in bulk and individually packaged)	Quotas	
Antibiotics and medicaments containing antibiotics (in bulk and individually packaged)	Quotas	
Cinematographic film, exposed and developed; except film for toy projectors	Licensing	
Wine, except sparkling wines in bottles	Quotas	
<u>Valuation and Taxes</u>		
All imports	Border taxes ranging from 6.25 to 13.0%	
<u>Variable Levies</u>		
Casein, caseinate and derivatives; Albumin, albuminate and derivatives; Dextrine and dextrin glue; Soluble or roasted starch; Gums made from starch; Preparations for the textile, paper, and leather industries, or for similar industries, containing starch or starch derivatives	Levies on imports of sugar, starch, and of products made of these and other agricultural raw materials: In lieu of customs duties, skimming charges may be collected. They consist of a fixed protective element plus a variable levy. Levies currently in force:	Skimming charges are based on price differentials between threshold and gate prices. They consist of a fixed protective element, i.e. 20% ad valorem, plus a variable amount depending on the content of protected material in the imported product.
Core binders used in foundry work on basis of starch and dextrine	Import levy of 20% a.v. plus AS 549.00 per 100 kgs.	
Starch-ether soluble in water, and starch esters	Import levy of 20% a.v. plus AS 525.00 per 100 kgs.	

AUSTRIA

AUSTRIA

Product	Type of Restriction	Remarks
<u>Government Procurement</u>		
All products and services	ONORM Article 1/34, regulating government purchasing, provides "If circumstances permit, only Austrian products shall be used and Austrian firms shall be engaged."	Bidding time often too short for foreign firms to react to public tenders. No uniform rules for procurement procedures and no central purchasing authority. Regulations do not apply to nationalized industries. EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.
<u>Other Restrictions</u>		
All imports	Antidumping procedures	Government authorized to establish "guiding" or "minimum" prices for products which cause market disruptions. Both prices are calculated on Austrian export prices and production costs. At present, minimum prices are in force for: cotton yarn, cotton fabrics, woolen fabrics, cardigans and pullovers made of wool.
Salt and products containing salt	State Monopoly	Although imports of salt and products containing salt are formally liberalized, imports must be approved by the Administration of the Austrian Salt Monopoly (Finance Ministry).
Tobacco products	State Monopoly	The monopoly has the sole right to import, produce and sell raw and processed tobacco and tobacco products of any kind.
Industrially-produced raw spirits	State Monopoly	These spirits must be sold to the "Verwertungsstelle" of the monopoly which has them refined at commercial refineries. The refined product is then sold to authorized users at government-controlled prices.

BARBADOS

BARBADOS

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Fish, plastic bags, detergents, some pharmaceuticals, shirts (not knitted), lumber, artificial sweeteners, toilet soap and batteries	Licensing	
<u>Valuation and Taxes</u>		
All imports	Package tax	Certain products exempted by the tariff schedule.
Automobiles	Initial registration tax of 20%, levied on c.i.f. value	
Rum, beer, gasoline and diesel fuel	Excise taxes, levied on c.i.f. duty-paid value	

BELGIUM-LUXEMBOURG^{1/}

BELGIUM-LUXEMBOURG

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Anthracite	Quota, imports are licensed	
Penicillin, its salts and compounds, and products thereof (BLEU)	Benelux global quota	
Lignite; coke; semicoke; petroleum and products; certain chemicals; basketwork; a number of textile fibers, yarns and fabrics; women's synthetic hose; jute sacks; natural and synthetic precious and semi-precious stones and dust; tube, pipe, and hollow bars of gold; zinc plate, sheet and strip; mineral or chemical fertilizers, nitrogenous excluding natural sodium nitrate; X-ray apparatus; firearms, other arms and parts; ammunition and military ordnance (BLEU)	Licensing	
Coking coal	Quota, imports are licensed	Quota reduced each of last two years.
<u>Valuation and Taxes</u>		
All imported goods	Transmission tax or lump-sum tax, generally 7% but may vary on certain commodities from 1% to 15%	
Automobiles	Road tax based on fiscal horsepower	More burdensome on high horsepower automobiles.
<u>Government Procurement</u>		
All products and services (Belgium)	Foreign bids may be rejected if "for economic reasons it is essential that the contract should go to Belgian industry, subject however to the price differential not exceeding certain limits."	Price differential believed to be 10% normally. Benelux agreement provides for no procurement discrimination between the three countries.

BELGIUM-LUXEMBOURG^{1/}

BELGIUM-LUXEMBOURG

Product	Type of Restriction	Remarks
<u>Government Procurement (cont'd)</u>		
All products and services (Luxembourg)	Article 19 of Decree of 12/29/56 stipulates that "in principle, products of foreign origin shall not be used if producers in Benelux Customs Union are able to supply the same quality at prices which are substantially the same."	Products of Benelux origin believed given 10% margin of preference. The license to trade, which foreign bidders must have, is issued only to nationals of countries having reciprocal arrangements.

^{1/} The foreign trade of Belgium is combined with that of Luxembourg within the framework of the Belgium-Luxembourg Economic Union. Yet, while the 2 countries have a common system of foreign trade controls, they also maintain separate regulations which are applied only domestically. Items applicable to both countries are marked herein with the symbol, BLEU.

BRAZIL

BRAZIL

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Caustic soda	Licensing	Licenses are based on proof of purchase of a certain amount of domestic caustic soda.
Phthalic anhydride	Licensing and quota	
Machinery and capital goods	Licensing	Imports not authorized when goods can be obtained from national suppliers.
Certain automobiles and motorboats	Embargo	Importation of automobiles and motorboats priced in the country of origin at above \$3,500 including accessories not authorized.
Packaged lubricating oil and petroleum	Embargo	
Petroleum products	Prior authorization	
<u>Valuation and Taxes</u>		
All products	Port improvement tax of 1% levied on c.i.f. value of imports	
	Merchant Marine improvement tax of 10% of freight charges	
Wide variety of processed or manufactured goods	Industrialized products tax of 4% to 30% levied on c.i.f. duty-paid value	
Many products	Minimum valuation system	
<u>Other Restrictions</u>		
Motion picture films	Screen-time quota - 12%	
Rubber	State monopoly	

BURMA

BURMA

Product	Type of Restriction	Remarks
<u>Government Procurement</u>		
All products purchased for the public account	Government procurement practices	Government purchasing agencies often issue tender notices with advance bid deadlines of 30 days or less, making it difficult, if not impossible, to transmit specifications to foreign firms in time to submit bids ahead of the deadline.
<u>Other Restrictions</u>		
All imports	State trading	Government is the sole importer.

BURUNDI

BURUNDI

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing	
<u>Valuation and Taxes</u>		
All imports	Statistical tax	

CANADA

CANADA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Aircraft - Used	Import prohibition	Prohibited, with some exceptions.
Automobiles - Used	Import prohibition	Vehicles of all kinds manufactured prior to calendar year in which importation is made are, with some exceptions, prohibited.
<u>Valuation and Taxes</u>		
All products	Arbitrary valuation	Legislation permits application of arbitrary value for duty and antidumping duties whenever authorities believe actual values do not reflect "normal" price.
<u>Health, Sanitary and Safety Restrictions</u>		
Electrical equipment	Safety regulations	Certificate of Canadian Standards Association required for electrical equipment sold and used in Ontario Province. No other provinces require CSA approval.
<u>Other Restrictions</u>		
Alcoholic beverages	Monopoly operated by Canadian Provinces	Canadian provinces reluctant to carry U.S. liquor brands in Government operated monopoly stores.
Canned products	Imports are permitted only if in cans of sizes established by the Canadian Government	

CAMEROON

CAMEROON

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas are established); all other countries (more restrictive "global import" quotas are established). Licenses are not ordinarily issued for commodities available from Franc Zone.
All imports	Exchange quotas	To be eligible for foreign exchange, commercial enterprises must: (1) be inscribed in Trade Register and have valid import license; (2) must possess in Cameroons a regular, permanent trading establishment; (3) have had during preceding year a turnover of imports of at least 5 million francs CFA (approx. \$20,000) based on CIF value of imports, or a turnover in internal trade of at least 15 million francs (approx. \$60,000).
<u>Valuation and Taxes</u>		
All imports	Revenue tax up to 50%	
All dutiable imports	Turnover tax of 10% levied on CIF duty-paid value	Discriminatory in that certain countries are exempt from customs duties.

CAMEROON

CAMEROON

Product	Type of Restriction	Remarks
<u>Valuation and Taxes (cont'd)</u>		
Many products	Additional tax of 5% to 35% levied on imports	
Used clothing	Minimum valuation	
<u>Government Procurement</u>		
Products purchased for public account	Government procurement practices	
<u>Other Restrictions</u>		
Various products	Bilateral trade agreements	Trade agreements generally provide licensing guarantees to specified amounts of goods.

CENTRAL AFRICAN REPUBLIC

CENTRAL AFRICAN REPUBLIC

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing and exchange quotas	For licensing purposes all trade is classified in three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas are established); all other countries (more restrictive "global import" quotas are established).
Used clothing	Quota	
Shirts	Embargo	
<u>Valuation and Taxes</u>		
All imports	Revenue tax up to 50%	
All dutiable imports	Turnover tax of 10% levied on CIF duty-paid value	Discrimination in that certain countries are exempt from customs duties
Textiles, men's and used clothing, radios, autos, lorries, eyeglasses	Additional tax of 5% to 15% levied on imports	

CEYLON

CEYLON

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing and exchange quotas	
Numerous products, including sunglasses; cigarette lighters, cigarette lighter flints, perfumery, bangles and beads, wall paper, waste paper and oil paper, floor tiles, domestic ware, ballpoint pens, plastic sheets with floral designs, floor covering, bicycle parts, electric lamps, photographic and cinematographic apparatus, watches and clocks, footwear, and automobiles	Embargo	
<u>Other Restrictions</u>		
Textile products	Mixing requirement	Domestic product must be purchased in specified ratio to imported product.
Drugs and pharmaceutical preparations	Discriminatory regulation	Products must conform to British Pharmacopoeia, International Pharmacopoeia, or the British Pharmaceutical Codex.
Fish, cement, textiles, newsprint, paper and paperboard, petroleum products, and caustic soda	State trading	

CHAD

CHAD

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing and exchange quotas	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas established); all other countries (more restrictive "global import" quotas are established).
<u>Valuation and Taxes</u>		
All imports	Revenue tax up to 50%	
All dutiable imports	Turnover tax of 10%, levied on c.i.f. duty-paid value	Discriminatory in that certain countries are exempt from customs duties.
Selected items	Additional tax of 5% to 45% on imports	

CHILE

CHILE

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Registry and licensing system	Importers required to register (license) all imports with the Central Bank through authorized commercial bank. Central Bank maintains strict control over license applications and authorization of imports.
Many imports (Permitted List)	Advance deposit 5% to 10,000%	Advance deposit of varying rates levied depending on the essentiality of the product. The deposit is returned in not less than 90 days.
Many imports (Prohibited List)	Embargo	
Imports not on permitted or prohibited lists	Conditionally embargoed	These products may be imported on case by case basis through free ports, but shipment to the remainder of Chile is not permitted until such goods are processed or assembled at these ports.
Numerous products	Special ad hoc quotas for government procurement and certain preferred activities	Numerous special quotas are established from time to time for official government purchases, import monopolies or government-favored activities.

CONGO (BRAZZAVILLE)

CONGO (BRAZZAVILLE)

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Most imports	Licensing and exchange quotas	For licensing purposes all trade is classified into three categories: the Franc Zone (free of restrictions); Common Market countries (separate import quotas established); all other countries (global import quotas established).
<u>Valuation and Taxes</u>		
All imports	Import revenue tax of up to 50%	
All dutiable imports	Turnover tax of 10% on c.i.f. duty-paid value	Discriminatory in that certain countries are exempt from customs duties.
Selected items	Additional tax of 5% to 15% levied on imports	
<u>Other Restrictions</u>		
Certain imports	State trading	Office National du Commerce is sole buyer and seller of all merchandise destined for "northern regions" of Congo-Brazzaville.

CYPRUS

CYPRUS

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
common soap and detergents; boot and shoe cream; certain chemicals; wooden boxes, cases, and parts thereof; builders' woodwork; cardboard and paper containers; certain textiles including bed- spreads, tablecloths, etc.; embroideries; portland cement; certain mosaic floor tiles; iron wire, wire netting, and wire nails; buckets for house- hold use of iron and steel; crown corks; steam generating boilers; metal and woodworking machinery; centrifugal pumps; paper mill and pulp mill machinery; machinery for paper manufactures; printing machinery; textile machinery; industrial sewing machines; certain other non-electrical machinery (excluding domestic app- liances); wood furniture and fix- tures; table, household and dec- orative articles of plastics for domestic, hotel, or restaurant use; stockings and hose; under- wear and nightwear knitted or made of knitted fabrics; outerwear; footwear; refrigerating equipment for cold storages; matches	Import licensing	Imports other than those listed are imported under open general license in any quantity and from any coun- try other than those with which Cyprus has trade agreements of a clearing type.

DAHOMEY

DAHOMEY

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing	Licenses required for all imports originating outside the Franc Zone.
Matches, alcohol, alcoholic beverages, diamonds, canned fish in tins over 1 kg.	Embargo	
<u>Valuation and Taxes</u>		
All imports	Statistical tax of 1%, levied on c.i.f. value Fiscal duty 10%-15%, levied on c.i.f. value Fiscal tax of 2 CFA per 1,000 CFA on goods valued over CFA 25,000 Stamp Duty of 3% of all above taxes and duties Turnover tax of 1.8% of c.i.f. value plus duty paid	
All imports	Discriminatory tax of 5% to 11%	Not levied on imports originating in EC countries.

DENMARK

DENMARK

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Oysters (except spat); ethyl alcohol or neutral spirits, undenatured, of a strength of eighty degrees or higher, denatured spirits of any strength; ethyl alcohol, undenatured, of a strength under eighty degrees	Licensing	
Wine of fresh grapes, grape-must with fermentation arrested by addition of alcohol; Vermouths, and other wines of fresh grapes flavored with aromatic extracts	Quotas	Denmark agreed in the Kennedy Round to liberalize these restrictions by December 31, 1969.
Other fermented beverages (e.g. cider, perry, and mead)	Quota	
<u>Valuation and Taxes</u>		
Nearly all manufactured goods	Value-Added Tax of 12½%, levied on c.i.f. duty-paid value	
<u>Government Procurement</u>		
All products	Administrative practices	Discrimination favoring domestic procurement is accomplished by administrative action. EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.

DOMINICAN REPUBLIC

DOMINICAN REPUBLIC

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Exchange control	Certain products subject to exchange quotas.
Passenger cars valued at over \$2,000	Embargo	
Wide range of food items and household goods, and smaller number of manufactured goods	Embargo	
Wide range of products	Importable only under prepaid letter of credit	
Wide range of products	Prior import deposit of 20 or 40% of f.o.b. value for 3 months' period	

FINLAND

FINLAND

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Mineral tar, coal tar distillation products; solvent gasoline; aviation gasoline; bitumen; unwrought silver; gold and platinum	Global quotas	
Coal; coke; petroleum and shale oils, crude and refined; gasoline; aviation and heating kerosene; gas-oil and fuel oils	Individual import licensing	
<u>Valuation and Taxes</u>		
Nearly all manufactured goods	Turnover tax - 12.4%	
Automobiles and motorcycles	Excise tax - 140% of c.i.f. duty-paid value minus Fmk 2,500 (\$595). 12.4% turnover tax applied also.	Higher tax incidence on higher-priced cars.
Alcoholic beverages; matches; automobile tires; tobacco products; mineral waters; liquid fuels	Excise tax levied on c.i.f. duty-paid value of imports	
<u>Other Restrictions</u>		
Alcoholic beverages and crude petroleum	State trading	
Passenger cars	Credit restrictions	For imported cars from certain bilateral trading countries, minimum down-payment 40% with 18 months to pay balance. For imports from other countries, 60% down-payment with 9 months to pay remainder.
Fertilizers	De Facto State Trading	Imports of compound fertilizers require a Ministry of Agriculture permit. Two state-owned companies in practice appear to control imports and marketing.

FRANCE

FRANCE

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Assemblies of parts of radio-electric apparatus containing crystal diodes, triodes, including transistors. Crystal diodes, triodes, including transistors and parts.	Licensing	
Aircraft and parts	Licensing	
Wine	Licensing	
Rosin	Licensing	Restricted to all sources, but liberalized <u>de facto</u> for EEC and Greece. Since restriction restored in January 1964, liberalization date postponed several times, most recently to December 31, 1968.
Watches and parts	Quota	
<u>Valuation and Taxes</u>		
Automobiles (passenger cars)	Annual use tax (vignette). Tax depends on fiscal horsepower and age of car.	Standard U.S. cars fall in highest tax bracket liable to payment in first year of \$200, while European cars generally pay \$30.
Automobiles (passenger cars)	Registration tax. Tax depends on fiscal horsepower of car.	Increase in tax rates, effective January 1, 1968, affected all U.S. cars sold in France, but in effect, exempted all French-manufactured vehicles.
All imports	Border Tax. Normal rate applicable to most industrial products is 20%. For imports, tax is levied on duty-paid c.i.f. value.	

FRANCE

FRANCE

Product	Type of Restriction	Remarks
<u>Valuation and Taxes (cont'd)</u>		
Whiskey and other grain spirits	Excise taxes	Tax falls more heavily on whiskey than on brandy.
<u>Government Procurement</u>		
All products purchased for public account	Administrative practices, not codified	Procurement offices may administratively stipulate French suppliers for purchase of current supplies, and materials for public works projects; regulations of a "social" character provide for domestic preferences.
<u>Health, Sanitary and Safety Regulations</u>		
Pharmaceutical products	Pharmaceutical regulations. (With a few exceptions, a "visa"--required before distribution of pharmaceutical specialties packaged for retail sale is permitted--is not granted for imported products.)	Regulations are primarily designed to protect public health, but also serve to protect the domestic industry.
<u>Other Restrictions</u>		
Cigarettes and other manufactured tobacco	State Monopoly	Following move toward CXT, retail prices of U.S. cigarettes have been increased proportionately more than on comparable domestic brands. This action contravenes undertaking on pricing which U.S. obtained from France in 1947.
Coal	State trading	
Paper for periodicals (paper in general is liberalized)	State trading	

FRANCE

FRANCE

Product	Type of Restriction	Remarks
<u>Other Restrictions (cont'd)</u>		
Petroleum products	State trading	
Whiskey and other grain spirits	Prohibition on advertising whiskey and other grain spirits	Wines and fruit-distilled spirits may be advertised in France.

GABON

GABON

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Import licensing and exchange quota	For licensing purposes all trade is classified into three categories: the Franc Zone and Common Market countries (free of restrictions); the Far East (imports not to exceed 10% of total imports from all countries combined during a given year); all other countries (quotas established annually on basis of lists submitted by all important importers).
<u>Valuation and Taxes</u>		
All imports	Revenue tax up to 50%	
All dutiable imports	Turnover tax of 10%, levied on c.i.f. duty-paid value	Discriminatory in that certain countries are exempt from customs duties.
Petroleum fuels, lubricants, firearms	Additional tax	

FEDERAL REPUBLIC OF GERMANY

FEDERAL REPUBLIC OF GERMANY

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Carps, fresh or chilled; herring and herring fillets, salted or in brine; shrimps, dried; wine of fresh grapes, grape must with fermentation; natural red wines for mixing; woven fabrics of jute; tableware and household articles of porcelain; tableware and household articles of other ceramic materials; statuettes, fancy articles, etc. of porcelain and other ceramic materials; insulators of ceramic material	Quotas	
<u>Valuation and Taxes</u>		
All manufactured products	Value-added tax of 10%, levied on c.i.f. duty-paid value	
<u>Other Restrictions</u>		
Pit coal, briquettes of pit coal and similar solid fuels manufactured from coal except for bunkering of seagoing vessels, and for the production of coke under processing contracts	Imports within tariff quota must be consumed in area north of the Mittelland Canal	

GHANA

GHANA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Most imports	Licensing	
<u>Valuation and Taxes</u>		
Vehicles	Purchase tax of 5% to 100% on imports	
Most imports	Sales tax of 11½%, levied on c.i.f. duty-paid value	
Selected items	Excise tax of 2½% to 75% ad valorem, levied on sales price which includes c.i.f. duty-paid value	

GREECE

GREECE

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
List "A": Products such as cosmetics; textiles, including used clothing; T.V. receivers; automobiles, trucks buses, jeeps, special purpose vehicles and truck and passenger trailers	Import licensing	
List "B": Products such as agricultural, mining, food processing and electrical machinery and spares; used machinery and spares except used earthmoving and road-building equipment	Import licensing	
<u>Valuation and Taxes</u>		
All products	Turnover tax on imports 2.25%-8.75%, levied on c.i.f. duty-paid value	
Many products	Luxury tax, levied on the c.i.f. value of imports; consumption tax, levied either in a specific amount or on the c.i.f. duty-and-tax-paid value	
<u>Government Procurement</u>		
All products	Principle of non-discrimination is administratively limited	Under Act of Council of Ministers No. 163/1958: (1) purchases in excess of \$50,000 may be limited to Greek suppliers; (2) no international bidding if purchases can be made from countries with which Greece has bilateral clearing arrangements; (3) foreign firms may be required to bid in association with a Greek firm; (4) guarantees of participation and performance applicable to foreign bids may be waived for domestic firms; (5) Law 3215/1955 grants a preference of 8% to Greek goods.

GREECE

GREECE

Product	Type of Restriction	Remarks
<u>Other Restrictions</u>		
Passenger cars used as taxis	Maximum permissible length for taxis is 5.0 meters, and maximum permissible horsepower is 20 (Greek horsepower)	
Cigarette paper, kerosene alcohol, matches, salt, playing cards, and saccharine	State trading	
Motion picture films	Screen-time quota	First-run theaters in Athens and Thessalonike area must show local films at least one week per quarter. Other theaters in these and other areas required to show a number of Greek films per quarter equal to their number of program changes.
All imports	Limit on terms of credit, or advance cash deposit requirements.	Requirement is more severe for luxury items and less stringent for products considered essential. Payment terms for purchase of machinery and parts limited to 36 months (extensions possible). Advance cash deposits of up to 140% of c.i.f. value required for such items as textiles, meat preparations, confectionery, and furniture.

GUYANA

GUYANA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Alcoholic beverages, cigars and cigarettes and tobacco extracts	Licensing	
<u>Valuation and Taxes</u>		
All imports of chairs; foot-wear parts	Special tax	For protection of home industries.

HAITI

HAITI

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Various products	Import licensing	
All products	Exchange controls	
Detergents and plastic articles	Prior authorization	Imports allowed only to the extent that domestic production fails to meet local demand.
Christmas trees; used clothing, rags, hats, shoes, household linens and furnishings	Embargo	
<u>Other Restrictions</u>		
Tobacco, matches, soap, detergents, cosmetics, textiles, tires and tubes, cement, various agricultural chemicals, household appliances, wine, beer, whiskey, rum, toilet articles, and non-agricultural machinery	State trading	
Television sets	State licensed	

ICELAND

ICELAND

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Electric transformers, building board, certain furniture, ladies' stockings, brooms and brushes, works of art, re-constituted wood, fishing lines and cords, and ropes	Global quotas	
Paperboard cartons and containers	Licensing	
<u>Valuation and Taxes</u>		
All products except footwear, aviation gasoline, packaging, fishing equipment, aircraft	Sales tax of 8.25%, levied on c.i.f. duty-paid value	
Motor vehicles	Special licensing fee of 90% of price of automobiles; 30% of price of jeep-type vehicles	
Gasoline	Special import tax	
Tubes and tires	Special import tax of 9 kronur per kilo	
Cement, timber, reinforcement iron for construction	Special foreign exchange fee of 0.5% of the declared customs value	
Products subject to import licensing	Foreign exchange fee of 0.5% of the import price as stipulated by the license	
<u>Other Restrictions</u>		
All imports except petroleum, fishing gear, fertilizers, and industrial raw materials	Prior deposit	Deposits must be placed with bank selling exchange equal to 15-25% of amount of foreign exchange purchased; deposit held for at least 3 months.
Tobacco, fertilizers, wine and liquor, perfumes, and safety matches	State trading	

INDIA

INDIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All commercial imports	Licensing, exchange controls, quotas, embargo	
Capital goods, heavy electrical plant, and machine tools valued at \$100,000 or more	Special licensing terms	Imports are permitted if: covered by long-term (10 year) foreign loans or investments, private or governmental; financed by the National Small Industries Corp. of India, a government institution; imports against earmarked exports; imports against medium-term credits related to export promotion; imports for maintenance and replacement and purposes requiring small cash payments; or provided under a bilateral trade payments agreement.
<u>Valuation and Taxes</u>		
All commercial imports	Licensing fees	Fee to be paid for application for import license. Fee is 50 rupees for license of not over 50,000 rupees and one rupee for every 1,000 rupees in value of licenses over 50,000 rupees. Maximum fee 5,000 rupees. (1R=.133C)
Numerous products	Discriminatory excise tax	Domestically produced items manufactured under certain conditions or for a certain use are granted preferential rates.
<u>Government Procurement</u>		
Products purchased for public account	Government procurement practices	Price preference of up to 40% is accorded indigenous products. Practices are administrative in nature consisting of issuing bid invitations on short deadlines, failing to identify source of financing, restricting quotations or specifications to British and Indian standards, and renegotiating bids.

INDIA

INDIA

Product	Type of Restriction	Remarks
<u>Other Restrictions</u>		
Artificial silk yarn and thread, caustic soda, soda ash, news- print, cement, fertilizer, petroleum products, mercury, sulphur, tractors, printing and textile machinery, tires and other items as might be determined from time to time such as capital goods and in- dustrial raw materials	State trading	
Motion picture films	Restriction on trans- fer of film earnings	25% of the net earnings may be remitted while balance is held in blocked accounts and may be withdrawn only for specific uses.

INDONESIA

INDONESIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All products	Imports require an exchange certificate	
Automobiles valued over \$2000 f.o.b. new-car value; television sets 21" or above; luxurious cabinet-model radios and record changers, batik-motif textiles	Embargo	
<u>Valuation and Taxes</u>		
All products	1% tax on letters of credit	
All products	1% import tax, levied on c.i.f. duty-paid value	
All products	1/2% customs charge	
Few products	Excess Profit Levy of RP 25 or RP 50 per US \$ value of import	
<u>Other Restrictions</u>		
Some essential items, including cambrics, weaving yarn and thread, textiles and dyes, tinsplate, paper cement, reinforcing rods and other capital goods	State trading	

IRELANDIRELAND

<u>Product</u>	<u>Type of Restriction</u>	<u>Remarks</u>
<u>Quantitative Restrictions</u>		
Tobacco products	Licensing	
Superphosphates, certain hosiery, certain footwear, laminated spring for vehicles, spark plugs and metal components, certain electric filament light bulbs, certain brushes, brooms, and mops	Quotas	
<u>Valuation and Taxes</u>		
Most products	Wholesale tax of 5% or turnover tax of 2½%; levied on c.i.f. duty-paid value	One or the other is paid at time of importation, depending on category of importer's registration.

ISRAELISRAEL

<u>Product</u>	<u>Type of Restriction</u>	<u>Remarks</u>
<u>Quantitative Restrictions</u>		
About 50 percent of all imports	Licensing	Countries with which Israel has bilateral agreements are favored in issuing licenses for goods available from these sources.
<u>Valuation and Taxes</u>		
Most imports	Purchase tax of 5% to over 100%, levied on c.i.f. duty-paid value	
Automobiles	Discriminatory purchase taxes	
Automobiles	Discriminatory annual property tax	
<u>Other Restrictions</u>		
Tractors	Mixing requirement	Certain percentage of content of imported tractors required to be Israeli produced.

ITALY	ITALY	
Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Citric acid and crude calcium citrate	Import licensing	
Tetraethyl lead and anti-knock preparations	Quota	Automatic licensing to EEC countries.
Elemental sulphur	Embargo	
Wine	Embargo	
Sulphur of all kinds, other than elemental	Discretionary licensing	
Essential oils, other than terpeneless, obtained from citrus	Licensing	
Cork and cork products	Licensing	
Motor vehicles for the transport of persons, etc., and special purpose motor lorries and vans, etc.	Licensing	
Chassis fitted with engines, and bodies (including cabs) for the motor vehicles falling within heading Nos. 87.02 or 87.03	Licensing	
<u>Valuation and Taxes</u>		
Practically all products	Turnover tax of 4%, levied on c.i.f. duty-paid value	
Majority of imported items	Compensatory import tax of up to 7.8%, levied on c.i.f. duty-paid value	
Automobiles	Road tax	Tax applies heavily on vehicles with large cylinder displacement. At the recent Kennedy Round negotiations an agreement was reached to consider elimination of the discriminatory features of the tax in return for U.S. modification of American valuation system for imports.

ITALY

ITALY

Product	Type of Restriction	Remarks
<u>Government Procurement</u>		
All products	30% of Government purchasing reserved to Southern Italy and Islands for development purposes. Ministry of Defense has recourse to foreign products only if domestic sources are unavailable or not suitable to needs	Government departments do not in principle have any relations with foreign firms or suppliers but only with firms legally established in Italy.
<u>Other Restrictions</u>		
Motion picture films	Screen-time quota - 38%	Exhibitors must show Italian features at least 100 days per year. Italian short subjects must be included in each performance for at least 180 days per year.
Cigarettes	State monopoly	The monopoly, excise taxes and fixed retail prices are major factors in keeping Italian cigarette price significantly lower than foreign prices.
Nicotine products, salt, matches, flint, cigarette lighters	State monopolies	

IVORY COAST

IVORY COAST

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Quotas	Goods from France and Franc Zone countries enter freely. Separate quotas apply to products from EC countries and to rest of world.
All imports	Licensing	Goods from all countries outside the Franc Zone must be licensed.
Paint, detergents, matches, coffee-husking machines	Embargo	
<u>Valuation and Taxes</u>		
All imports	Fiscal tax of 10%-15% of c.i.f. value; Statistical tax of 1% of c.i.f. value; Value Added Tax of 8%-43%, normally 18% of duty-paid value; Special import tax of 10% of c.i.f. value	
Used clothing	Arbitrary valuation	
<u>Other Restrictions</u>		
Pharmaceuticals	Discriminatory pricing formula and visa requirements	

JAMAICA

JAMAICA

Products	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Many products, including the following: Asbestos cement pipes, earthenware pipes, metal structural forms, tiles roofing materials, cement rubber products, metal furniture, aluminum holloware, ladies and misses garments, mens and boys garments, hoisery, detergents	Licensing	

JAPAN

JAPAN

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions:</u>		
Coal; gas oils, heavy fuel and raw oils, and other petroleum oils; some chemicals and pharmaceutical products; leathers (excluding raw) and leather products, especially footwear; large steam boilers and turbines, some types of diesel engines, and certain large electric generators; office machinery, including digital type computers and parts; and other products	Quotas and licensing	
Machinery, chemicals, drugs, processed foods and other products	Automatic import licensing	Licenses are freely granted but importer must submit imports for approval.
<u>Valuation and Taxes</u>		
Whiskey	Internal tax of 150% on high-priced whiskies and brandies	De facto discrimination against imports since competing Japanese whiskies are subject to lower rates of taxation due to lower prices.
Automobiles	Commodity (sales) tax and annual road tax	Taxes levied according to cylinder capacity and wheel base thereby subjecting most U.S. cars to highest rate.
<u>Government Procurement:</u>		
Many products	Government procurement practices	Permission for procurement without open bidding granted by Cabinet Order 336 of September 25, 1963.
<u>Other Restrictions</u>		
Cigarettes, ethyl alcohol, salt	State trading	
Imports	Prior deposit	Rate varies; presently 1% or 5%.
Certain imports	Labeling requirements	Weights must be indicated in metric measurements <u>only</u> .

¹ See enclosure following this section for full listing of quantitative restrictions.

² See enclosure following this section for full list of product categories subject to "Buy-Japan" requirement.

NOTIFICATIONS OF IMPORT RESTRICTIONS APPLIED INCONSISTENTLY
WITH THE PROVISIONS OF GATT AND NOT COVERED BY WAIVERS

JAPAN

1. Nature of each residual import restriction and the areas or countries to which each restriction applies

Each residual import restriction of Japan takes the form of a global quota open to imports from all countries. 1/

2. Precise description of each residual import restriction

See the following list.

3. The intended duration of each residual import restriction

Since moving to the status of Article XI of GATT in February of 1963, Japan has vigorously promoted the liberalization of its imports and as a result, the liberalization percentage of Japan's imports has been increased from 88 per cent in February 1963, when Japan became an Article XI country, to 93 per cent in 1965.

While Japan will continue to pursue the liberalization of its imports, Japan strongly requests the early abolition of the discrimination applied against Japan's exports by many countries, because the existence of such widespread discrimination is deterring Japan's efforts for trade liberalization.

1/ In addition, the items listed on page 15 are subject to State trading.

Tariff item No.	Description of goods
ex 01.01	Live horses
ex 01.02	Live animals of the bovine species excluding buffaloes
01.03	Live swine
ex 02.01-1	Meat and offals, of bovine animals, fresh, chilled or frozen, excluding tongue and internal organs
ex 02.01-2	Meat and offals, of pigs, fresh, chilled or frozen, excluding tongue and internal organs
ex 02.05	Unrendered pig fat free of lean meat, fresh, chilled, frozen, salted, in brine, dried or smoked
02.06-1	Ham and bacon
ex 02.06-2	Meat and edible offals, of bovine animals and pigs, salted, in brine, dried or smoked
ex 03.01-2-(2)	Herring, cod (including Alaska pollack), yellow-tail, mackerel, sardines, horse-mackerel and sauries excluding roes of yellow-tail, of mackerel, of sardines, of horse-mackerel and of sauries, fresh (live or dead), chilled or frozen
ex 03.02-1	Hard roes of cod (including Alaska pollack) and of herring, salted, in brine, dried or smoked
ex 03.02-2-(1)	Cod (including Alaska pollack), herring, yellow-tail, mackerel, sardines, horse-mackerel and sauries, salted, in brine, or dried; "Niboshi" (small boiled and dried fish for seasoning use)
ex 03.02-2-(2)	Cod (including Alaska pollack), herring, mackerel, sardines, yellow-tail, horse-mackerel and sauries, smoked
ex 03.03-2-(1)	Scallops and cuttlefish, live; scallops, adductors of shellfish and cuttlefish, fresh, chilled or frozen
ex 03.03-2-(2)	Scallops, adductors of shellfish and cuttlefish, salted, in brine or dried
ex 04.01	Sterilized milk and cream and other cream with fatty content 13 per cent or more, fresh, not concentrated or sweetened

Tariff item No.	Description of goods
ex 04.02	Milk and cream, preserved, concentrated or sweetened (excluding sugared condensed wholemilk, sugared condensed skimmed milk, skimmed milk powder, wholemilk powder, buttermilk powder and whey powder)
04.04-1	Processed cheese
ex 04.04-2	Other cheese (excluding natural cheese) and curd
07.05-1	Small red beans
ex 07.05-2	Broad beans and peas, excluding seeds for growing vegetables
ex 07.05-4	Other dried leguminous vegetables, excluding seeds for growing vegetables
ex 07.06	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes (excluding fresh sweet potatoes) and other similar roots and tubers with high starch or inulin content, fresh or dried, whole or sliced; sago pith
ex 08.01-3	Dates, dried
ex 08.02-1	Limes, fresh
ex 08.02-2	Oranges, fresh
ex 08.02-3	Grapefruit, fresh
ex 08.02-4	Tangerines, fresh
ex 08.04-1	Grapes (<i>Vitis vinifera</i>), fresh
ex 08.06	Apples, fresh
ex 08.10	Pineapples (whether or not cooked), preserved by freezing, not containing added sugar
ex 08.11-2	Oranges, provisionally preserved by sulphur dioxide gas or other preservative gases
ex 08.11-3	Limes, grapefruit, tangerines, grapes (<i>Vitis vinifera</i>) and apples, provisionally preserved by sulphur dioxide gas or other preservative gases

Tariff item No.	Description of goods
ex 09.01-1-(2)	Other coffee, excluding such in containers of net content less than 400 grammes
09.02-1-(1)	Black tea, put up for sale by retail
09.02-1-(3)	Other black tea
ex 10.07-3	Kao-liang and other grain sorghums, excluding such purchased by the Government and such to be used as materials for compound feeds under the supervision of the customs
11.01-1	Wheat flour
ex 11.01-2	Rice flour, barley flour (including naked barley flour) and flours of kao-liang and other grain sorghums
ex 11.02-1	Groats and meal of wheat and rice, excluding germs thereof; other worked wheat and rice (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished or broken rice, excluding germs thereof
ex 11.02-2	Groats and meal of barley (including naked barley) and kao-liang and other grain sorghums; other worked barley (including naked barley) and kao-liang and other grain sorghums (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared)
11.04	Flours of the fruit falling within any heading in Chapter 8 of the Customs Tariff Schedules
11.05	Flour, meal and flakes of potato
11.06	Flour and meal of sago and of manioc, arrowroot, salep and other roots and tubers falling within heading No. 07.06 of the Customs Tariff Schedules
11.07	Malt, roasted or not
11.08	Starches; inulin
11.09	Gluten and gluten flour, roasted or not
12.01-2	Groundnuts

Tariff item No.	Description of goods
12.01-3	Rapeseeds and mustard seeds
12.08-2-(1)	Edible seaweeds, formed into rectangular papery sheets not more than 430 square centimetres per piece
12.08-2-(2)	Seaweeds of genus Porphyra and other seaweeds mixed with genus Porphyra, edible, excluding those falling within heading No. 12.08-2-(1) of the Customs Tariff Schedules
ex 12.08-2-(3)	Other edible seaweeds (genus Enteromorpha, Monostroma, Kjellmaniella and Laminaria)
14.05-1	Tubers of Konnyaku (Amorphophallus) whether or not cut, dried or powdered
ex 14.05-2-(2)	Other seaweeds (genus Porphyra, Enteromorpha, Monostroma, Kjellmaniella and Laminaria)
ex 14.05-4	Dates, denatured
15.07-1	Soyabean oil
15.07-2	Groundnut oil
15.07-3	Rapeseed oil and mustard seed oil
ex 15.07-5	Cottonseed oil, excluding such to be used for manufacturing mayonnaise
ex 15.07-14	Corn oil, safflower seed oil and sunflower seed oil
15.13-1	Margarine
ex 15.13-2	Shortening
16.01	Sausages and the like, of meat, meat offal or animal blood
ex 16.02-2	Other prepared or preserved meat and offals, of bovine animals or pigs; other preparations chiefly consisting of meat and offals of bovine animals or pigs
ex 16.04-2	Preparations of roes of cod (including Alaska pollack) and herring, excluding those sterilized by heating in airtight containers

Tariff item No.	Description of goods
ex 16.05-1	Scallops, adductors of shellfish and cuttlefish, smoked
17.01-1	Rock candy, cube sugar, loaf sugar and similar sugar, of beet sugar and cane sugar
17.01-2-(2)	Other beet sugar and cane sugar
17.02-1	Grape sugar not containing added sugar
17.02-2	Malt sugar not containing added sugar
ex 17.02-3	Milk sugar (not containing added sugar), less than 90 per cent pure milk sugar content
17.02-4-(1)	Rock candy, cube sugar, loaf sugar and similar sugar
17.02-4-(2)-B	Other sugar
17.02-5	Sugar syrup
17.02-6	Caramel
17.02-7	Artificial honey
17.02-8	Sugars and syrups, other
17.03	Molasses, whether or not decolourized
17.04-1	Chewing gum
17.04-2-(2)	Other sugar confectionery (excluding cough drops)
17.05	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion
18.06-1	Chocolate confectionery
ex 18.06-2-(1)	Other food preparations containing cocoa and added sugar, in powder, plate or lump
ex 19.02	Cake mixes
ex 19.03	Macaroni, spaghetti, vermicelli and noodles
19.04	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches

Tariff item No.	Description of goods
ex 19.05	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn flakes and similar products) excluding preparations other than those of rice, wheat, barley (including naked barley) and corn flakes
ex 19.08-1	Cookies, biscuits and crackers, containing added sugar
ex 19.08-2	Cookies, biscuits and crackers, other
20.02-2-(1)	Tomato purée and tomato paste
ex 20.02-2-(2)	Mashed potatoes and potato flakes
ex 20.03	Pineapples preserved by freezing, containing added sugar
ex 20.05	Fruit purées and fruit pastes
20.06-1-(1)	Pineapples containing added sugar or spirit
ex 20.06-1-(2)	Fruit pulps containing added sugar or spirit
20.06-2-(1)	Pineapples, other
ex 20.06-2-(2)	Other fruit pulps and roasted groundnuts
20.07-1-(1)	Fruit juices containing added sugar
ex 20.07-1-(2)	Other fruit juices, excluding sloebases
ex 20.07-2	Tomato juice, the dry weight content of which is less than 7 per cent
21.04-1-(1)	Tomato ketchup and tomato sauce
ex 21.04-2-(2)	Mixed seasonings chiefly consisting of sodium glutamate
ex 21.07-1	Food preparations containing added sugar, excluding rations, peanut butter and Korean ginseng tea
ex 21.07-2-(1)	Bases for beverages, non-alcoholic, excluding Korean ginseng tea
ex 21.07-2-(2)	Ice-cream powder, prepared milk powder for infants and other preparations chiefly consisting of milk; food preparations of seaweeds (genus Porphyra, Enteromorpha, Monostorame, Kjellmaniella and Laminaria); "mochi" (rice cake), cooked rice, roasted rice flours, enriched rice with vitamin and other similar food preparations of rice, wheat and barley (including naked barley)

Tariff item No.	Description of goods
ex 22.02	Lemonade, flavoured spa waters and flavoured aerated waters, and other non-alcoholic beverages, containing added fruit juices, not including fruit and vegetable juices falling within heading No. 20.07 of the Customs Tariff Schedules
22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol
22.06	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts
22.08-1-(2)	Ethyl alcohol or neutral spirits, undenatured, of an alcoholic strength of less than 90 degrees but not less than 80 degrees
ex 22.08-2	Denatured spirits, including ethyl alcohol and neutral spirits, of an alcoholic strength of less than 90 degrees
22.09-1-(1)	Whisky
22.09-1-(2)	Brandy (including cognac)
ex 22.09-2-(1)	Liqueurs (excluding elixir Korean ginseng)
ex 23.01	Flours and meals, of whale meat or of fish, and residues of fish, unfit for human consumption
ex 23.03	Residues of starch manufacture from manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and other similar roots and tubers, or sago
23.04-1	Oilcake and other residues resulting from the extraction of soyabean oil
ex 23.04-2	Oilcake and other residues resulting from the extraction of rapeseed oil or mustard seed oil
ex 23.07-2	Compound feeds and fish soluble unfit for human consumption
25.02	Unroasted iron pyrites
ex 25.03	Sulphur of all kinds (excluding insoluble sulphur), other than sublimed sulphur, precipitated sulphur and colloidal sulphur
ex 25.04-2	Other natural graphitic, amorphous

Tariff
item No.

Description of goods

26.01-5	Tungsten ore
27.01	Coal; briquettes, ovoids and similar solid fuels manufactured from coal
27.02	Lignite, whether or not agglomerated
27.04	Coke and semi-coke of coal, of lignite or of peat
ex 27.10-1-(3)	Gas oils, excluding those in containers of a capacity less than 300 litres
ex 27.10-1-(4)	Heavy fuel oils and raw oils, excluding those in containers of a capacity less than 300 litres and raw oils for refining
ex 27.10-1-(6)	Other petroleum oils and oils obtained from bituminous minerals, excluding those in containers of a capacity less than 300 litres
28.42-1	Soda ash
ex 29.05-2-(1)	Menthol
29.23-3	Sodium glutamate
29.43-1	Malt sugar
29.43-2	Sorbose
ex 29.43-3	Other sugars (hexoses and disaccharides)
ex 29.44-2	Antibiotics, other, (chloramphenicol, tetracycline and cycloserine, excluding derivatives of chloramphenicol and tetracycline)
ex 30.03-1-(1)	Preparations of penicillin or streptomycin, excluding preparations of synthetic penicillin
ex 30.03-1-(2)	Preparations with a basis of antibiotics, other (preparations of chloramphenicol, tetracycline and cycloserine, excluding preparations of derivatives of chloramphenicol or tetracycline)
ex 33.01-1-(3)	Peppermint oil (excluding peppermint oil of mitcham type) and crude peppermint oil

Tariff item No.	Description of goods
ex 33.04-1	Fruit flavours, of an alcoholic strength of 10 degrees or higher, containing fruit juices
ex 33.04-2	Other fruit flavours, containing fruit juices
35.05	Dextrins and dextrin glues; soluble or roasted starches; starch glues
37.02-1-(1)	Cinematograph colour film
37.02-2-(2)	Other colour film
ex 38.12-2	Prepared dressings for starching
41.02	Bovine cattle leather (including buffalo leather) and equine leather, except leather falling within heading No. 41.06, 41.07 or 41.08 of the Customs Tariff Schedules
41.03-1	Sheep and lamb skin leather, dyed, coloured, stamped or embossed
41.04-1	Goat and kid skin leather, dyed, coloured, stamped or embossed
ex 41.08	Patent leather and imitation patent leather, excluding imitation patent leather manufactured from leather falling within heading No. 41.05 of the Customs Tariff Schedules
ex 42.03-1	Articles of apparel of leather or of composition leather, containing furskin or combined or trimmed with precious metals, rolled precious metals, metals plated with precious metals, precious stones, semi-precious stones, pearl, coral, elephants' tusks or "Bakko"
ex 42.03-2	Articles of apparel of leather or of composition leather, other

Tariff item No.	Description of goods
ex 44.02	Wood charcoal (including shell and nut charcoal), agglomerated or not, excluding coconut-shell charcoal
ex 46.02-1	"Wara mushiro" (a kind of straw mat)
ex 46.03-2	"Wara kamasu" (a kind of straw sack used for the packing of goods)
ex 53.11	Woven fabrics of sheep's or lambs' wool or of fine animal hair, containing not less than 30 per cent by weight of sheep's or lambs' wool or fine animal hair, excluding those used for pianos
54.02	Ramie, raw or processed but not spun, ramie noils and waste (including pulled or garnetted rags)
58.10	Embroidery, in the piece, in strips or in motifs
ex 64.02-1	Footwear (excluding those for sports and slippers), with the uppers of whole leather or of furskin and leather in part
ex 64.02-2-(1)	Footwear (excluding those for sports and slippers), with outer soles of leather and with the uppers of leather in part
ex 64.05-1	Parts of footwear of leather
70.06	Cast, rolled, drawn or blown glass (including flashed or wired glass), in rectangles, surface ground or polished, but not further worked
ex 71.03-2	Synthetic precious or semi-precious stones, other (other than polished, perforated or similarly worked)

Tariff item No.	Description of goods
ex 73.15-1-(3)	Alloy tool steel, free cutting steel and alloy hollow mining drill steel
82.07	Tool-tips and plates, sticks and the like for tool-tips, unmounted, of sintered metal carbides (for example, carbides of tungsten, molybdenum or vanadium)
ex 84.01-1	Steam generating boilers, with a generating capacity of more than 1,300 tons per hour
ex 84.05-1-(1)	Steam turbines, with a rating of more than 400,000 kilowatts
ex 84.06-1-(1)	Internal combustion piston engines for motor vehicles (those for motor vehicles (excluding three-wheeled motor vehicles) falling within heading No. 87.02 and No. 87.03 of the Customs Tariff Schedules)
ex 84.06-1-(3)	Outboard motors, with a rating of not less than 10 h.p. but less than 20 h.p.
ex 84.06-1-(4)	Water cooling diesel engines, with a rating of more than 100 h.p. but less than 1,000 h.p.
ex 84.06-2	Parts of internal combustion piston engines (pistons, connecting rods and cylinder blocks for internal combustion piston engines)
ex 84.35-1	Automatic printing machines of the relief and lithographic, sheet-feed type excluding offset press with a size not more than 364 mm. x 515 mm.
ex 84.41-1-(2)	Other sewing machines, (excluding straight line rock-stitching industrial sewing machines of not less than US\$40.00 per set in c.i.f. value)
ex 84.45-1-(1)	Lathes manufactured one year or more ago
ex 84.45-1-(2)	Drilling machines and boring machines, manufactured one year or more ago
ex 84.45-1-(3)-A	Universal tool-milling machines, manufactured one year or more ago

Tariff item No.	Description of goods
ex 84.45-1-(3)-B	Profile milling machines (including die-sinking machines), equipped with one or two milling spindle, of a working surface less than 1 square metre, excluding hand-operated type machines and cam type, manufactured one year or more ago
ex 84.45-1-(3)-C	Plano-millers, with a table not more than 2,000 mm. in width, manufactured one year or more ago
ex 84.45-1-(3)-D	Other plano-millers; other milling machines manufactured one year or more ago, excluding other plano-millers in the foregoing
ex 84.45-1-(4)-A	Planers, with a table not more than 2,000 mm. in width, manufactured one year or more ago
84.45-1-(4)-B	Other planers
ex 84.45-1-(5)	Grinding machines, manufactured one year or more ago
ex 84.45-1-(6)	Gear-cutting machines and gear-finishing machines, manufactured one year or more ago
ex 84.45-1-(7)	Machine tools, other, manufactured one year or more ago
84.51-1-(1)	Typewriters designed to work in electrical connexion with digital type electronic computers
ex 84.51-1-(2)	Other typewriters, western type
84.52-1-(1)	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers: input units, output units, input-output units and memory units, designed to work in electrical connexion with the computers above, and controllers belonging to the machines of all the foregoing
84.53-1	Digital type electronic computers and the machines of following descriptions, if imported with digital type electronic computers, excluding electronic calculating punches with self-contained mechanism for reading and punching cards: input units, output units, input-output units and memory units, designed to work in electrical connexion with the computers above, and controllers belonging to the machines of all the foregoing

Tariff item No.	Description of goods
84.53-2	Input units, output units and input-output units designed to work in electrical connexion with digital type electronic computers (other than those specified in heading No. 84.53-1 of the Customs Tariff Schedules)
84.54-1	Input units, output units, input-output units and memory units designed to work in electrical connexion with digital type electronic computers; magnetic tape converters and magnetic tape printers used together with those machines
ex 84.55	Parts suitable for use solely or principally with machines of a kind falling within heading No. 84.51-1(1), 84.52-1(1), 84.53-1, 84.53-2 or 84.54-1 of the Customs Tariff Schedules
ex 84.63-2	Crank shafts
ex 85.01-1	Electric generators, with a rating of more than 400,000 kilowatts
ex 85.13	Telephone switchboards and exchanges (electronic system)
ex 85.21-1	Thermionic valves and tubes of not less than US\$5.00 per piece in c.i.f. value (excluding cathode ray tubes for television receivers)
ex 85.21-2	Mounted transistors and similar mounted devices incorporating semi-conductors (digital type integrated circuits; linear type integrated circuits with not less than 35 elements in circuit)
85.22-1	Controllers for digital type electronic computers or for the machines of following descriptions: input units, output units, input-output units or memory units designed to work in electrical connexion with the computers above, and magnetic tape converters or magnetic tape printers used together with the machines of all the foregoing
ex 85.22-2	Other electrical goods and apparatus (those suitable for use solely or principally with machines of a kind falling within heading No. 85.22-1 of the Customs Tariff Schedules)

Tariff item No.	Description of goods
ex 87.02-1	Motor vehicles for the transport of persons (including racing cars, passenger jeeps and combined passenger cargo cars, but not including buses falling within heading No. 87.02-2 of the Customs Tariff Schedules, special transport vehicles such as ambulances and motor vehicles of track-laying type) (those once purchased by end-users) (excluding three-wheeled passenger motor cars)
ex 87.02-4-(3)	Chassis fitted with engines and cabs (those for the transport of persons)
ex 87.04	Chassis fitted with engines, for the motor vehicles falling within heading No. 87.01 or 87.02-1 of the Customs Tariff Schedules
Note: <u>Items subject to State trading</u>	
ex 04.02	Sugared condensed wholemilk, sugared condensed skimmed milk, skimmed milk powder, wholemilk powder, buttermilk powder and whey powder
04.03	Butter
10.01	Wheat and meslin
10.03	Barley (including naked barley)
10.06	Rice
ex 12.07-11	Poppy straw
ex 13.03-9-(2)-B	Raw opium
ex 22.08	Alcohol, of an alcoholic strength of 90 degrees or higher
24.01	Unmanufactured tobacco; tobacco refuse
24.02	Manufactured tobacco; tobacco extracts and essences
ex 25.01	Common salt (including rock salt, sea salt and table salt); pure sodium chloride; salt liquors

**CATEGORIES OF PRODUCTS SUBJECT TO
"BUY-JAPAN" REQUIREMENT**

1. Four-wheeled vehicles
2. Digital computers
3. Office equipment
4. Air-conditioners
5. Scales and measuring equipment
6. Civil engineering and construction
equipment
7. Agricultural equipment
8. Communication apparatus and
radio equipment
9. Electric wire and insulating cables
10. Aircraft
11. Thermo-electric generating equipment
12. Pumps, blowers and air compressors
13. Printing and bookbinding machines
14. Machine tools

KENYA, TANZANIA AND UGANDA

KENYA, TANZANIA AND UGANDA

Product	Type of Restriction	Remarks
<u>KENYA</u>		
<u>Quantitative Restrictions</u>		
Many products	Specific import licensing	Other imports enter under open general license
Certain clothing items	Quotas	
<u>Government Procurement</u>		
All products	Procurement practice	Overseas procurement for Kenya Government handled through Crown Agents in London, giving British suppliers a strong advantage.
<u>Other Restrictions</u>		
Dye-in-the piece fabrics, khaki drill, colored fabrics, second-hand clothing, soap, detergents and salt	State trading	
35mm cinematographic films, developed	State trading	
<u>TANZANIA</u>		
<u>Quantitative Restrictions</u>		
Various products	Specific import licensing	Other imports enter under open general license.
<u>Other Restrictions</u>		
Textiles, bicycles, motion picture films, cement, matches	State trading	
<u>UGANDA</u>		
<u>Quantitative Restrictions</u>		
Many products	Specific import licensing	Other imports enter under open general license.
Motor cars, station wagons, motorcycles	Quota	

KOREA

KOREA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Miscellaneous manufactured products	Embargo	
134 SITC classifications including plastics, iron and steel structures, glass, and manufactures of metal	Quotas	
Numerous raw materials and manufactured products	Licensing	

KUWAIT

KUWAIT

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Alcoholic beverages, used trucks, spiral weld steel pipe, medicines containing cobalt salts, industrial and medical oxygen gas	Embargo	
<u>Other Restrictions</u>		
Asbestos pipe	Private monopoly	Monopoly on imports granted to local producers.

MALAGASY REPUBLIC

MALAGASY REPUBLIC

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Exchange quotas and licensing	Annual import program provides quotas for specified commodities from EC countries, other than France; global quotas for all other countries outside the Franc Zone.
Batteries for electric accumulators, alcoholic beverages	Quotas	
Used metal casks and drums, used clothing, alcoholic beverages, used sacks and bags	Prior authorization	
New sacks and bags	Embargo	
Cement	Embargo on imports into part of west coast	
<u>Valuation and Taxes</u>		
Most imports	Import tax of 0-50%, levied on c.i.f. value	
Some consumer goods, such as tobacco, footwear, and alcoholic beverages	Consumption tax of 10%-135%	
Cement	Charge of 2,000 francs per metric ton	
<u>Government Procurement</u>		
Purchases for public account	Procurement practices	Short notification and administrative discrimination.
<u>Other Restrictions</u>		
Beer	Stringent requirements regarding container sizes; beer under 4 degrees alcohol prohibited	

MALAWIMALAWI

<u>Product</u>	<u>Type of Restriction</u>	<u>Remarks</u>
<u>Quantitative Restrictions</u>		
Various products	Specify import licensing	Other products enter under open general licensing. Sterling countries not subject to license.
<u>Government Procurement</u>		
All products	Procurement practice	Overseas procurement for Malawi Government handled through Crown Agents in London, giving British suppliers a strong advantage.

MALAYSIAMALAYSIA

<u>Product</u>	<u>Type of Restriction</u>	<u>Remarks</u>
<u>Valuation and Taxes</u>		
Trucks and buses used for business or public purposes	Discriminatory registration fee	None for Commonwealth origin; 15% for non-Commonwealth origin.
<u>Government Procurement</u>		
Products purchased for the public account	"Buy National" policy	Government departments are directed to procure locally manufactured goods at a differential up to 5% above foreign-produced goods.
<u>Other Restrictions</u>		
Motion picture films	Screen-time quota	

MALTA

MALTA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Machinery for the production of stockings, refrigeration machinery, motor buses, water pumps, cement floor tiles, bags of paper or polyethylene of the type manufactured locally, baths exceeding 5'6" in length, gold and silver filigree work, liquified petroleum gas, natural gas, collapsible iron gates, hand-made lace which imitates Malta lace; machinery for producing aerated water, filigree and tools, gas; ticket-issuing machines, metal dolphin articles, cement floor tiles, used tires (moulded and retreaded)	Embargo	For several of these products of minor importance import licenses may be granted under exceptional circumstances.
Electrical wiring accessories, men's trousers, steel wool, ladies nylon stockings, plastic or leather handbags, basketware of cane, willow or wicker, bituminous emulsions, floor brooms, buttons, candles, candlesticks, crucifixes, cotton wadding, wooden crates for soft drinks and beer, worked marble, inner spring mattresses, glass wall mirrors, nails and screws of iron, paintings, smokers' pipes, printed matter, sanitary towels, shirts with collars attached, shopping bags of plastic and/or polyethylene, safety matches	Licensing	Licenses issued according to previous imports.

MAURITANIA

MAURITANIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Exchange quotas and licensing	All goods imported freely from France and Franc Zone countries. Quotas for imports of other EC countries. Global quotas for rest of world.
<u>Valuation and Taxes</u>		
All imports	Fiscal Tax of 10%-15%, levied on c.i.f. value	
All imports	Standard Import Tax of 20%-30%, levied on c.i.f. plus duty-paid value	
All imports	Turnover Tax of 10%-22%, levied on c.i.f. plus duty-paid plus standard tax plus fiscal tax value	
All imports	Statistical tax generally 4 CFA per unit	
<u>Other Restrictions</u>		
Percales, guinea cloth	State trading	

NETHERLANDS

NETHERLANDS

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Alcoholic and certain other industrial chemicals; penicillin; coal and coke; certain cotton fabrics, artificial textile fibers and certain fabrics thereof; wool and fine hair; flax; hemp; zinc sheets and strips; and mineral or chemical fertilizers, nitrogenous excluding natural sodium nitrate	Licensing	Licenses for coal and coke are restricted to amounts over specified domestic supplies.
Penicillin, its salts and compounds, and products thereof	Benelux global quota	A quota of 2,550 billion Oxford units per year for imports of these items for the entire Benelux area from non-EC sources for the year 1966.

Valuation and Taxes

All items except "necessities of life"--food, fuel, medicine, clothing, etc.

Turnover tax. Rates vary from 1-18%, the majority being at 5%, levied on c.i.f. duty-paid value

Manufactured tobacco products; ethyl, propyl and isopropyl alcohol; beer; petroleum products; and wine

Excise tax levied on c.i.f. duty-paid value

NEW ZEALAND

NEW ZEALAND

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Most imports	Quotas or licensing	Licensing based on past trade favors British goods.

NICARAGUA

NICARAGUA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Cotton ginning plants; industrial plants for pasteurizing and sterilizing milk; equipment for the slaughter of cattle and hogs, and other slaughter house equipment	Prior authorization	
<u>Valuation and Taxes</u>		
All imports	Consular fee of 7%	

NIGER

NIGER

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Most imports	Exchange quotas and licensing	Franc Zone exempt; gradual removal for EEC. No licenses issued when goods available within Franc Zone at a reasonable price. Country and global quotas.
Plastic articles	Prior authorization	
<u>Valuation and Taxes</u>		
All imports	Fiscal tax of 10%-15%, levied on c.i.f. value Statistical tax of 1%, levied on c.i.f. value Standard tax of 25%, levied on c.i.f. value Turnover tax of 10%-22%, levied on c.i.f. value	
Used clothing	Arbitrary valuation	
Perfumery goods, cotton and knitted goods, household utensils of aluminum	Transactions tax of 10%, levied on c.i.f. value	
Cigarettes	Discriminatory excise taxes	

NIGERIA

NIGERIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Many products	Specific licensing	All other imports enter under Open General License.
<u>Other Restrictions</u>		
Pharmaceuticals	Discriminatory regulation	Products conforming to specifications of the British Pharmacopoeia or the British Pharmaceutical Codex and so labeled enter duty free. Products conforming to the U.S. Pharmacopoeia but not meeting the above requirements pay a 20% duty.

NORWAY

NORWAY

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Ships, boats, and other vessels, (except pleasure boats and craft, and the contracting of normal dry cargo ships)	Licensing	
<u>Valuation and Taxes</u>		
Nearly all products	Turnover tax of 13.64%, levied on c.i.f. duty-paid value	
All imported products	Traffic tax	Domestic goods moving in internal trade are not taxed.
Motor vehicles	Excise Tax: 35% on first \$840, 60% of amount over \$840. Rates will change July, 1968	Progressive nature of automobile tax weighs more heavily on expensive models.
<u>Government Procurement</u>		
All products purchased for public account	Preference is given to domestic bidders for products for public works	Preference margin up to 15% provided for in Decree of 3/11/27 in effect as of 1966. Preferential system is extended to other EFTA countries in conformity with Article 14 of the Stockholm Convention.
<u>Other Restrictions</u>		
Alcohol, alcoholic beverages, medicines and pharmaceuticals, fishing gear	State trading	
Shoes	Requirement that the binding sole of all shoes be made of a single piece of natural leather.	Artificial leathers such as "Corfam" are not presently acceptable for use in the binding sole, although they are permissible elsewhere in the shoe.

PAKISTAN

PAKISTAN

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Nearly all commercial imports	Import and exchange licensing	
Automobiles	Virtual embargo	Only autos with a landed cost of up to \$2331 may be imported.
<u>Valuation and Taxes</u>		
Most products imported for sale	Sales tax of 15% in most instances, levied on c.i.f. duty-paid value	Single-point sales tax, generally levied on both imported and domestically produced goods, levied at import, manufacturer, or wholesale point (but only one of these). Exemption for capital goods and certain other items. On a few items, tax is levied on imported but not on domestically produced goods.
Iron and steel, cement, coal, edible oils, electrical and pumping equipment, and diesel engines	Equalization payments on landed cost of imports	Equalization surcharge is levied on products from the cheaper of various foreign sources equal to the difference between lower priced and highest priced imports.
<u>Other Restrictions</u>		
Motion picture films	Import and remittance restrictions	
Most imports	Varying exchange rates	Rates vary among commodities according to periodic import policy announcements.
Iron and steel, nonferrous metals, sulphur, and rubber	State trading	

PERU

PERU

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
New textile machinery	Import license	
Used machinery and equipment	Virtual embargo	Imports allowed under special circumstances but require licenses.
Various products	Temporary embargo	Importation prohibited for 3 months, beginning March 1, 1968.
<u>Valuation and Taxes</u>		
Approximately 80 tariff classifications	Minimum valuation	
All products	Statistical tax of 1.5%, levied on c.i.f. duty-paid value	If the good is exempted from import duty the surcharge is 3% c.i.f.
All products	Surcharge: 4% of ocean freight charges	
<u>Government Procurement</u>		
All products	Government procurement practices	Regulations prohibit government agencies and institutions receiving government funds from importing goods produced domestically. Supreme Decree 139-A provides preference in the award of government purchase contracts to countries which acquire Peruvian coffee for use in new markets (as defined in the International Coffee Agreement).
<u>Other Restrictions</u>		
Pharmaceuticals, pharmaceutical specialities, biological products; chemical-medicinal, galenic preparations, veterinary pharmaceuticals, cosmetics, toilet articles	Prior authorization required	Products must be registered; importation denied if priced higher than similar domestically-produced items.

PERU

PERU

Product	Type of Restriction	Remarks
<u>Other Restrictions (cont'd)</u>		
Matches	Prior authorization	Imports require prior authorization from the Ministry of Finance and Commerce.

POLAND

POLAND

Product	Type of Restriction	Remarks
All products	State trading	
All products	Bilateral balancing	Under bilateral agreements, Poland channels its purchases to a certain degree on the basis of country of origin rather than on the basis of price, quality and terms.
All products	Marketing practices	Foreign businessmen and firms are restricted in gaining access to potential buyers.

PORTUGAL

PORTUGAL

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Certain natural or processed raw materials, some textile fibers, automotive vehicles and apparatus, miscellaneous manufactured goods	Global or bilateral quotas	About 62 tariff items are non-liberalized and thus subject to quota; application for import license made on individual basis. However, imports in excess of quotas may be licensed if Ministry of Economy determines such imports to be in interest of national economy. Certain of these items may be imported freely from EFTA countries.
All shipments into Portugal, including Madeira and the Azores, valued over 2500 Escudos (\$87.50)	Import license	Licenses usually granted automatically for liberalized goods.
Saccharine and food and other products containing saccharine	Prior authorization	Sale of food or other products containing saccharine are not considered to be in public interest by Ministry of Health; however, saccharine in powder or tablet form may be imported under license with approval GOP health authorities.
<u>Valuation and Taxes</u>		
Most products	Transaction tax of 7% (20% on luxuries) levied on 140% of c.i.f. duty-paid value	
Automobiles	Sales tax	Sales tax on automobiles, which is progressive, is particularly burdensome to the higher priced product.
<u>Government Procurement</u>		
All purchases for public account	Decree 22037 of 12/27/32 requires government departments "to give preference to Portuguese products when other conditions of the bids are equal."	EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.

SOUTHERN RHODESIASOUTHERN RHODESIA

<u>Product</u>	<u>Type of Restriction</u>	<u>Remarks</u>
<u>Quantitative Restrictions</u>		
Various products	Specific licensing	Most other goods enter under Open General License.
Light and built-up heavy commercial vehicles	Embargo	

RWANDARWANDA

<u>Product</u>	<u>Type of Restriction</u>	<u>Remarks</u>
<u>Quantitative Restrictions</u>		
All imports	Licensing	
<u>Valuation and Taxes</u>		
Most products	Fiscal tax of 10%-30%, levied on c.i.f. value	
Alcoholic beverages, petroleum products and tobacco products	Consumption tax	
All imports	Statistical tax of 3%, levied on c.i.f. value	

SENEGAL

SENEGAL

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Most imports	Exchange quotas	Annual import program prepared for all countries outside Franc Zone for non-liberalized goods; separate quotas allocated to EEC; remaining quotas are global.
Liberalized imports	Import certificate	
Matches, cotton yarn and fabrics, certain men's clothing, blankets, certain footwear, certain construction materials, vehicles over 5 tons	Embargo	
<u>Valuation and Taxes</u>		
All imports	Fiscal tax of 10%-15%, levied on c.i.f. value	
Most imports	Standard tax of 20%-30%	Levied on c.i.f. plus tariff plus fiscal duty plus statistical tax.
All imports	Turnover tax of 10%-22%	Levied on c.i.f. plus tariff plus fiscal plus statistical plus standard taxes.
All imports	Statistical tax 4 F per case or bundle	
Petroleum products	Tax of CFA 15.5-25.5 per litre	
<u>Health, Safety and Sanitary Restrictions</u>		
Pharmaceuticals	Visa requirement	Visa may be denied when similar or identical products are already legally sold in Senegal. Fee for visa application high.

SIERRA LEONE

SIERRA LEONE

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Various products	Specific licensing	All others enter under Open General License.
<u>Valuation and Taxes</u>		
Automobiles	Discriminatory valuation base	Valuation based on engine size which discriminates against high horsepower vehicles.

REPUBLIC OF SOUTH AFRICA

REPUBLIC OF SOUTH AFRICA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Most imports	Licensing	
<u>Other Restrictions</u>		
All imports	Antidumping procedures	Antidumping duties of specific amounts are incorporated in S. Africa's tariff schedule for specific products from certain countries and sometimes remain in effect for long periods of time.

SPAIN

SPAIN

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All liberalized goods (includes raw materials, capital goods and equipment, manufactured and consumer goods)	Import declaration	Declarations are usually issued freely for liberalized goods. Imports can be restricted through administrative slow-down in processing import declarations.
All used machinery and equipment, and second quality goods	Import license	Licenses generally not granted.
Motion pictures	Import Licensing Screen-time quota	Import licenses allocated according to weighted index for each foreign country. One Spanish film must be exhibited for every three Spanish dubbed foreign films.
All imports other than those listed above	Global quota, import licensing, or bilateral import regime	Global quotas in effect on about 65 categories. Quotas for some goods open all year, for others once or twice a year. Licenses may be issued freely up to amount of quota, and for many commodities, for amounts greater than quota. Occasionally licenses are not issued up to quota limit, and in rare instances none issued under a quota. Licenses granted first for imports from country with which Spain has bilateral trade agreement. License availability always uncertain, which discourages imports for which a continuing supply is essential.
<u>Valuation and Taxes</u>		
All imports	Compensatory Import Tax Range: 3% to 15% Average: 5% to 10% Assessed on c.i.f. duty-paid value	

SPAIN

SPAIN

Product	Type of Restriction	Remarks
<u>Valuation and Taxes (cont'd)</u>		
Motion pictures	Dubbing tax	Tax varies with country of origin, the charge on U.S. films being the highest.
All products	Minimum value	By alleging "abnormal prices", the Government can suspend all imports of the questioned good until the investigation is completed. By threatening an "abnormal price" investigation, the Government can induce importers to import goods at a price higher than the world price causing low cost producers to lose their advantage.
<u>Government Procurement</u>		
All products	Article 10 of the law for the Co-ordination and Defense of National Industries of 11/24/39 prohibits use of imported products in projects involving state or other local government funds, including national or quasi-national firms	Application for import license may be made when Spanish products are unavailable or do not meet necessary specifications. Short bid deadlines often have effect of excluding foreign competitors.
<u>Other Restrictions</u>		
Certain types of coal, petroleum and derivatives	State trading	
Synthetic fibers, Customs Headings: 51.01 A-1; 51.02 A-1; 56.01 A-2; 56.01 A-3; 56.02 A-2; 56.02 A-3; 56.04 A-2; 56.04 A-3	Must come directly from the producing factory	

SWEDEN

SWEDEN

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Automobiles, including special vehicles	Import license	
<u>Valuation and Taxes</u>		
All imports	Turnover tax of 11.1%, levied on c.i.f. duty-paid value	
Certain rugs, articles of gold and silver, precious stones, phonograph mechanisms and records	Sales tax, levied on c.i.f. duty-paid value	
Certain furs	Fur tax of 2-10%, levied on c.i.f. duty-paid value	
Toilet articles, cosmetics, and similar preparations	Commodity tax of 20-65%, levied on c.i.f. duty-paid value	
<u>Other Restrictions</u>		
Spirits and wines	State trading	

SWITZERLAND

SWITZERLAND

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Trucks, cotton fabrics, jute textiles, clothing of all kinds, certain carpets, and various minerals and chemicals	Licensing	
Wine in barrels	Quota	Specific quotas are granted to traditional suppliers (e.g., France, Germany) or to countries with which Switzerland has bilateral quota agreements. Wine in barrels from all other countries enters under the global quota.
<u>Valuation and Taxes</u>		
Motor vehicles	Road taxes and auto insurance	Road tax and compulsory insurance rates based on horsepower.
All products	Turnover tax of 5.4%, levied on c.i.f. duty-paid value	
<u>Other Restrictions</u>		
Ethyl alcohol of a strength of 80% or more, whiskey and gin in casks, brandy and liqueurs	State trading	

TOGO

TOGO

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing	Licenses required for all imports originating in non-Franc Zone countries.
<u>Valuation and Taxes</u>		
All imports	Transactions tax, levied on 17% c.i.f. value, plus all taxes	
All imports	Statistical tax of 19%, levied on c.i.f. value	
All imports	Warehouse tax of 1%, levied on c.i.f. value Fiscal stamp tax of 2% on all customs invoices	
All imports	Special import tax of CFA 5 per 100 kg.	
Textiles, alcoholic beverages and perfumery goods	Luxury tax of CFA 40	
Tobacco manufactures, jute goods	Phytosanitary tax of CFA 125 per ton	
All imports	Lighthouse tax of CFA 20 per ton	
All imports	Berthage tax of CFA 125 to CFA 510 per kg.	

TRINIDAD AND TOBAGO

TRINIDAD AND TOBAGO

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Many products, including textiles, leather and plastic goods, automobile accessories, paints, chemicals, soaps, paper products, building materials, furniture, consumer durables, tires and tubes, and certain motor vehicles	Licensing	

TURKEY

TURKEY

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Licensing	Special consideration is given items to be traded with bilateral agreement countries.
Some chemicals, paints and pharmaceuticals; explosives; some photographic equipment; plastics and certain rubber goods; some wood, paper and textile products; some glass products and most manufactures of copper, aluminum and zinc; certain tools; some tractors and trucks, trailers, and motorcycles; planes for spraying; clocks and watches; musical instruments; tape recorders and tape; certain scientific and technical instruments; many types of industrial, agricultural, and electrical machinery and apparatus; office machines, certain iron and steel products; asbestos; and certain petroleum products	Quotas	
<u>Valuation and Taxes</u>		
All goods imported by sea	Port tax of 5%, levied on c.i.f. plus duty, surtax and customs clearance costs	
All imports	Stamp tax of 15%, levied on c.i.f. value	
Most imports	Discriminatory production tax ranging from 10% to 75% of sum of c.i.f. value, customs duty, customs surtax, port tax and customs clearing expenses	Some manufactured goods produced domestically are not subject to this tax.

TURKEY

TURKEY

Product	Type of Restriction	Remarks
<u>Valuation and Taxes (cont'd)</u>		
All imports	Consular invoice fee ranging from 0.3% to 0.5% of f.o.b. value	
Motion picture films	Discriminatory film tax	Foreign films-70%; Domestic films-25%.
<u>Other Restrictions</u>		
Tobacco products; cigarette paper; various alcoholic beverages	State trading	
All imports	Advance deposit	Full Turkish lire equivalent must be deposited in advance for goods on the liberation list and for quota list goods imported against letter of credit. Deposit is 50% for quota list items imported cash against documents. Deposit period for bilateral agreement imports is shorter.
All imports	Guarantee deposit	Guarantee deposits at 10, 30, 70 or 100% depending on the import list, in addition to advance deposit.

TUNISIA

TUNISIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Most imports	Quota	Has system of global and bilateral quotas.
All imports	Licensing	Licenses required for all goods from non-Franc Zone countries.
Variety of imports	Embargo	
<u>Valuation and Taxes</u>		
All imports	Production Tax of 15.1 to 19.9%, levied on duty-paid value	
All imports	Consumption Tax of 9.25 to 31.9%, levied on duty-paid value	Not applied when consumption duty is assessed. Soap and perfume subject to both however.
All imports	National Defense Fund Tax of 10% of either the Consumption Tax or Duty	
All imports	Customs Formality Tax of 1.81% of landed cost	
Perfume, soap, tires, petroleum products, gunpowder, explosives	Consumption Duty of 11 to 88%	
<u>State Trading</u>		
Playing cards, matches, tobacco and tobacco products	Imported solely by Tobacco Monopoly	
Pharmaceutical products, raw materials used in manufacture of certain products	Imported solely by Pharmacie Centrale	
Books, periodicals, phonograph records, cultural items	Imported solely by Societe Tunisienne de Diffusion	

TUNISIA

TUNISIA

Product	Type of Restriction	Remarks
<u>State Trading (cont'd)</u>		
Timber, paper, hardwood, fertilizer, construction materials, iron, glass and earthenware, yarn and spun goods	Imported by import group associations	
Used clothing	Imported by Societe d'Articles Populaires, a semi-public agency	

UNITED ARAB REPUBLIC

UNITED ARAB REPUBLIC

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	State trading	Import trade is nationalized, with importing limited to government ministries, public organizations and government controlled import companies.
Beverages and tobacco manufactures (unless approved by Tourism Department); acetylene gas; perfumery and cosmetics; toilet soap; shoe polishes and creams; certain plastics manufactures; saddlery and harness; leather travel goods; ready-made furs; manufactures of wood; wall paper, paper and paper-board cut to size or shape, and calendars; footwear (except protective); tiles; manufactures of asphalt (except flooring tiles); asbestos cement; ceramic products; certain glass products; certain manufactures of iron and steel; rolled copper wire; aluminum and copper domestic utensils; certain aluminum manufactures; lead pipes, tubes, hollow bars, and joints for pipes and tubes; self contained air conditioners; domestic refrigerators; domestic water heaters and dishwashers; various types of industrial and electrical machinery and apparatus; motorcars for personal use; bicycles; watches; household furniture; brooms and brushes; playing cards.	Embargo	Numerous other items in most commodity categories also are prohibited unless specifically approved by the concerned government ministry.
Imports in general	Exchange allocations	Currency area restrictions are imposed to meet commitments under bilateral agreements.
<u>Valuation and Taxes</u>		
All imports	Statistical tax of 10%, levied on c.i.f. value	

UNITED ARAB REPUBLIC

UNITED ARAB REPUBLIC

Product	Type of Restriction	Remarks
<u>Valuation and Taxes (cont'd)</u>		
All imports	Pavement tax	Tax of 3% of the sum of the customs duty, statistical tax and, where applicable, excise taxes.
All imports	Porterage fee	

UNITED KINGDOM

UNITED KINGDOM

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Coal, coke, and solid fuels manufactures of coal or coke	License required, and none issued	
Cigars	Quota	
Jute cloth (exceeding 18 inches in width) and new sacks and bags (other than heavy bags, common sacking and wool sacks)	Global quota	
Rum	Dollar area quota	
Motion picture films	Screen-time quota	
TV films	Screen-time quota 14% for imported films	
<u>Government Procurement</u>		
All products	Administrative practices	While no procedures have been published, purchasing depart- ments when intending to place orders abroad try to find out whether the products can be obtained on competitive terms within the Commonwealth. Some administrative measure of preference is given to firms in development dis- tricts. Preference is also specifically given to com- puters of UK manufacture. EFTA members have equal op- portunity with domestic firms under Article 14 of the Stockholm Convention.
Timber (Douglas Fir)	Government procurement	British Admiralty requires that lumber for which tenders invited must originate in British Colombia.

UNITED KINGDOM

UNITED KINGDOM

Product	Type of Restriction	Remarks
<u>Other Restrictions</u>		
Certain steel products	Rebates for domestic users of certain domestic steels	So-called loyalty rebate of the British Steel Corporation provides for a rebate to British users of certain categories of steel who can show that they have not used imported steels of the same type in the preceding six months.

UPPER VOLTA

UPPER VOLTA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports	Import and exchange licenses	An import license and an exchange license is required for all imports from countries outside of the Franc Zone. Licenses are not ordinarily issued for the import of commodities which are available from within the Franc Zone. Goods originating within the EEC receive more liberal treatment than do non-EEC goods.
Used clothing	Embargo	
<u>Valuation and Taxes</u>		
All imports	Fiscal tax - 0-30% Standard tax - 0-25% Temporary development tax - 10% Statistical tax - 1% Contractual tax - 2.25-25% Temporary maintenance tax - 1.5% Compensatory tax - 3.5%	
<u>Other Restrictions</u>		
Medicaments	Discriminatory regulation	Medicaments not appearing in the French Codex or authorized by the Central Pharmaceutical Service are prohibited.

URUGUAY

URUGUAY

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
All imports (except capital goods which may be exempted on a case by case basis), unless by public organizations	Advance deposits (returned after 8 months)	Advance deposits are required of from 200 to 400% on imports exceeding a given percent (averaging 80%) of past import levels.
Most capital goods	Three-year foreign financing required	
Kits (completely knocked down) for assembling of autos	Embargo	
<u>Valuation and Taxes</u>		
Most goods except essential items of an industrial, agricultural or medicinal nature	Surcharges of 10% to 300%	Imports are subject to surcharges to conserve foreign exchange.
All imports	Port handling fee: \$.025 per 100 kg. of gross weight or \$.33 per 100 pesos of valuation. Consular invoice charge: 12% f.o.b. value. Port charge: 12% c.i.f. Global customs charge: 18%	

YUGOSLAVIA

YUGOSLAVIA

Product	Type of Restriction	Remarks
<u>Quantitative Restrictions</u>		
Nearly all machinery and equipment, most consumer goods and some raw materials	Global exchange quotas	Allocated according to past imports. Distinction is made between hard currency and clearing currencies. Major exporters (producers exporting more than 51% of their production) may freely import raw materials on this list.
Salt, coke, asbestos, tobacco waste, coal, certain chemical raw materials, pig iron and selected iron and steel manufactures	Commodity quotas	Quotas set by special regulations of the Federal Executive Council.
A variety of products, including coke, certain iron and steel semi-manufactures, and certain chemicals	Commodity quotas	Additional restriction on imports established by agreement between the domestic producer and importer.
Passenger and cargo aircraft, tractors, railroad locomotive and rolling stock and wines	Licensing	Granting of a license does not include an allocation of foreign exchange; allocations under the global foreign exchange quota must be used.
All imports not subject to quotas	Exchange control	Exporters are permitted to retain only a percentage of hard currency earnings, with which to import non-quota goods.
<u>Other Restrictions</u>		
Many products	Commitments to import from certain supplying countries	End-users must purchase certain amounts from Yugoslavia's bilateral partners. After these commitments have been met, end-users may purchase these goods freely from other sources.
Raw materials and semi-manufactures used in the shipbuilding, electric, textile, and food industries	Export incentive	End-users in these industries receive foreign exchange for the import of these products in a fixed ratio to exports.

INVENTORY OF ALLEGED UNITED STATES
NON-TARIFF BARRIERS

This list includes laws, government regulations, and administrative practices that have been the subject of complaints or protests by foreign officials or exporters or by U.S. importers, alleging that they are restrictive of trade. The list is divided into : (I) quantitative import restrictions and (II) other measures by the Federal Government, such as customs valuation procedures, procurement policies, countervailing duties, and health and safety regulations.

I. Quantitative Restrictions

- A. Under Section 22 of the Agricultural Adjustment Act of 1933, as amended, the President is empowered, after a Tariff Commission investigation to apply quantitative restrictions or fees on imports of agricultural commodities when he finds that imports materially interfere with domestic price support programs. At present, import restrictions are imposed on wheat and wheat products, cotton, peanuts, butter, certain cheeses, and other specified dairy products.
- B. The Long-Term Cotton Textile Agreement (LTA) is a multilateral arrangement in which most of the world's leading cotton textile importing and exporting countries participate. Under a provision of the LTA the United States controls imports of cotton textiles under separate bilateral agreements with 22 countries whose shipments account for more than 80 percent of all U.S. cotton textile imports.
- C. Petroleum Controls (Section 232, Trade Expansion Act) Section 232 of the Trade Expansion Act authorizes the President to adjust the imports of any article so that they will not threaten to impair the national security. Imports of crude petroleum and its derivatives are restricted under this provision. Imports of these products are limited to about 12 percent of domestic production.

- D. The Sugar Act of 1948, as amended, provides a quota formula whereby United States sugar requirements are shared between domestic and foreign suppliers. United States producers are allocated about 65 percent of the domestic market, while 35 percent is reserved to foreign suppliers.
- E. The Meat Import Act of 1964, authorizes the President to limit imports of fresh, chilled or frozen beef and veal, sheep (except lamb) and goat meat. The law does not actually establish quotas for meat imports; rather it prescribes contingency quotas to be applied only when estimated imports exceed levels based on imports during 1959-63. Quotas have not been "triggered" to date.
- F. Fur Embargo Imports of ermine, fox, kolinsky, marten, mink, muskrat, and weasel furskins, which are the product of the Soviet Union or of Communist China, are prohibited under the trade agreements legislation.

II. Other United States Measures

A. Valuation Practices

(1) American Selling Price

This method of valuation is applicable primarily to benzenoid chemicals, but also to certain kinds of rubber footwear, canned clams, and wool knit gloves. In the Kennedy Round the United States agreed to seek legislation to eliminate ASP.

(2) Section 402a

This valuation provision applies to a long list (the so-called Final List) of specifically enumerated products, the valuation of which in 1956 would have varied by more than 5 percent from the new method of valuation established in the Customs Simplification Act of 1956. The provision requires that appraisement of these products be based on the old set of

valuation provisions applicable to all products prior to 1958. Imports subject to the list comprised about 7 percent of U.S. dutiable imports in 1966.

B. Government Procurement Policy

- (1) All Federal Government procurement for use within the United States is subject to the provisions of the Buy American Act of 1933, which provide that only domestic materials can be purchased unless (a) the required supplies are not available domestically, (b) their purchase would be inconsistent with the public interest, or (c) the cost would be unreasonable. Under Executive Order 10582 of December 17, 1954, unreasonable price is defined as a price "more than 6 percent higher than the foreign bid". An additional 6 percent differential is applied in favor of the domestic bid if the materials will be produced in an area of substantial labor surplus or the low domestic bidder falls within the category of "small business". The Department of Defense is temporarily applying a 50 percent differential because of our balance-of-payments difficulties.
- (2) The Defense Department appropriation acts since 1954 have included a prohibition on funds for the procurement of any article of food, clothing, cotton, wool, silk and spun silk yarn for cartridge cloth which has not been grown or produced in the United States. This prohibition was broadened in the Appropriation Act of 1968 to include synthetic and coated synthetic fabrics.

C. Countervailing Duty practices

The countervailing duty provision of the Tariff Act of 1930 provides for the imposition of countervailing duties when the Treasury Department finds that a dutiable import is benefitting from a bounty or grant. There is no injury requirement (as GATT requires) and no room for administrative discretion if a bounty or grant is found to exist.

D. Safety Standards

(1) Motor Vehicles

The Motor Vehicle Safety Act of 1966 has been considered by some foreign auto producers as a potential nontariff trade barrier because it may have more restrictive effects on foreign cars than on American cars. The concern of exporters of motor vehicles, equipment, and tires to the United States has been that some safety standards might be more appropriate for the type of automobiles generally produced by the large American manufacturers than for imported automobiles, many of which are smaller or of quite different design.

(2) Gas Cylinders

The Department of Transportation presently requires that cargo tanks and cylinders used for transport of compressed gases be tested and analyzed for compliance with Code of Federal Regulations specifications within the limits of the United States. Inspection is required during the process of manufacture and the CFR does not provide for such inspection to be performed outside the United States.

E. Health Standards

(1) Quarantine and Food and Drug Laws and Regulations

Certain provisions of U.S. sanitary and health laws and regulations are sometimes viewed by foreign suppliers as trade barriers. One of the best-known examples is a provision in the Tariff Act of 1930 prohibiting any imports of meat from any country having hoof and mouth disease. In other cases, regulations specify standards of wholesomeness or purity that are equally applicable to imports and to the domestic product but that foreign suppliers may consider unnecessarily strict or burdensome. For example, a regulation of the Food and Drug Administration prevents the use of fish oil in the manufacture of margarine in the United States, though herring oil is used for that purpose in many other countries.

- (2) The Wholesome Meat Act (PL 90-201) is designed to protect the health and welfare of consumers by assuring that meat and meat food products distributed to them are wholesome, not adulterated, and properly marked, labeled, and packaged. This legislation is not intended to restrict trade, although plants in some countries with relatively low health and sanitary standards may have difficulty complying with the standards set forth in the Act.

F. Other Nontariff Barriers

- (1) Distilled Spirits
Under the wine gallon/proof gallon system used by the United States to assess import duties and excise taxes on alcoholic beverages, imported bottled spirits of less than 100 proof are assessed as though they were 100 proof, so that in effect a bottle of 86 proof Scotch is assessed for an additional 14 proof. Alcoholic beverages imported in bulk at 100 proof or more are treated the same as domestically produced spirits, which are assessed before the bottling process while they are still 100 proof.
- (2) United States Manufacturing Clause in Copyright Act
Prevents entry into the United States of more than 1,500 copies of English language books with an exception for books authored by nationals of countries adhering to the Universal Copyright Convention.

This list, inter alia, does not include foreign assets control regulations, which control the trade with Communist China, North Korea, North Vietnam, and Cuba; voluntary export controls which may be imposed by foreign countries to avoid disruption of the U.S. market; state and local measures that may restrict imports; and private restrictive practices.

NONTARIFF BARRIERS

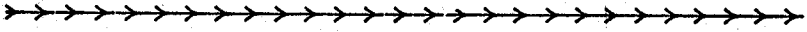
BY

WILLIAM B. KELLY, JR.



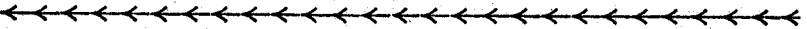
In this paper, the terms "Atlantic area countries" and "industrial countries" refer to the European Economic Community, the European Free Trade Association (less Portugal and Finland), the United States, Canada, and Japan

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STUDIES IN
TRADE LIBERALIZATION

Problems and Prospects for the Industrial Countries



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CHAPTER IX

NONTARIFF BARRIERS

*William B. Kelly, Jr.¹**Introduction*

Apart from eliminating virtually all quantitative restrictions on nonagricultural products, postwar trade negotiations among the industrial countries have primarily concerned tariffs. The 1947 GATT agreement did establish international rules on a number of nontariff barriers; and in tariff negotiations, nontariff barriers were considered in evaluating the benefits to be gained from tariff concessions. But because of the height of tariff levels, it was generally not thought essential to deal directly with nontariff barriers. Also, their negotiation is much more complex and difficult. However, with further reductions in tariffs, whether they be accomplished through establishing a free trade area, or through multilateral trade negotiations, such as the Kennedy Round, nontariff measures will become increasingly important barriers to trade and will demand greater attention. Such lowering of tariffs would be analogous to a lowering of the water level of the Atlantic Ocean—the mountains of the ocean floor that had hitherto been submerged would now become navigation hazards.

Existing nontariff measures that may only marginally affect trade when coupled with tariff protection could become formidable obstacles if tariffs were eliminated or further reduced. More important, in order to compensate domestic producers for loss of tariff protection, it is likely that many nontariff measures, now dormant, would be rigorously applied, new measures introduced, and old ones amended to make them more effective in restricting trade. Consequently, the improvement sought in the flow of international trade would not fully materialize.

¹ When this chapter was written, the author was a member of the U.S. delegation to the Kennedy Round trade negotiations. (The views expressed here are his own, and not those of the U.S. government.)

It is already recognized that nontariff restrictions are not merely residual obstacles to trade that would have to be negotiated after the successful reduction or elimination of tariffs, but that they are an integral part of liberalizing trade. In both the European Economic Community (EEC) and the European Free Trade Association (EFTA), they are taken up in one form or another. They are an important part of the Kennedy Round negotiations, where in some instances countries have conditioned their tariff cuts on other countries' actions on nontariff barriers. The EEC, the United Kingdom, and Switzerland, for example, have linked their tariff cuts on chemicals to U.S. action on the American selling price basis of customs valuation.

In the broadest sense, a nontariff barrier is any law, regulation, policy, or practice of a government, other than an import duty, that has a restrictive effect on trade.² Usually, however, only government actions that have the purpose and/or effect of protecting particular domestic producers from foreign competition are regarded as nontariff barriers.³ The nontariff barriers with which this chapter is concerned are as follows: quantitative restrictions and state trading, government procurement, customs classification and valuation, antidumping legislation and practices, and various internal and other measures that restrict trade. These are the nontariff barriers relating to nonagricultural products that have been the principal subject of complaints among Atlantic area countries in recent years, and in the Kennedy Round trade negotiations. Other nontariff measures exist, but they have not been the subject of complaints and it may be assumed that they do not restrict trade to an appreciable extent. However, the space devoted to particular nontariff barriers does not necessarily reflect their trade importance; lengthy treatment is given some restrictions only because of their complexity or because of the publicity that they have received.

² This definition does not include restrictive private business practices or such "natural" barriers as language differences and cultural affinities, which may be quite important.

³ Governments' monetary and fiscal policies, for example, can have restrictive trade effects, but they are not usually regarded as nontariff trade barriers. Also, nontariff measures imposed by governments to protect public health, morals, national security, and for other reasons unrelated to protection from foreign competition are not regarded as nontariff barriers unless they are abused.

Nontariff barriers on agricultural products⁴ are omitted from this discussion but not because they lack importance; in fact, they limit trade much more than those on industrial products. However, in the Atlantic area, nontariff restrictions on agricultural products are largely a by-product of domestic agricultural policies. They cannot be abolished or modified unless these policies are abandoned or changed. While domestic agricultural systems are central to any discussion of nontariff barriers on agricultural products, such a discussion requires separate treatment that is beyond the scope of this chapter.⁵

There are many misconceptions and some misleading information about nontariff barriers that, on the one hand, overstate their importance and, on the other, understate it. In large part, this is due to the difficulties in estimating the trade effects of nontariff as opposed to tariff restrictions. While price comparisons can be made to estimate the tariff equivalent of some nontariff barriers on standardized products that have comparable world market and domestic prices, such estimates are possible chiefly with respect to fuels, raw materials, and agricultural products. Furthermore, "world" and "domestic" price comparisons can usually be made only in relation to a few nontariff barriers, such as import quotas, that are imposed on particular products. Such comparisons are virtually impossible to make for nontariff barriers that apply to all imports, such as complex customs regulations.

Estimates of the trade effects of nontariff barriers must be based in most instances on the educated guesses of commodity or other specialists who have a "feel" for the subject.⁶ In some cases, even guesses are not possible. For example, a "guesstimate" can be made of how much coal might be im-

⁴ Most items in Chaps. 1 to 24 of the Brussels Tariff Nomenclature are treated here as agricultural products. However, some of these products, such as whiskey and cigarettes, are regarded as industrial.

⁵ See, for example, John O. Coppock, *North Atlantic Policy—The Agricultural Gap* (New York: The Twentieth Century Fund, 1963).

⁶ An example of a study based on such estimates is Howard S. Piquet, *Aid, Trade, and the Tariff* (New York: Thomas Y. Crowell Co., 1953), particularly Chap. 8. See, also, Robert M. Stern, "The U.S. Tariff and the Efficiency of the U.S. Economy," *The American Economic Review*, LIV, No. 3 (May, 1964), pp. 459–70. This article, which relates to Piquet's estimates, evaluates the economic significance of U.S. tariffs and import quotas.

ported into the United Kingdom if the embargo on imports were removed. However, any reliable estimate of the trade-restrictive effect of the Canadian antidumping law is impossible. Like similar measures that apply to all or most imports, its restrictive effect cannot be estimated by commodity specialists—not because of the range of commodities involved, but because the principal restrictive effect of such a nontariff barrier is its uncertainty and consequent discouragement of imports.

The importance of this element of uncertainty, inherent in most nontariff barriers, should not be underestimated. In fact, it is the most restrictive aspect of some nontariff measures. Traders must know where they stand if goods are to be exchanged. Unlike tariffs, the effects of nontariff measures on importers' and exporters' sales and profits may not be calculable. Because of such open-ended risks, the effort necessary to develop a foreign market may never be made.

Another source of misunderstanding about nontariff barriers is a fundamental difference between U.S. and other countries' restrictions that make the latter much more difficult to evaluate. In general, U.S. restrictions are specifically stated in legislation and in detailed regulations, and officials are given relatively little discretion in their administration. In most other countries, legislation tends to be less specific, and administrative regulations, if any, may be very general, making it much more difficult to identify nontariff restrictions and to evaluate their effects. Such nontariff measures are not, thereby, less restrictive; indeed, their lack of specificity may increase their trade-inhibiting effect.

This difference between U.S. and other countries' nontariff restrictions has resulted in much more attention being given to the former. Because it is easier to identify and to cite U.S. nontariff restrictions, most publications tend to emphasize them and unavoidably to give the impression that they are more important than those of other countries.⁷ This is true in some instances but is not a valid generalization. In this connection, it may be noted that the EEC and EFTA are dealing

⁷ Several publications deal specifically with U.S. nontariff barriers. See, for example, Craig Mathews, "Non-Tariff Import Restrictions: Remedies Available in United States Law," *Michigan Law Review*, Vol. 62, No. 8 (June, 1964), pp. 1295-1356; and Noel Hemmendinger,

with nontariff problems among member countries within these regional trade arrangements, and presumably will continue to do so until these barriers are eliminated or substantially reduced. However, in the absence of common EEC and EFTA policies on nontariff barriers, third countries continue to have nontariff problems with the individual member states.

Quantitative Restrictions and State Trading

Quantitative restrictions usually apply to specific products and are the most easily identifiable of all nontariff barriers. They range from a complete prohibition of trade to a system under which licenses, although required, are granted liberally.

Quantitative restrictions are absolute limitations on the quantity or value of imports (or exports). Restrictions that permit stipulated amounts to be imported during a given period of time are called *quotas*. Those that do not provide for stipulated amounts may grant special permission to import specified amounts through the issuance of *licenses*. Licenses may also be required for individual transactions even though a quota is established.

During the postwar period when balance-of-payments difficulties were experienced by almost all nondollar countries, quantitative restrictions were used widely to restrict imports. After the Marshall Plan became effective, the Organization for European Economic Cooperation (OEEC) initiated a program to reduce and eliminate these restrictions among Western European countries, and then later between them and the dollar

Non-Tariff Trade Barriers of the United States (Washington, D.C.: United States-Japan Trade Council, 1964). Even when publications do not directly relate to U.S. nontariff restrictions, they frequently focus on them because of their ease in identification. See, for example, Mark S. Massel, "Non-Tariff Barriers as an Obstacle to World Trade," Reprint of The Brookings Institution, June, 1965.

U.S. and Canadian nontariff barriers are treated in several publications, some of which are cited below, n. 71.

A discussion of U.S. and European nontariff barriers is contained in two articles in the April 22 and 29, 1965 issues of *Opera Mundi Europe*, published by the Times Publishing Co., Ltd. Excerpts from these articles are reprinted in the July and August, 1965 issues of *European Community*, a publication of the European Community Information Service. Neither of these articles, however, is very accurate. *Le Comité Européen pour le Progrès Economique et Social* (CEPES), an organization of French, German, and Italian businessmen that is affiliated with the U.S. Committee on Economic Development (CED), plans future publication of a study of North American and European nontariff barriers.

area. Similar efforts were made by the GATT and the International Monetary Fund. Gradually these restrictions were reduced, and they have been practically eliminated on industrial products. Except for coal and restrictions relating to Japan, which are discussed separately, remaining quantitative restrictions among Atlantic area countries on nonagricultural products are of minor importance, because import licenses are usually granted freely when they are required.

Under the Treaty of Rome, all quantitative restrictions among EEC countries are to be abolished and, in fact, have virtually disappeared. However, licenses and quotas still apply to a few industrial imports of individual member states from other countries of the Atlantic area.⁸ But these restrictions are relatively minor trade deterrents. Of some importance are French licensing controls on transistor assemblies, transistors, and parts, and on helicopters and light aircraft, which primarily affect the United States. Penicillin and penicillin products are subject to quotas in Benelux. Italy embargoes all imports of sulphur, even from other EEC countries. Imports into Italy of tetraethyl lead and "anti-knock" preparations are licensed automatically to EEC countries, but a quota applies to imports from the United States and the United Kingdom. Italian licensing controls on citric acid, crude calcium citrate, and essential citrus oils also have a restrictive trade effect.⁹

Pursuant to the Stockholm Convention, quantitative restrictions among EFTA countries on industrial products have been virtually eliminated, and remaining restrictions on third-country imports are of relatively little trade importance. In the United Kingdom, imports of airplanes from the dollar area are

⁸ As part of the contemplated EEC common commercial policy, national quantitative restrictions are to be replaced by Community measures by the end of the transitional period. However, little progress has been made in establishing a common commercial policy because member states, particularly France, have been reluctant to relinquish independence in this area. Even a modest proposal by the EEC Commission for the gradual introduction of common procedures for the administration of import quotas is still being studied by the Council.

⁹ For a listing of quantitative restrictions maintained by EEC countries, see the following GATT documents: L/2740/Add. 8, April 25, 1967 (Germany); Add. 6, April 6, 1967, and Corr. 1, May 17, 1967 (Benelux); Add. 2, March 15, 1967 (Italy); and L/2336, February 26, 1965, pp. 40-63 (France).

subject to discretionary individual licensing. Quantitative restrictions are still maintained by Austria on lignite, penicillin and other antibiotics, and motion picture films. Restrictions by other EFTA countries on nonagricultural products are either nil or negligible.¹⁰ Canada prohibits the importation of used automobiles and used aircraft.¹¹ Although both restrictions are nondiscriminatory, they have their greatest impact on the United States. In addition, Canada restricts exports of logs and pulpwood by licensing controls.¹² Their purpose and effect is to furnish protection to Canadian saw mills and pulp and paper producers by restricting the raw material supplies of competing producers, primarily U.S. producers located along the U.S.-Canadian border. Japan is also adversely affected by export restrictions on logs.

The United States maintains quantitative restrictions on imports of petroleum and petroleum products. However, except for Canada, the only industrial country that is an important supplier of petroleum, the effect of these restrictions on the exports of countries in the Atlantic area is negligible.¹³

The most important quantitative restrictions on nonagricultural products among countries of the Atlantic area relate to coal. Although fuels are not discussed elsewhere in this volume,

¹⁰ See the following GATT documents: L/2740/Add. 9, April 21, 1967 (United Kingdom); Add. 10, May 11, 1967 (Sweden); Add. 5, March 29, 1967, and Corr. 1, April 28, 1967 (Austria); Add 3, March 30, 1967 (Denmark); L/2568/Add. 11, July 20, 1966, and L/2675/Add. 2, January 16, 1967 (Norway); and L/1862, October 17, 1962 (Switzerland).

¹¹ See GATT document L/2740/Add. 7, April 14, 1967.

¹² These restrictions, which are of long standing, are administered by Federal authorities in co-operation with Canadian provinces, which have jurisdiction over Crown lands on which most forests are located. For example, under present regulations in British Columbia, a permit issued by the British Columbia Forest Service is required for all log exports. Such permits are not usually given unless the applicant can present three letters from prospective Canadian purchasers indicating that they have no need for the logs. See article in *The Financial Post*, Toronto, April 9, 1966. See also, U.S. Tariff Commission, transcript of hearings on softwood lumber, Investigation No. 7-116 (TEA-1-4), October, 1962, pp. 908-11.

¹³ The United States also prohibits the importation of more than 1,500 copies of most books in the English language for which the U.S. copyright is obtained. This restriction affords protection to the U.S. publishing industry by virtually requiring that books with a U.S. copyright be manufactured in the United States. See GATT document L/2568/Add. 6, March 22, 1966.

an exception is made in this instance because of the importance of restrictions on coal and because of the part they have played in the Kennedy Round discussions of nontariff barriers.

Within the EEC, only Italy has no restrictions on coal imports. Germany imposes a prohibitive tariff of 20 DM (\$5) per ton on all coal imports in excess of a duty-free global quota, which has averaged about 6 million metric tons annually. Because no imports enter at this prohibitive rate, this tariff quota is comparable to an absolute limitation of imports.¹⁴ Belgium imposes quotas on coal that are administered through the issuance of licenses. Imports into the Netherlands are also licensed, and imports of anthracite are subject to a quota that discriminates against the United States in favor of the United Kingdom and the U.S.S.R., the traditional suppliers. In France, a *de facto* state-trading company, *Association Technique de l'Importation Charbonnière* (ATIC), has a monopoly on the importation of non-EEC coal. Imported coal is then sold at a price fixed by the French government that limits the competition of foreign coal.¹⁵

The United Kingdom prohibits imports of coal from Atlantic area countries. At the same time, the United Kingdom is an important coal exporter.¹⁶ The National Coal Board, established in 1946 when the coal industry was nationalized, prices exports so that they can compete in world markets. Because export prices are related to prevailing world prices rather than to domestic prices, such a pricing policy constitutes a subsidy.¹⁷ Instead of quantitative restrictions, Canada

¹⁴ Germany also prohibits all imports of non-EEC coal south of the *Mittelland Kanal*, where most of the German steel industry is located. The effect of this geographical restriction is to limit the use of imported coal under the duty-free quota to the production of coal gas, the generation of power, and other non-steelmaking purposes. Germany also grants tax advantages and cash subsidies to power plants that use Community instead of third-country coal.

¹⁵ All EEC producing countries subsidize domestic production in some form. In 1965, indirect and direct subsidies ranged from \$.80 per ton in the Netherlands to \$6.20 per ton in Belgium. See *Bulletin de la Communauté Européenne du Charbon et de l'Acier Haute Autorité*, No. 61 (Luxembourg: April, 1966), p. 21.

¹⁶ In 1964, the United Kingdom exported 6.0 million metric tons of coal, of which 4.9 million tons were exported to Atlantic area countries. The Netherlands, France, Denmark, Germany, and Belgium were the principal purchasers.

¹⁷ See GATT document L/2593/Add. 6, May 20, 1966, pp. 2 and 3.

subsidizes the transportation of coal, which enables coal mined in Nova Scotia and the other maritime provinces to compete with imported U.S. coal in eastern and central Canada.¹⁸ A similar subsidy is paid to enable coal mined in western Canada, primarily Alberta, to compete with U.S. and other coal exports to Japan.¹⁹

Japan licenses imports of coal, which consist largely of low-volatile metallurgical coking coal necessary for blending with high and medium volatile coals from domestic sources to meet the requirements of the steel industry.

The United States, as the world's largest producer and exporter of coal, has been most affected by these various restrictions. U.S. commercial exports of coal in 1964 totaled 44.9 million metric tons, valued at \$463.3 million. Of this total, 40.3 million tons, valued at \$413.1 million, were exported to industrial countries. Canada was the most important purchaser, followed by Italy and Japan.

U.S. exports in 1964 to those industrial countries that restrict imports totalled 32.0 million metric tons valued at \$324.8 million. It has been estimated that if restrictions were liberalized, U.S. coal exports to these countries in 1970 could increase by 50 to 200 per cent and earn an additional \$180 to \$740 million of foreign exchange depending on the extent to which import barriers and other protective measures were relaxed.²⁰ These estimates include normal growth of exports, as well as growth resulting from the relaxation of restrictions. On the other hand, they assume continued protection of indig-

¹⁸ The amount of the subsidy depends upon the delivered cost of Canadian as compared with imported coal to the same market. The total cost of subventions in 1963 was C\$15.2 million and averaged C\$5.49 per short ton. This assistance provided a market for 2.8 million tons of Canadian coal, most of which, in the absence of the subsidy, would have been supplied by the United States. See GATT document L/2326, January 13, 1965, pp. 31 and 32.

¹⁹ In 1963 such subventions totaled C\$2.3 million and averaged C\$3.24 per short ton and enabled 0.7 million tons of Canadian coal to be exported to Japan. See *ibid.*, p. 33. Canada also pays a subsidy of C\$495 per ton on bituminous coal mined in Canada and converted into coke to be used in the manufacture in Canada of iron or steel. This subsidy, which is paid to the coke producers, totaled C\$239 thousand in 1963. See *ibid.*, pp. 34-35.

²⁰ These estimates are derived from forecasts contained in Robert R. Nathan Associates, Inc., *The Foreign Market Potential for United States Coal*, Report to the U.S. Department of the Interior, 4 Vols. (Washington, D.C.: U.S. Government Printing Office, 1963).

enous coal production but at a lower level. If this protection were removed entirely, estimated U.S. export potential would be considerably greater than indicated.

Apart from coal, the major application of quantitative restrictions on trade among industrial countries relates to Japan. When Japan became a member of the GATT in 1955, France, Belgium, Luxembourg, the Netherlands, the United Kingdom, and Austria (and some nonindustrial countries) invoked Article XXXV of the GATT, thereby declining to apply the most-favored-nation clause and other obligations under GATT to Japanese exports. Of these countries, only Austria continues to invoke Article XXXV against Japan, but as a price for disinvocation, the other countries usually obtained commitments from Japan that permit discrimination against certain Japanese products. Although Italy, Germany, and the Scandinavian countries never formally invoked Article XXXV against Japan, they, too, impose discriminatory quantitative restrictions on many Japanese products.²¹

Japanese exports to the industrial countries are also limited by "voluntary" export controls, which are usually imposed at the specific request of an importing country and are frequently included in negotiated bilateral agreements. Thus, although neither Canada nor the United States applies discriminatory quantitative restrictions to imports from Japan, they, along with other industrial countries, have formally and informally pressured Japan to control exports of a number of products. These controls have the same purpose and effect as discriminatory import restrictions.²² Under the "Long-Term Ar-

²¹ Actions under Article 115 of the Rome Treaty have resulted in still more restrictions against Japan. Under this article, which is a transitional measure to be used until the adoption of an EEC common commercial policy, member countries may deviate from intra-community free trade to deal with trade disruption caused by a third country because of a different commercial policy of another member country. For example, if France limits imports of a product from Japan and Germany does not, France may apply to the EEC Commission for authority to limit imports of the product that are transshipped through Germany. At the beginning of 1964, there were 138 EEC tariff positions subject to Article 115 actions. Most of these actions stemmed from differences in member-country commercial policies toward Japan or the Soviet bloc.

²² Export controls, however, permit the realization of "quota profits" (higher prices resulting from the imposition of quotas) by traders in the exporting country instead of by those in the importing country.

angement Regarding International Trade in Cotton Textiles," all EEC countries and Austria, Denmark, Norway, and Sweden impose quotas on imports from Japan of cotton yarns, piece goods, made-up articles, garments, and other cotton-textile manufactured products.²³ In turn, under bilateral arrangements concluded under this agreement with the United Kingdom, the United States, and Canada, Japan limits exports of cotton textiles to these countries.²⁴

Under the cotton textiles agreement, import and export restrictions have been applied to the trade of a number of less developed countries as well as to that of Japan. However, between 1961, the year before the agreement entered into force, and 1964, exports of the cotton textiles covered by this agreement of the thirteen participating less developed countries increased from \$485 to \$675 million or by 39 per cent. Exports of the fifteen participating developed countries (excluding Japan) increased by 9 per cent from \$1,360 to \$1,480 million. Japanese exports, however, declined by 2 per cent from \$465 to \$455 million.²⁵ It would appear, therefore, that this agreement has had its most significant impact on Japan. However, under the agreement's bilaterally negotiated quotas, Japanese exports may now be larger than if they competed with the exports of the less developed countries under a global quota.

Japan, on its part, maintains quantitative restrictions on imports, both to protect certain domestic industries and to bargain for the removal of other countries' restrictions against Japan. Japanese restrictions apply to products that constituted

²³ See GATT, *Long-Term Arrangement Regarding International Trade in Cotton Textiles* (Geneva, 1963). Twenty-nine countries, including all industrial countries except Switzerland, are signatories of this agreement, which entered into force on October 1, 1962. For the products subject to quotas and the size of these quotas, see GATT document COT/W/51, December 6, 1965, pp. 20-24.

²⁴ See GATT documents COT/53, September 23, 1965, p. 7 (United Kingdom); COT/11, November 21, 1963, Add. 1, August 30, 1965, and Add. 2, May 18, 1966 (United States); and COT/51, July 28, 1965 (Canada). The only other restrictions among industrial countries applied to cotton textiles under the long-term agreement are limitations by Italy on exports of cotton velveteens to the United States (see GATT document COT/39, November 18, 1964) and quotas by Italy on imports of grey and bleached cotton fabrics from the United States (see GATT document COT/46, February 10, 1965, and Add. 1, April 28, 1965).

²⁵ GATT, *A Study on Cotton Textiles* (Geneva: July, 1966), p. 21.

about 7 per cent of the value of all imports in 1959.²⁶ Quotas on nonagricultural products apply to all or part of 86 tariff items.²⁷ Because quotas are usually imposed on categories of products rather than on individual items, licensing officials have wide discretionary authority, which creates uncertainty for imports of particular products. These Japanese import restrictions, as well as the restrictions applied by the other industrial countries on Japanese exports, are discussed further in Chapter VII of this volume.

Closely related to quantitative restrictions and sometimes almost inseparable from them is the problem of state trading. When a government agency (or monopoly) is given the exclusive right to import a product for resale domestically, its decisions relating to purchases and domestic resale may have the same trade effects as quantitative restrictions (or tariffs). Only if the state-trading agency bases these decisions on commercial considerations would they have a neutral effect on trade. But even with the best intentions, it may be very difficult, if not impossible, for a state-trading agency to act as if it were a private trader.

No industrial country conducts all or most of its foreign trade through state-trading agencies as do countries of the Soviet Bloc and a few others, such as the United Arab Republic. Nevertheless, some of them resort to state trading in such nonagricultural products as ethyl alcohol and alcoholic beverages, salt, manufactured tobacco, matches, and coal.

Apart from coal, which, as indicated above, is state-traded

²⁶ Thus, it is alleged that Japan has liberalized 93 per cent of its imports. Although such a liberalization standard has been widely used, particularly by OEEC countries, to measure the liberalization of postwar balance-of-payments restrictions, it is obviously unsatisfactory, because imports in the base period were subject to restrictions. Under this standard, little or no liberalization credit is given for the elimination of restrictions that permitted little or no trade in 1959, but much credit is given for the elimination of restrictions that allowed a large volume of trade.

²⁷ Restricted items are heavily concentrated in machinery and include machine tools (mostly used), industrial sewing machines, large computers, outboard motors, boilers, and typewriters. Other items are sulphur, graphite, iron pyrites, tungsten ores, coal, petroleum, soda ash, menthol, sodium glutamate, certain antibiotics, flavors, cosmetics, starches and glues, color film, leather, certain textiles, footwear, glass, alloy tool steel, electric generators, telephone switchboards, and thermionic tubes. See GATT document L/2740/Add. 1, February 9, 1967.

in France, the protective effect of state trading in the EEC is important on petroleum products, including lubricants and waxes, in France and on cigarettes in Italy and France. State trading in most other products is largely for fiscal and social reasons and has relatively little effect on trade.²⁸

Under Article 37 of the Treaty of Rome, EEC member states are progressively to adjust state monopolies so that all discrimination between nationals of member states in the marketing of state-traded products will be eliminated. In effect, this means that state-trading activities by member countries must be given up or include all of the Community; but relatively little progress has been made toward this objective.

The most important state-trading restriction in the EFTA countries relates to coal in the United Kingdom. Technically, the U.K. National Coal Board has no legal monopoly on the importation of coal but, in practice, only the Coal Board has imported quantities of any importance. However, as indicated above, imports from industrial countries are embargoed.²⁹ Except for tobacco products in Austria and pharmaceutical products and fishing equipment in Norway, state trading in non-agricultural products by other EFTA countries has little importance for international trade.³⁰ In Japan only imports of manufactured tobacco appear to be restricted by state-trading

²⁸ Imports into France of petroleum, coal and petroleum gases, electric current, newsprint and paper for periodicals, potash, matches, and propellant powders and explosives are also state-traded. Ethyl alcohol, spirits, brandy, and matches and other inflammables are state-traded in Germany. State-trading enterprises exist in Italy for salt, cigarette paper, lighter flints, matches, and tobacco products. For a description of state-trading enterprises in Germany and Italy, see GATT documents L/2741/Add. 5, April 27, 1967 (Germany); and L/2593/Add. 16, February 27, 1967 (Italy). France has never reported its state-trading enterprises to the GATT.

²⁹ State trading, which also applies to jute goods, protects the jute industry in Dundee against imports from India and Pakistan, but it has no significance for trade among industrial countries. See GATT documents L/2741/Add. 4, April 6, 1967, and L/2593/Add. 6, May 20, 1966.

³⁰ Austria also conducts state trading in salt, ethyl alcohol, spirits, and brandy; Norway and Sweden in alcoholic beverages; and Switzerland in ethyl alcohol, spirits, and brandy. See GATT documents L/2741/Add. 2, March 29, 1967, L/2593/Add. 10, June 8, 1966, Add. 13, July 7, 1966 and L/1949/Add. 21, June 12, 1963 (Austria); L/2593/Add. 3, April 27, 1966, L/2313/Add. 10, May 6, 1965, and L/1949/Add. 17, April 17, 1963 (Norway); L/2593/Add. 7, May 18, 1966 (Sweden); and L/2313/Add. 8, March 25, 1965, and L/1949/Add. 23, October 23, 1963 (Switzerland).

practices.³¹ Neither Canada nor the United States engages in state trading in nonagricultural products.³²

Government Procurement

Somewhat analogous to state trading is government procurement. However, while in state trading the government acts as a middleman between producer and consumer, in the case of procurement the government purchases goods and services for its own use.

Government procurement, like state trading, is not a non-tariff barrier, *per se*. Trade is restricted only when governments favor domestic over foreign sources of supply. Such favoritism is so widespread, however, that the term "government procurement" has acquired the connotation of a trade restriction.

Preferences to domestic producers, in addition to normal tariffs, are a common practice in government procurement. This distinction between purchases for government and private purposes is even reflected in the GATT, which specifically exempts goods imported for government use from the national-treatment rules relating to internal taxes and regulations that apply to imports for private consumption.

The means by which domestic producers are favored over foreign producers are numerous. Preferences may be specifically provided for in legislation and administered according to detailed regulations. Alternatively, preferences may be granted under general legislation and/or administrative procedures in which procuring authorities are given much discretionary power. But the absence of legislation or regulations does not necessarily constitute liberality; it may afford the widest possible latitude for restricting trade.

The United States is the outstanding example of specific preferences to domestic producers in government procurement. The well-known "Buy American" Act of March 3, 1933 requires that goods of domestic origin³³ be purchased by fed-

³¹ Salt and ethyl alcohol are also state-traded in Japan. See GATT document L/2593/Add. 12, June 28, 1966.

³² The Canadian provinces, however, have a monopoly on the sale of alcoholic beverages, and provincial authorities have exclusive authority to import.

³³ Goods are considered to be of domestic origin if the cost of their domestic components exceeds 50 per cent of the cost of all components.

eral agencies for use in the United States except when domestic cost is unreasonable, domestic materials are not available in sufficient quantity or satisfactory quality, or domestic procurement is inconsistent with the public interest.³⁴

The unreasonable-cost exception has given rise to much controversy. Executive Order 10582 of December 17, 1954, which implements the "Buy American" Act, provides that domestic cost shall be considered unreasonable if it exceeds by 6 per cent the foreign bid price, including applicable duty. An additional 6 per cent or a total of 12 per cent applies if the domestic product is produced in an area of substantial unemployment or by a small business firm.

U.S. procuring agencies have generally used the 6/12 per cent differential. However, since July, 1962, the Defense Department has utilized a "national-interest" exception in the Executive Order and has applied higher differentials (50 per cent is used as a "bench mark") in order to lessen expenditures affecting the U.S. balance of payments.³⁵

As indicated above, the "Buy American" Act applies only to procurement for use in the United States. Procurement for use outside the United States in connection with military forces abroad and foreign aid programs has been more closely linked to U.S. purchases.³⁶ Other countries resort to the same practice. France, for example, ties substantially all of its foreign aid loans and grants to procurement within France. The EEC European Development Fund ties its assistance to procurement from Community sources.

Most industrial countries other than the United States are more subtle in granting preferences to domestic producers in

³⁴ Under international agreements the "Buy American" Act does not apply to certain military supplies when procured from Canada or to procurement in Panama for use in the Canal Zone.

³⁵ For a discussion of the "Buy American" Act and its early administration, see Laurence A. Knapp, "The Buy American Act: A Review and Assessment," *Columbia Law Review*, LXI (March, 1961).

³⁶ Most procurement for use outside the United States is by the Defense Department and the Agency for International Development (AID). In July, 1962, as part of the U.S. balance-of-payments program, the Defense Department increased the price preference given domestic producers in procurement for use overseas from 25 to 50 per cent. Subject to exceptions, AID requires that commodity procurement financed by loans under its assistance programs be made in the United States. Foreign procurement of commodities financed by AID grants is restricted to the United States and developing countries.

government procurement. These preferences most often result from the exercise of broad administrative discretion because there are usually no specific "buy national" laws or regulations. In addition to administrative discretion, practices that limit or deny the opportunity to compete for government contracts include little or no advance publicity, eligibility and other regulations that preclude foreign bidding, and closed lists of suppliers.

Specific cases of preferential treatment are difficult to cite because, given the broad administrative discretion that is so common, disappointed foreign bidders are reluctant to complain publicly lest such complaint be held against them in future bidding. Also, after a few such disappointments, foreign exporters may be discouraged from seeking such government business. The following discussion illustrates a few of these preferential policies.

As part of the common commercial policy envisaged in the Treaty of Rome, government procurement policies of the EEC countries are to be harmonized. As a first step, the EEC Commission has proposed to the Council two draft directives on the awarding of contracts for public works and is preparing directives relating to contracts for supplies. The purpose of these directives is to eliminate discrimination in government procurement among member countries.

Perhaps the best evidence of restrictive government procurement policies in the EEC countries is a report³⁷ of the European Parliament commenting on the Commission's draft directives and explaining why Community rules are needed. This report says that in the EEC member states "many discriminations to be found in legislative or statutory texts or even in administrative provisions or practices" result from the "universal tendency to keep public funds 'within the country'" and points out that "almost all public work contracts have so far been assigned to national contractors."

The report then comments on various EEC country practices. It notes that the procedure in France of inviting certain contractors to submit their bids "gives almost exclusive preference to contractors known by the administration; in other

³⁷ *Parlement Européen, Documents de Séance*, 1965-66, Document 1, March 22, 1965. The quotations cited in the following paragraphs are translated from pp. 3 and 4 of this report.

words, to French contractors, and that foreign applicants are usually not invited to bid." In Italy, "theoretically, foreign contractors may always participate in public call for bids," but there is "a provision by virtue of which the contractors to be taken into consideration must figure on so-called trusted firms lists." Although the purpose of such lists is to prevent awards to contractors who are not technically and professionally qualified, "these lists may only include Italian contractors or foreign firms established in Italy." In the Netherlands, "only persons domiciled in the Netherlands may be admitted as contractors." In Belgium, a January 1, 1965 law on public works contracts permits procedures under which bidding is limited to "Belgian companies or to companies whose capital is two-thirds in the hands of Belgian contractors." In 1960, Germany guaranteed equal terms to foreign and national applicants in regard to public works contracts. However, this guarantee "includes a clause under which it may be immediately suspended in case the economic situation should change." Moreover, "the procedure applied in Germany leaves the adjudicating authority much freedom."

The report also cites several examples of discrimination, but the EEC countries involved are not identified. It indicates that "in one Member State, the general administrative provisions of the Minister of Postal and Telegraph Services prescribe, in particular, that all persons or companies of foreign origin shall be excluded from the assignment of public works contracts." A letter to "a large public company by the competent minister of a Member State" is cited as an example of broad administrative discretion. The minister explains that "due to the difficulties presently faced by our national electric construction industry, I decided not to approve, as a rule, the import of electrical equipment, since the latter can be manufactured in our country. However, an exception is being made for orders of an exceptional nature. I therefore ask you to submit your case to me prior to taking any other steps." A letter to a Belgian contractor from the Minister of Public Works of another member state advised: "I am in a position to let you know that, on principle, foreign contractors are authorized to submit offers in my country; however, the administration of public works does not take any foreign firm into consideration."

Under Article 14 of the Stockholm Convention, discrimination among EFTA countries in government procurement (and in state-trading practices) was to be abolished by the end of 1966. However, after a two-year EFTA study by a committee of experts, it was found that "in many cases" changes would have to be made in the practices of some member states "in order to fulfil the obligation of reciprocal non-discrimination." Subsequently, agreement was reached at a ministerial meeting in October, 1966, on how Article 14 was to be interpreted and implemented so that competition among EFTA countries could be increased "by removing protection."³⁸

The United Kingdom furnishes a few publicized examples of preferential procurement practices. Under the policy of allowing government departments virtually full discretion to follow whatever purchasing practices best suit their needs, the Post Office purchases most of its telephone apparatus and exchange equipment from a group of eight U.K. suppliers, which share the orders between them on a noncompetitive basis.³⁹ In another case, where no discretion was allowed, British European Airways (BEA) was required by the U.K. government to purchase British instead of U.S. aircraft. In a statement on this decision, the Minister of Aviation explained that BEA "would have preferred on purely commercial grounds to buy American aircraft."⁴⁰ Since 1965, the U.K. government has followed a similar policy with respect to computers, provided that "there is no undue price differential" and that "the United Kingdom-produced model is technically suitable and no undue delay would be involved."⁴¹

Canadian procurement policy is reflected in a report of the

³⁸ *EFTA Bulletin*, March-April, 1967, pp. 2 and 6.

³⁹ See *The Financial Times*, February 22, 1965. Another example of a discriminatory purchasing policy by the Post Office appears to be reflected in the following excerpt from an advertisement that appeared on the front page of the April 4, 1966 edition of *The Times* (London): "The Postmaster General invites offers forthwith for the supply of telegraph poles . . . from the following home-grown species of timber: scots pine, larch, Douglas fir, Japanese larch and/or hybrid larch." (Emphasis provided.)

⁴⁰ Statement by the Minister of Aviation in the House of Commons, August 2, 1966. See also, *The Economist*, August 6, 1966, p. 574.

⁴¹ OECD, *Government Purchasing* (Paris: 1966), p. 105. This publication is a compilation of all OECD countries' procurement regulations and procedures.

Tariff Board, which states that "in making government purchases it is customary to grant a preference to domestically produced goods." Though "the nature and the extent of such preferences varies from time to time and from one department to another," a 10 per cent margin is the norm for defense equipment. Preferences are given "especially to Canadian suppliers who offer higher proportions of Canadian content."⁴²

A "Buy Japan" policy is contained in a Japanese Cabinet Order of September 25, 1963 that permits the chief of any ministry or agency "for the purpose of encouraging the use of domestic products" to resort to "limited competition" in the procurement of certain designated goods. The "designated" goods comprise fourteen categories of equipment that include automobiles, computers, office machines, air conditioners, measuring instruments, construction machinery, communication apparatus, aircraft, electric generators, pumps, printing machines, and machine tools.⁴³

The above discussion relates to procurement by central government authorities, but preferences are also granted to national and/or local producers by provinces, municipalities, and other government bodies. For example, according to a 1963 survey, fourteen states in the United States restricted some or all foreign purchases.⁴⁴ Canadian provinces have similar practices.⁴⁵

⁴² *Report by the Tariff Board, Radio, Television, and Related Products*, Reference No. 123 (Ottawa: 1965), pp. 28-29.

⁴³ See U.S. *Congressional Record*, House, August 12, 1965, pp. 19566-19567. This issue of the *Congressional Record* contains 68 pages of material (inserted by Congressman Saylor) on the laws, regulations, and practices of foreign countries relating to government procurement.

⁴⁴ The states reporting restrictions on foreign purchases were Alabama, California, Colorado, Connecticut, Indiana, Maine, Massachusetts, Montana, New Jersey, New Mexico, Oklahoma, Pennsylvania, Virginia, and West Virginia. Puerto Rico restricts all foreign (non-U.S.) purchases. This survey was conducted by The National Association of State Purchasing Officials of The Council of State Governments. See also, United States-Japan Trade Council, *State "Buy American" Restrictions*, Council Report No. 75, December 6, 1965.

⁴⁵ The Canadian province of Quebec provides a good example. Under its "Buy Quebec" policy, the Hydro-Electric Commission, a semi-autonomous government organization that controls virtually all production and distribution of electricity in the province, will pay up to 10 per cent more for a product made in Quebec than for the equivalent item manufactured elsewhere in Canada, and up to 15 per cent more than

It is extremely difficult to evaluate the restrictive trade effects of preferential government procurement policies, particularly because, as is so often the case with nontariff barriers, the most significant effect is to deter potential trade rather than to restrict existing trade. A possible method of measuring such effects would be to compare foreign procurement as a percentage of total government procurement with commercial imports of similar goods as a percentage of total domestic production of such goods. Unless additional protection is afforded domestic producers in preferential procurement policies, there should be a reasonably close relationship between these ratios. As part of its examination of member countries' procurement practices, initiated in 1963, the OECD attempted to make a similar comparison, but was unable to obtain the necessary information.

Customs Classification and Valuation

Before a tariff can be imposed, an imported product must be classified under a tariff nomenclature so that the rate of duty can be determined. If this rate of duty is either an *ad valorem* or a combination of *ad valorem* and specific duty, the product must be valued before the duty can be calculated.⁴⁶ Legislation or regulations relating to classification and valuation become nontariff barriers when they create uncertainty, necessitate costly and time-consuming litigation, or otherwise have a restrictive effect on trade. Such restrictions are sometimes referred to as paratariff barriers, because they are directly related to tariffs.

All EEC and EFTA countries are signatories to the "Convention on Nomenclature for the Classification of Goods in Cus-

for a foreign product. Furthermore, when the article cannot be obtained in Quebec, the Commission favors firms in other provinces with a 5 per cent differential over foreign suppliers. The Provincial Purchasing Service follows essentially the same guidelines as the Commission.

A private Montreal organization would go even further. This organization, the Quebec Council for Economic Expansion, has sponsored a campaign to induce Quebecers to buy only from firms with at least 51 per cent French-Canadian ownership. For additional examples of provincial preferential practices, see U.S. *Congressional Record*, House, August 12, 1965, p. 19561.

⁴⁶ Valuation may also be necessary if classification is in terms of value brackets. For example, in the United States, pocket knives are subject to six different rates of duty, depending upon their value per dozen.

toms Tariffs," usually referred to as the Brussels Tariff Nomenclature (BTN) and to the "Convention on the Valuation of Goods for Customs Purposes," widely known as the Brussels Definition. These countries and Japan are also members of the Customs Co-operation Council, which was established to maintain uniformity in the application of these conventions. Although Japan is not a signatory of either convention, it has adopted the BTN, and its valuation system is not very different from that of the EEC or the EFTA.⁴⁷

Tariff classification problems among the countries that have adopted the BTN have been greatly reduced. A common nomenclature has also facilitated international comparisons of tariff levels and trade statistics. This is not to say that these countries have identical tariff classifications, since they often use different subdivisions under the same general headings.

Tariff classification differences among the countries applying the BTN are minor, however, as compared with the United States and Canada. The "Tariff Schedules of the United States" (TSUS), a major nomenclature revision, became effective in September, 1963. Although this revision was influenced by the BTN, it is markedly different from it.⁴⁸ The Canadian classification system differs from both the BTN and the TSUS.⁴⁹

⁴⁷ In Japan, valuation is normally on the basis of c.i.f. invoice prices and presents few problems. If value cannot be determined on the basis of invoice prices, it is based on the wholesale price of similar Japanese goods minus customs duties that would be imposed on such goods and expenses incidental to delivery from the port of entry to the domestic wholesale market.

⁴⁸ For a report on this revision, see U.S. Tariff Commission, *Tariff Classification Study* (Washington, D.C.: U.S. Government Printing Office, 1960).

⁴⁹ A complicating factor in Canadian classification is the determination of whether certain imports are of a "class or kind made in Canada." If 10 per cent of Canadian consumption of a product is supplied from Canadian sources, it is regarded as "made in Canada," and imports are assessed higher rates of duty. For example, the most-favored-nation rate on machinery is 22.5 per cent for items "made in Canada" and 7.5 per cent for items "not made in Canada."

For a discussion of problems involved in the administration of provisions relating to "class or kind made in Canada," see Francis Masson and H. Edward English, *Invisible Trade Barriers Between Canada and the United States* (Canadian-American Committee of the National Planning Association [U.S.A.] and the Private Planning Association of Canada, 1963), pp. 18-22.

These differences in tariff classification systems among countries of the Atlantic area do not restrict trade, *per se*, but they do increase uncertainty. Even uniform systems would not eliminate uncertainty, because disagreements between customs officials and traders over the classification of imports will exist as long as there are tariff schedules. However, if decisions in such disputes are time consuming, involve expensive legal proceedings, or otherwise inhibit trade, which is sometimes the case, particularly in the United States, this administrative aspect of customs classification constitutes a nontariff barrier.

A basic difference in valuation of imports among Atlantic area countries is that the EEC, the EFTA, and Japan include insurance and freight as part of the value of imports (c.i.f. system), while the United States and Canada do not (f.o.b. system). This means that *ad valorem* tariff rates in the countries using a c.i.f. system are applied to higher valuations, resulting in import duties that on the average are about 10 per cent higher than the same rates on identical products in countries using an f.o.b. system. But such differences in valuation systems do not constitute nontariff trade barriers and tariff levels can be compared by expressing duties on a common basis. Other aspects of these countries' valuation systems, however, may act as trade impediments.

As already indicated, the EEC and EFTA countries adhere to the Brussels Definition of valuation, which uses "normal price" as the basis for levying *ad valorem* duties. "Normal price" is defined as "the price which they [imports] would fetch at the time when the duty becomes payable on a sale in the open market between buyer and seller independent of each other."⁵⁰ This is a theoretical value, but in most cases, it corresponds to the c.i.f. invoice price.

The principal problem of the Brussels Definition stems from trade transactions between related parties, i.e., buyers and sellers that are not independent of each other. When the importer is a subsidiary, branch, sole distributor, or exclusive agent of a foreign firm, customs officials assume that invoice prices understate the dutiable value, because of discounts

⁵⁰ Customs Co-operation Council, *The Brussels Definition of Value for Customs Purposes* (Brussels: April, 1964), p. 41.

granted the importer for advertising, warranty, and other selling expenses. Consequently, an "uplift" or percentage increase in the invoice price is applied for valuation purposes. This "uplift" ranges between 1 and 10 per cent and varies among countries; it is sometimes negotiated between customs authorities and traders, and it may be arbitrary.⁵¹

Customs valuation in the United States is more complex than in any of the industrial countries. The United States has two sets of valuation provisions containing nine different bases of valuation, and their complexity undoubtedly has a restrictive effect on trade.⁵² According to a 1961 study,⁵³ approximately 91 per cent of U.S. import invoices were appraised under the new set of valuation provisions introduced in 1958. More than 96 per cent of these invoices, or 87 per cent of all invoices, were appraised on the basis of "export value," which is very similar to "normal price" under the Brussels Definition, as both contemplate transactions between independent buyers and sellers for export to the country concerned. In transactions between related parties, "export value" may be adjusted in a manner similar to uplifts applied under the Brussels Definition. The principal difference between the two is that "normal price" includes all charges to the port of importation (c.i.f.), but "export value" is the ex-factory or port-of-shipment price in the country of exportation (f.o.b.).

⁵¹ Arbitrary valuation is particularly true in cases of the "sole buyer," i.e., cases where a related firm is the only importer of a product. In such cases, the customs appraiser has no other transactions to guide his determination of "normal price." The International Chamber of Commerce has concluded that "of all the difficulties created by the Brussels Definition of Value, the most widespread and important is that of its application [uplift] to goods imported by 'sole buyers.'" See International Chamber of Commerce, *The Brussels Definition of Value, The Case of the "Sole Buyer"* (February, 1963), p. 5. See also, International Chamber of Commerce documents 131/128 and 131/129, March 4 and 20, 1964, which contain the Customs Co-operation Council's criticism of this brochure, and the reply of Marcel Dreyfus of the International Chamber of Commerce. For a critical discussion of other aspects of the Brussels Definition, see International Chamber of Commerce, *Customs Valuation of Imported Goods, a Review of the Brussels Definition and of its Application* (February, 1959).

⁵² For an explanation of U.S. valuation and other customs provisions, see U.S. Treasury Department, Bureau of Customs, *Exporting to the United States* (Washington, D.C.: U.S. Government Printing Office, March, 1965).

⁵³ See U.S. Treasury Department, Bureau of Customs, *An Evaluation of: Mission, Organization, Management* (December, 1964), p. VI-24.

If "export value" cannot be determined, because goods are sold on consignment or for other reasons, "United States value" and "constructed value" are alternative valuation bases. These little used alternatives prescribe methods designed to approximate "export value."⁵⁴

Pursuant to the Customs Simplification Act of 1956, a list of products comprising about 9 per cent of U.S. import invoices in 1961 are appraised under the old set of valuation provisions, which were applicable to all products prior to February 27, 1958. This "final list" of products, as it is generally known, consists of 1,015 tariff items whose dutiable value would have been reduced by 5 per cent or more under the new valuation provisions. The "final list" contains a wide variety of articles, including coal-tar and other chemicals, certain machinery and parts, automobiles and other vehicles, and various textiles.⁵⁵

Among the alternative bases of valuation under the old provisions, "foreign value" is the most frequently used. The principal difference between "foreign value" and "export value" is that the former is the price for home consumption in the country of exportation instead of the price for export. "Foreign value" is usually higher than "export value," because it includes internal producer taxes, such as turnover taxes, from which exports are exempted. It is this feature of "foreign value," in addition to difficulties in its determination, about which traders have complained. The other old valuation bases, less frequently used, are "export value," "United States value," and "cost of production." They often result in dutiable values that are higher than their counterparts in the new provisions.

The U.S. method of valuation that has received the most attention and that has become a *cause célèbre* in the Kennedy Round negotiations is the American selling price (ASP).⁵⁶ ASP

⁵⁴ "United States value" is the wholesale price of the imported product in the United States less commissions, profits, customs duty, transportation costs, insurance, and other expenses from place of shipment to place of delivery. "Constructed value" is the estimated cost of production in the exporting country.

⁵⁵ A complete list of these products is contained in U.S. Treasury, *Exporting to the United States*, March, 1965, pp. 65-77.

⁵⁶ For an indication of European views on ASP in relation to the Kennedy Round negotiations, see the pamphlet, *Trade Expansion*

is defined under both the new and old valuation provisions with relatively minor differences. Unlike the other bases of valuation, it is not the f.o.b. price (or equivalent) of the imported article but the wholesale price of a comparable U.S.-produced article. It is not an alternative to other bases of valuation, but it is applicable to two categories of imports: (1) competitive benzenoid chemicals and certain products of these chemicals, which have been subject to ASP by statute since 1922, and (2) competitive rubber footwear, canned clams, and low-value knit wool gloves, which have been subject to ASP under Presidential proclamations issued during the 1930's under the cost-equalizing provisions of the 1930 Tariff Act (see Table 9.1).

TABLE 9.1. U.S. TARIFF ITEMS SUBJECT TO ASP VALUATION

Product	Number of tariff items	TSUS numbers	Value of 1964 imports ^a (thousand \$)
Benzenoid chemicals			
intermediates	17	403.02-403.09	9,206
finished products	53	405.05-409.00	13,559
Rubber-soled footwear	1	700.60	13,416
Canned clams	1	114.05	223
Knit wool gloves and mittens			
valued at \$1.75 or less per dozen pairs	1	704.55	0
Total	73		36,404

* Imports of benzenoid chemicals and of rubber footwear are foreign invoice values, and they include only competitive imports to which ASP applied. Imports of canned clams are estimated foreign export values of competitive imports to which ASP applied.

Sources: U.S. Tariff Commission, *Imports of Benzenoid Chemicals and Products*, 1964, TC Publication 159 (Washington, D.C.: July, 1965); U.S. Bureau of the Census, *U.S. Imports*, Tariff Schedules Annotated by Country, 1964 Annual (Washington, D.C.: July, 1965); and U.S. Tariff Commission, *Products Subject to Duty on the American Selling Price Basis of Valuation; Conversion of Rates of Duty on Such Products to Rates Based on Values Determined by Conventional Valuation Methods* (Including corrections to August 15, 1966), TC Publication 181 (Washington, D.C.: July, 1966).

Act—Yes, American Selling Price System—No, prepared by Verband der Chemischen Industrie e. V. in September, 1963. The Synthetic Organic Chemical Manufacturers Association of the United States has published two pamphlets giving the U.S. industry's views: *The Case for American Selling Price* and *The Future of the American Dye Industry*.

ASP was made applicable to benzenoid chemicals after World War I to give additional protection to the coal-tar sector of the war-born U.S. chemical industry. It is applied to imports of benzenoid intermediates and to certain finished products, such as dyes and pigments, medicinals and pharmaceuticals, flavor and perfume materials, synthetic rubbers, pesticides, and plastics and resin materials, when they are competitive with domestic production.⁵⁷ Determining the competitive status of imports is another problem, in addition to ascertaining the American selling price. Although imports are regarded as competitive whenever there is domestic production of similar articles, uncertainty still exists because it is not uncommon for articles to change from competitive to noncompetitive status and vice versa within short periods of time.

In 1964, the foreign invoice value of imports of benzenoid chemicals was \$49 million, of which \$23 million were competitive and therefore subject to ASP. Imports came almost exclusively from industrial countries, with the EEC supplying the largest quantity and Germany being the principal exporter.⁵⁸

The \$23 million of competitive benzenoid chemical imports to which ASP applied amounted to 3.2 per cent of total U.S. chemical imports of \$710 million and to about 0.7 per cent of U.S. sales of benzenoid chemicals of around \$3,400 million. Because of the trade-inhibiting effect of ASP resulting from high duties and uncertainty, such comparisons are not a good index of restrictiveness. Better perspective may be gained from the fact that sales of benzenoid chemicals are around 10 per cent of total sales of the U.S. chemical industry—ASP, therefore, relates to about this proportion of the U.S. chemical industry.

The effect of ASP valuation on duties collected varies widely. For example, a 40 per cent tariff rate applying to the American selling price of a particular group of dyes results in a duty that has an average *ad valorem* equivalent of 172 per

⁵⁷ If imports of benzenoid chemicals are not competitive with domestic production, "United States value" applies. If this is not ascertainable, then the other alternative bases of valuation under the applicable new or old valuation provisions apply.

⁵⁸ See U.S. Tariff Commission, *Imports of Benzenoid Chemicals and Products*, 1964, TC Publication 159 (Washington, D.C.: July, 1965).

cent when compared with conventional appraisalment of these dyes. On the other hand, in a few instances the application of ASP results in a lower duty, because foreign prices are higher than U.S. prices.⁵⁹ But neither of these examples is typical. On the average, ASP about doubles the duties that would normally be collected.⁶⁰

Under Section 336 of the U.S. Tariff Act of 1930, the President is authorized after an investigation by the Tariff Commission to raise or lower a statutory rate of duty by up to 50 per cent in order to equalize foreign and domestic production costs.⁶¹ If a 50 per cent increase is not sufficient to equalize such costs, then imports may be valued on the basis of ASP.

The trade-agreements legislation exempts articles upon which tariff concessions have been negotiated from the applicability of Section 336. Beginning in 1934, the United States

⁵⁹ See U.S. Tariff Commission, *Products Subject to Duty on the American Selling Price Basis of Valuation; Conversion of Rates of Duty on Such Products to Rates Based on Values Determined by Conventional Valuation Methods* (Including corrections to August 15, 1966), TC Publication 181 (Washington, D.C.: July, 1966). Most of the conversions made in this report lump competitive and noncompetitive items, i.e., items that are, and are not, subject to ASP valuation. Consequently, this report does not usually indicate the *ad valorem* equivalent, based on conventional valuation, of rates that are actually applied to ASP. However, some of these *ad valorem* equivalents can be calculated on the basis of information relating to the competitive status of items that is contained in the Commission's report on *Imports of Benzenoid Chemicals*.

⁶⁰ According to official U.S. trade statistics, dutiable values (both conventional and ASP) of imports of benzenoid chemicals in 1964 totaled \$79 million. The U.S. Tariff Commission has calculated that conventional valuation of these imports would have been \$53 million, of which \$28 million was noncompetitive and \$25 million was competitive. Consequently, the ASP value of the \$25 million of competitive imports was \$51 million (\$79 million minus \$28 million) or approximately double conventional valuation. See U.S. Bureau of the Census, *U.S. Imports, Tariff Schedules Annotated by Country, 1964 Annual* (Washington, D.C.: July, 1965); and U.S. Tariff Commission, *Products Subject to ASP; Conversion of Rates, ibid.*

⁶¹ The principle of equalizing production costs as a basis for tariff making and the practical difficulties of ascertaining "foreign" and "domestic" costs of production are beyond the scope of this study. However, because trade is based in great part on cost differences, the effect of equalizing costs would be to end much trade. Also, even if the terms "foreign" and "domestic" production costs are satisfactorily defined, obtaining such cost information is extremely difficult, if not impossible.

progressively extended the coverage of its trade-agreement concessions to include most tariff items. Consequently, in recent years there have been very few investigations under Section 336, and even fewer involving ASP. Only three cases in which ASP valuation is applied remain in effect: rubber-soled footwear with fabric uppers, canned clams, and knit wool gloves and mittens valued at \$1.75 or less per dozen pairs. These cases date from 1933, 1934, and 1936, respectively.

In 1964, the foreign invoice value of U.S. imports of rubber-soled footwear was \$16.9 million, of which \$13.4 million was competitive and valued on the basis of ASP.⁶² Imports of competitive footwear, more than 80 per cent of which was supplied by Japan, constituted less than 5 per cent of U.S. production of approximately \$285 million. The duty on rubber footwear of 20 per cent applied to ASP valuation has an average *ad valorem* equivalent of 58 per cent when compared with conventional appraisement.⁶³ The estimated foreign export value of 1964 imports of canned clams, almost all of which came from Japan, was \$0.4 million, of which \$0.2 million was competitive and valued on the basis of ASP. The 20 per cent duty on these clams has an average *ad valorem* equivalent of 57 per cent of conventional valuation.⁶⁴ In recent years there have been no imports of the knit wool gloves that are subject to ASP valuation. Both imports and domestic production have been insignificant since the mid-1930s, because the increased price of wool and other production costs have made it uneconomical to produce gloves in this low-value category.

While tariff rates applied to ASP usually result in much higher duties than would normally be the case, these higher duties do not constitute nontariff barriers. The aspect of customs valuation that constitutes a nontariff barrier is uncertainty, which in the case of ASP is considerable. Domestic producers may influence the extent of their tariff protection

⁶² During most of 1964, other rubber footwear was also subject to ASP valuation. However, the Tariff Schedules Technical Amendments Act of 1965 substituted higher duties for ASP valuation of certain rubber footwear. Only imports of rubber footwear that remain subject to ASP valuation are included in the statistics cited above.

⁶³ See U.S. Tariff Commission, *Products Subject to ASP; Conversion of Rates*, TC Publication 181.

⁶⁴ See *ibid.*

both by going into competitive production with imports and thus making ASP applicable and by adjusting their prices and thus changing the amount of duty collected. On the other hand, changes in export prices by foreign suppliers have no effect on the duty.

Related to the application of ASP to benzenoid chemicals is the standard-of-strength provision applied to imports of certain colors, dyes, and stains. Under this provision⁶⁵ specific duties are based on the actual strength of these products as compared with an established standard of strength. For example, the standard concentration or standard of strength of the dye vat blue 1 is 20 per cent. A shipment of this dye that had a concentration greater than 20 per cent would be dutiable on the computed weight of a 20 per cent concentration rather than on its actual weight. In practice, this provision applies to only three tariff items, two of which have negligible imports.⁶⁶

Of greater importance is the application of the standard-of-strength principle to the valuation of all benzenoid chemicals. Under U.S. customs regulations ASP is adjusted in proportion to the comparative strengths of the imported and competitive domestic article.⁶⁷ Although it would seem reasonable that duties should vary according to the potency of an imported item, such an adjustment is inequitable if, as is sometimes the case, the prices of benzenoid chemicals increase less than proportionately with their strength.

Canadian valuation practices are almost as complex as those of the United States. The usual basis of valuation is "fair market value," which is the price in the country of export of like goods sold for home consumption, and is similar to "foreign value" under U.S. practices.⁶⁸ If the quality, quantity, or

⁶⁵ See *Tariff Schedules of the United States Annotated* (1965), Schedule 4, P. 1, Subpart C, headnote 6.

⁶⁶ In 1964, imports of vat blue 1 (TSUS 406.04) totaled \$798 thousand. Imports of sulfur black (TSUS 406.02) and of natural alizarin and indigo colors, dyes, and stains (TSUS 406.60) were negligible.

⁶⁷ See *Code of Federal Regulations*, Title 19, 14.5 (f). For an example of such an adjustment, see R. Elberton Smith, *Customs Valuation in the United States* (Chicago, Ill.: University of Chicago Press, 1948), pp. 229-30.

⁶⁸ However, "fair market value" excludes internal taxes that are not borne by exported merchandise while, as indicated above, "foreign value" includes such internal taxes.

conditions of sale of the exported goods differ from those for like goods sold for home consumption, appropriate adjustments are made. However, dutiable values may be higher but not lower than f.o.b. prices to Canadian importers. Adjustments for differences in conditions of sale are very important because of the large volume of Canadian imports, particularly from the United States, that result from intra-company and similar shipments.

Although seldom used, some Canadian valuation provisions resemble escape clauses from tariff concessions. If imported goods "prejudicially or injuriously" affect the interests of Canadian producers, even though sold at "fair market value," the Minister of National Revenue may determine the value of such goods for duty purposes.⁶⁹ Furthermore, if, because of end-of-season sales, the market price of any manufactured good in the country of export declines to a level that the Minister does not regard as "normal," he determines dutiable value on the basis of average prices during a previous period. Similarly, if the same circumstances apply to any fresh fruit or vegetable of a class or kind produced in Canada, the Minister determines valuation on the basis of average export prices to Canada during the previous three years.

The possibility of dutiable values established by the Minister of National Revenue creates uncertainty because they can be arbitrary, and at very high levels. Style fabrics, dresses, and other garments are goods that have received higher valuations under these provisions. Such revaluations have also applied to strawberries, peas, potatoes, and cut flowers. In 1962, the valuation of potatoes received international consideration when the United States successfully protested to the GATT.⁷⁰

Canadian valuation not only affects *ad valorem* import duties but, as discussed in the next section, determines whether and to what extent antidumping duties are levied. Consequently, for purposes of this antidumping legislation, dutiable

⁶⁹ This provision does not apply to goods entitled to entry under the British preferential tariff.

⁷⁰ See GATT, *Basic Instruments and Selected Documents*, 11th Supplement (Geneva: March, 1963), pp. 55 and 88-94. Potatoes were again revalued during the summer of 1966. See GATT document L/2682, August 5, 1966.

values may be determined for imports, even when they are subject to specific duties or are duty-free.⁷¹

Antidumping Legislation and Practices

Dumping, or international price discrimination, is the practice of selling abroad at a price lower than that charged domestically (or selling in different export markets at different prices). In the real world of imperfect price competition, many exporters in developed countries, particularly of chemicals, metals, and other standardized products, try to maximize their profits by charging different prices in markets with different demand elasticities. When, as is frequently the case, demand abroad is more price elastic than demand at home, a lower price is charged on foreign sales. On the supply side, once a firm has covered its overhead costs in one market, it can then sell profitably in another market at any price above marginal costs.

Although there is no consensus among economists, the argument has been made that the economic advantages of dumping may outweigh the disadvantages.⁷² Consumers of dumped goods benefit by the lower prices paid for imports. Consumers in the exporting country are discriminated against, but the prices they pay may be higher, the same, or lower than if dumping had not occurred.⁷³ Even if prices are higher, they must be weighed against the increased profits of producers. Only in the rare case of predatory dumping, where the purpose is to drive a competitor out of business, does the economic balance appear to weigh clearly against this practice.

⁷¹ For a comparison of Canadian and U.S. valuation practices and other nontariff barriers, see Masson and English, *Invisible Trade Barriers*. Other useful sources of Canadian and U.S. nontariff barriers published by the Canadian-American Committee are Constant Southworth and W. W. Buchanan, *Changes in Trade Restrictions Between Canada and the United States*, 1960; and Francis Masson and J. B. Whitely, *Barriers to Trade between Canada and the United States*, 1960.

⁷² There is no recent comprehensive treatment of dumping. The standard work is Jacob Viner, *Dumping: A Problem in International Trade* (Chicago, Ill.: University of Chicago Press, 1923).

⁷³ See Gottfried von Haberler, *The Theory of International Trade*, translated by Alfred Stonier and Frederic Benham (London: William Hodge and Co., Ltd., 1936), pp. 302-17.

The economic objection to dumping (and to other discriminatory pricing) is not dumping *per se* but to the monopoly conditions that enable and encourage it. Dumping can only occur when there are monopoly or oligopoly conditions in the home market accompanied by tariffs and/or transportation costs that prevent dumped goods from being shipped back again. Dumping is the result of, not the cause of, such conditions. It appears that effective antitrust legislation and lower tariffs are better ways to combat monopoly practices than are antidumping measures.

Governments' concern with dumping has been the low prices of dumped imports rather than the discriminatory high prices to home consumers of dumped exports. Also, the term "dumping" has an emotional, anticompetitive, and "unfair" connotation. Consequently, many countries have legislation or regulations that authorize the imposition of antidumping duties to compensate for the lower export prices of dumped imports. This legislation is somewhat comparable to resale price maintenance or "fair trade" laws, which regulate domestic sales prices.

Under the GATT, countries may impose antidumping duties on imports of dumped products if such imports cause or threaten material injury to a domestic industry (or retard the establishment of an industry). Until recently, however, antidumping legislation in most European countries has been fragmentary or nonexistent. Canada is the only industrial country that has frequently used antidumping duties. But if tariffs are substantially lowered in the Kennedy Round negotiations, countries may be tempted to use antidumping duties to partially compensate for the loss of protection. Furthermore, if the introduction of duty-free treatment for producers within the EEC and the EFTA leads to increased incidences of dumping by third-country exporters in order to meet the prices of these internal producers, greater resort to antidumping measures may be anticipated.

In Canada, antidumping duties are imposed on imported goods, if they are of a class or kind produced in Canada, and the export price of such goods is less than their "fair market" or other value that is established for duty purposes. As indicated in the previous section, these dutiable values can be higher than invoice prices. Also, Canada is the only country in

the Atlantic area that does not require that dumped goods cause or threaten injury to a domestic industry as a condition for imposing antidumping duties.⁷⁴ While goods may be exempted and the duty itself may not exceed 50 per cent of the "fair market value," an antidumping duty, equal to the difference between export price and dutiable value, is automatically imposed. Although Canada does not maintain separate customs records on antidumping actions, it is estimated that around \$2 million of antidumping duties are levied annually.⁷⁵ About two-thirds of these duties are levied against imports from the United States. However, the trade-inhibiting effect of antidumping restrictions is far more important than the incidence of duties actually imposed.

U.S. antidumping legislation and regulations are the most specific and detailed of any of the Atlantic area countries. They have also been subject to the most complaints. In most instances, the complaints have concerned administrative practices and the time consumed in investigations rather than the imposition of antidumping duties.

U.S. antidumping legislation conforms with the GATT rules that both price discrimination and injury must be present before antidumping duties may be imposed.⁷⁶ Since 1954, the Treasury Department has made the determinations with respect to price discrimination or sales at less than "fair value," and if price discrimination is found, the Tariff Commission

⁷⁴ Although Canadian antidumping legislation is inconsistent with GATT provisions, it is not in legal violation of the GATT because it predates Canada's obligations under the GATT. For a discussion of this point, see below, p. 307.

⁷⁵ According to a study of the Canadian-American Committee, "in 1959 and 1960, \$1.8 million and \$1.6 million, respectively, were paid in dumping duties, which result from arbitrary valuations on goods of a class or kind made in Canada." However, it is not possible to estimate the number of cases, the products, or the value of trade involved. See Masson and English, *Invisible Trade Barriers*, p. 59.

⁷⁶ Unlike most countries, the United States has separate legislation relating to antidumping duties and to countervailing duties to offset the subsidization of exports. There is no injury requirement in Section 303 of the U.S. tariff act relating to countervailing duties. But countervailing duties have been imposed infrequently and, when imposed, have usually applied to agricultural products. However, the desire to avoid the imposition of countervailing duties on imports of automobile parts from Canada led to the 1965 U.S.-Canadian automotive agreement. For a list of the products to which countervailing duties apply, see U.S. Treasury, *Exporting to the United States*, pp. 16-17.

TABLE 9.2. U.S. ANTIDUMPING CASES

Calendar year	Number of cases	No price discrimination	Price revision	No injury	Injury	Appraisement withheld
1959	37	23	13	1	0	15
1960	29	19	7	2	1	24
1961	38	25	5	5	3	10
1962	23	9	12	2	0	11
1963	30	19	4	6	1	16
1964	37	13	12	9	3	13
Total	194	108	53	25	8	89

Source: Derived from tables, based on data supplied by the U.S. Treasury Department, published in the U.S. *Congressional Record*, June 1, 1965.

then finds whether or not such discrimination is causing or threatening injury to a domestic industry.⁷⁷

Table 9.2 shows that between 1958, when the legislation was last amended, and 1965 there were 194 antidumping investigations. However, in only 8 instances, or 4 per cent of the cases, were antidumping duties imposed as the result of a finding of injury or likelihood of injury by the Tariff Commission.⁷⁸ In the remaining 186 cases, Treasury found no price discrimination in 108; 53 were terminated because the foreign exporter adjusted his prices; and the Tariff Commission found no injury in 25.

The restrictive element in U.S. antidumping practices is not the imposition of duties but the possibility that antidumping procedures will be instituted, the large number of cases actually initiated, and the withholding of appraisement in almost half of these cases. Apart from costs incurred by foreign exporters and domestic importers in an antidumping investigation, the uncertainties inherent in the initiation of an investigation are bound to have some trade-deterrent effects. These effects are enhanced by the practice of withholding ap-

⁷⁷ Between 1921 (when the U.S. Antidumping Act was legislated) and 1954, the Treasury Department made both the price discrimination and injury determinations.

⁷⁸ The eight cases in which antidumping duties were imposed and the countries affected were as follows: bicycles (Czechoslovakia, 1960), Portland cement (Sweden, 1961), Portland cement (Belgium, 1961), Portland gray cement (Portugal, 1961), Portland cement (Dominican Republic, 1963), chromic acid (Australia, 1964), steel reinforcing bars (Canada, 1964), and carbon steel bars and shapes (Canada, 1964). In April, 1965, the Tariff Commission also found injury in the case of azobisformamide (Japan), and subsequently, antidumping duties were imposed.

praisement, i.e., final determination of customs duties, whenever price discrimination is suspected during the course of an investigation. After appraisement is withheld, imported merchandise may be released under bond from Customs' custody, but importers do not know their profits on sales, or whether there will be profits, until after the antidumping investigation is completed. Furthermore, in a withholding action, no consideration is given to whether or not suspected price discrimination might cause or threaten injury. As indicated in Table 9.2, appraisement was withheld in 89 cases or eleven times the number in which antidumping duties were imposed.

It might be expected that because of profit uncertainty, imports would decline after the withholding of appraisement. However, this is not always the case; while imports often decrease and even stop, there are instances when imports have not declined. Nevertheless, traders may be adversely affected because of the failure of imports to increase and because of the time consumed in investigations, which averages well over a year. One case took more than three years. Under the law, the Tariff Commission must make injury determinations within 90 days, but there is no time limit on Treasury determinations relating to price discrimination.⁷⁹

A GATT study in 1957 found that, except for Canada and the United States, industrial countries made little use of antidumping measures.⁸⁰ In recent years, however, several countries have enacted or revised antidumping legislation and have initiated a number of antidumping actions. For example, in the United Kingdom, the most active of these countries, there

⁷⁹ In January, 1965, after consultations in 1964 with domestic interests and with other OECD countries, the U.S. Treasury Department revised its antidumping regulations. But these revisions only partly satisfied the complaints of foreign exporters and domestic importers, on the one hand, and domestic producers, on the other.

For a comprehensive account of the administration of U.S. antidumping legislation, see Alexis C. Coudert, "The Application of the United States Antidumping Law in the Light of a Liberal Trade Policy," *Columbia Law Review*, Vol. 65, No. 2 (February, 1965), pp. 189-231. See also James Pomeroy Hendrick, "The United States Antidumping Act," *The American Journal of International Law*, Vol. 58, No. 4 (October, 1964), pp. 914-34.

⁸⁰ GATT, *Anti-Dumping and Countervailing Duties* (Geneva: July, 1958). GATT document MGT (59) 122, November, 1959, updates this publication somewhat. See also, GATT, *Anti-Dumping and Countervailing Duties, Report of Group of Experts* (Geneva: March, 1961).

were 29 antidumping cases during calendar years 1961 through 1964. In 23 of these cases, full investigations were instituted, 4 of which were pending at the end of 1964. Of the remaining 19, 11 were dismissed, exporters agreed to adjust their prices in 3, and antidumping duties were imposed in 5.

As part of the EEC common commercial policy, the Commission has proposed to the Council a draft Community antidumping regulation to deal with third-country dumping. After duties are eliminated within the EEC, a Community antidumping policy will be necessary if the dumping of third-country exports from one member state to another is to be regulated effectively. Because duty-free treatment within EFTA countries applies only to goods of EFTA origin, no similar problem arises.⁸¹

Antidumping legislation in these countries and the proposed Community regulation conform with the GATT principles of price discrimination and injury, but administrative procedures do not adequately assure that these principles will be followed. In the absence of specific legislation and/or detailed regulations, antidumping actions sometimes resemble star-chamber proceedings in which exporters are pressured to adjust their prices under threat of antidumping duties. A determination of whether dumping prices are injurious may not play a prominent part in such proceedings—injury is often assumed.⁸²

⁸¹ Unlike government procurement, dumping among countries of the EEC and of the EFTA is not treated differently from third-country dumping. However, both the Treaty of Rome (Article 91) and the Stockholm Convention (Article 17) provide that prior to completion of the customs union and free trade area, no duties or quotas will be applied to goods upon reimportation from another member state. Such free reimportation is often an effective deterrent against dumping because, if transportation and other costs do not exceed the dumping margin, dumped goods can be shipped back again into the dumping country.

⁸² A recent antidumping action by the United Kingdom is illustrative. On March 25, 1966, the Board of Trade imposed an antidumping duty of £ 114 per ton on imports of a chemical mixture of diphenyl ether and diphenyl exported from the United States by the Dow Chemical Company. This action, which was based on a "threat of injury," resulted from a complaint on March 10 by Imperial Chemical Industries, the only U.K. producer, which was expanding its production facilities. The case was never discussed with the U.K. importer or the U.S. exporter before the antidumping duties were imposed. The duties were rescinded two months later, when Dow agreed to cease all exports of the mixture

Other Nontariff Barriers

There are a number of other nontariff barriers that do not lend themselves to easy classification. They relate to certain internal taxes and regulations, safety and other standards, marks of origin, labeling requirements, and other measures that can and often do have a restrictive effect on trade. Only those that have been the subject of recent complaints will be discussed in any detail.

The possible trade effects of differences in taxation policies among Atlantic area countries are discussed in Chapter VIII. However, it should be reiterated here that border taxes imposed on imported goods to compensate for indirect taxes borne by domestic products are not necessarily trade-neutral, nor are the rebates of indirect taxes when products are exported. Such border tax adjustments can have trade-distorting effects that are comparable to those of tariffs and export subsidies. This is particularly true with respect to *changes* in border tax adjustments, whether or not accompanied by changes in internal taxes.⁸³

Another problem relating to internal taxes is annual automobile road-use taxes imposed by France, Belgium, Italy, and Austria. The effect of these taxes, which are sharply progressive and are assessed on the basis of certain physical characteristics rather than on the value of the vehicles, is to discriminate against larger automobiles, principally those of U.S. manufacture.

France, Belgium, and Italy assess road taxes according to fiscal horsepower, which is calculated from a tax formula that differs in each country but relates to such vehicle characteristics as number of cylinders, cylinder capacity, and weight. Austria imposes a road tax based on cylinder capacity. French, Belgian, and Austrian taxes decline with the age of the car, but the Italian tax is collected every year without any diminution.

The following schedule of road taxes in France is illustrative of the discriminatory effects of these countries' taxes. The

to the United Kingdom. See U.K. Board of Trade press release, March 24, 1966.

⁸³ The EEC objective of harmonizing tax policies and border tax adjustments will involve far-reaching changes in both the method of assessing taxes and the tax rates.

Fiscal horsepower	French francs	U.S. dollars
4 h.p. or less	60	12
5 to 7 h.p.	90	18
8 to 11 h.p.	120	24
12 to 16 h.p.	150	30
Over 16 h.p.	1,000	200

French tax is gradually progressive, but it jumps by 567 per cent on automobiles over 16 fiscal horsepower. This much higher tax on larger-engined vehicles applies principally to imported U.S. automobiles; it does not apply to any French production-line vehicle, nor does it apply to most other European cars.⁸⁴ The progressive nature of this tax is defended on the grounds that larger, more expensive cars should bear higher taxes. However, because fiscal horsepower has no necessary relationship to value, larger-engined U.S. cars bear a higher tax than smaller-engined European cars, even though the latter may be more expensive. For example, a Porsche 356 C/*Carrera* (retailing in France for 45,000 francs, with a rating of 11 h.p.) bears a road tax of 120 francs, while a Chevrolet *Chevelle* (retailing at 22,490 francs, with a rating of 18 h.p.) bears a road tax of 1,000 francs.⁸⁵ The Chevrolet, costing half as much as the Porsche, is subject to a tax more than eight times greater.

Japan imposes a commodity tax, payable only once, that is levied on the manufacturer's sales price of domestically produced cars and on the c.i.f. duty-paid value of imported vehicles. The tax rates are 40, 30, and 15 per cent, depending on engine capacity, wheelbase, and body width of the vehicle. All standard-size U.S. cars are subject to the 40 per cent rate; almost all Japanese cars fall in the 15 per cent rate category.⁸⁶

It is not possible to estimate the trade-deterrent effects of these taxes, because they cannot be isolated from other factors

⁸⁴ France also imposes a registration fee based on fiscal horsepower. On January 1, 1967, this fee was to be increased from 13.2 to 20.0 francs per unit of fiscal horsepower on automobiles having a horsepower rating of 13 or more. There is no French production of automobiles that will be subject to the increased fee.

⁸⁵ These prices are taken from *L'Argus de l'Automobile*, May 28, 1964.

⁸⁶ In addition to the commodity tax, Japanese prefectures levy an annual automobile tax graduated on the basis of cylinder capacity and wheelbase.

that have discouraged sales of imported U.S. automobiles. For example, increased automobile production in Europe and Japan and higher gas consumption of larger-engined U.S. automobiles, coupled with high taxes on gasoline, have also been very important. Nevertheless, the basis for the assessment of these European road taxes and the Japanese commodity tax has a discriminatory effect on imports of U.S. automobiles.

The method of assessment acts as a nontariff restriction in the case of United States internal revenue taxes and import duties on distilled spirits. Both the excise tax and import duty are assessed on a proof-gallon basis when the distilled spirits are 100 proof (50 per cent alcohol) or more but on a wine-gallon basis when less than 100 proof. This distinction means that the excise tax and duty on distilled spirits of 100 proof or more vary proportionately with the alcoholic strength of the spirits but that distilled spirits of less than 100 proof are treated for tax and duty purposes as if they were 100 proof.

Most distilled spirits imported into the United States are bottled abroad at less than 100 proof, and consequently, they pay excise tax and duty on a wine-gallon basis. Almost all spirits produced domestically are taxed on a proof-gallon basis when they are withdrawn from bond at 100 proof or above before dilution and bottling. This results in a tax differential in favor of the domestic product. For example, a gallon of imported Scotch whiskey bottled at 86 proof pays an excise tax of \$10.50 (based on wine-gallon assessment). A gallon of Bourbon whiskey bottled after dilution to 86 proof bears a tax of \$9.03 (based on proof-gallon assessment). In addition, the imported whiskey pays a duty of \$1.02 (based on wine-gallon assessment) that is \$.14 higher than if the duty were based on proof-gallon assessment. In effect, the wine-gallon basis of assessment for the excise tax and duty results in a levy on the water contained in the imported product of \$1.61. It is estimated on the basis of 1965 imports that the additional revenue to the U.S. Treasury resulting from the wine-gallon basis of assessment is around \$70 million.

The tax and duty differential resulting from wine-gallon assessment can be avoided by importing distilled spirits in bulk at 100 proof or above, paying the tax and duty at the proof-gallon rate, and bottling the spirits in the United States at whatever proof desired. In recent years, there has been a

shift from bottled to bulk imports largely for this reason. For example, between 1960 and 1965 bulk imports of Scotch more than quadrupled in value and increased from less than 4 per cent to almost 11 per cent of imports. Foreign exporters, however, prefer not to ship in bulk, because there is prestige value in foreign bottling, and because they are better able to control quality if the bottling is done abroad. Furthermore, the value added in the bottling and labeling of the spirits abroad is lost in bulk exports. The wine-gallon system, therefore, affords protection not only to domestic producers of distilled spirits but also to domestic bottlers of spirits in bulk.⁸⁷

The countries most affected by the wine-gallon system are the United Kingdom, Canada, and France. In 1965, U.S. imports from the United Kingdom of bottled Scotch whiskey were \$165 million and imports of gin were \$10 million; imports of bottled Canadian whiskey were \$99 million; and imports of bottled brandy from France were \$9 million. Bottled liqueurs were also imported at less than 100 proof from the United Kingdom (\$4.6 million), France (\$4.3 million), Italy (\$2.9 million), and Denmark (\$1.4 million).

Various nontariff restrictions on motion picture films and recorded television (TV) programs are of a unique character, because such films and programs, although subject to duties, are normally rented. Tariffs do not afford the same kind of protection as for products that do not generate invisible transfers. For both economic and cultural reasons many industrial countries require that a certain proportion of theater and TV screen time (screen quotas) be used for films and programs of national origin. Also, production is often subsidized or monopolized by governments, and requirements for domestic dubbing, subtitling, and printing are sometimes employed. Restrictions relating to TV programs tend to be more severe, probably because the viewer does not buy a ticket, and therefore, consumer preference has a less direct effect upon decisions of exhibitors.

Among industrial countries screen quotas for motion pic-

⁸⁷ Most other industrial countries afford similar protection to domestic bottlers by charging a higher duty on bottled imports. For example, the EEC imposes an additional duty of \$10.00 per hectoliter on bottled spirits, which for 100 proof whiskey increases the total duty by 20 per cent.

ture films are not very restrictive, because they tend to approximate the commercial demand for foreign and domestic films. In addition to screen quotas, France requires a special permit for films dubbed in the French language and requires that the dubbing be done in France. Italy, the other EEC country that maintains screen quotas, rebates part of the theater admission tax to exhibitors when they show films of Italian origin.⁸⁸

U.K. screen quotas on motion picture films are of little or no trade importance, but similar quotas on TV programs are both important and discriminatory. Under the Television Act of 1964, the Independent Television Authority (ITA), which, unlike the British Broadcasting Corporation (BBC), operates a national television service on a commercial basis, must assure that "proper proportions" of the material included in television programs are of British origin. Accordingly, the ITA requires that 86 per cent of TV screen time be reserved for domestic material. Thus, imported material has access to only 14 per cent of ITA screen time, or about 8 hours per week.⁸⁹ Further restrictions relate to the prime evening time period during which no more than two of five programs shown between 8:00 and 8:55 P.M. on weekday evenings may be of U.S. origin, and no more than three of these five may relate to crime or Western subjects regardless of national origin.⁹⁰ The United States is the only country on which the U.K. quota on recorded TV programs has any practical effect. The 86/14 ratio of domestic to imported material not only reduces the quantity of U.S. sales to the United Kingdom but also depresses the prices of the material sold; the discriminatory restriction on the showing of U.S. material during prime evening time enhances the price-depressing effects.

Requirements by industrial countries for marks of origin or

⁸⁸ Under the EEC Commission's proposed common policy for the film industry, films produced by other EEC countries are to be treated like national films under the French and Italian screen quotas. Similarly, other film restrictions by France and Italy were no longer to be applied to EEC countries after December 31, 1966.

⁸⁹ Material of Commonwealth origin and certain other material do not apply against the 14 per cent quota for imported material. No similar legislation or regulations apply to the BBC. In fact, however, BBC purchases of imported material have not exceeded 14 per cent of screen time.

⁹⁰ Press statement of the Independent Television Authority, August 18, 1965.

labeling of imported products become nontariff barriers when compliance is difficult or excessively costly. For example, Japan requires that the labels on canned goods contain *only* metric weights, and that imported products indicate the name of the importer and the date of importation. In order to meet these requirements, importers apply stickers containing this information over the avoirdupois weight on the can label. Similarly, Canadian restrictions on can sizes for fruits and vegetables prohibit the use of the standard vegetable can employed in the United States. Furthermore, certain can sizes may be used only for asparagus and corn; other sizes are allowed for general use but not for asparagus.

Safety and other standards and regulations relating to foods and drugs have an unavoidable deterrent effect on trade, which is increased when standards and regulations differ among countries. But, they become nontariff barriers only when trade is unnecessarily restricted. For example, differences among countries of electrical current voltages and equipment, such as two- and three-pronged plugs, are natural trade barriers. These barriers are enhanced by differences in electrical safety standards, which may even differ among states and provinces. However, only when such standards or other regulations become impossible or unreasonably difficult or expensive to comply with do they become nontariff barriers. For example, in the United States imports of boilers and pressure vessels are effectively excluded from some states and local communities by requirements that they be stamped with the seal of the American Society of Mechanical Engineers, which is not issued to manufacturers located outside the United States and Canada. Imports of gas cylinders are similarly excluded by a requirement of the Interstate Commerce Commission that they be inspected in the United States.

Among a number of miscellaneous nontariff restrictions, France prohibits the advertising of spirits distilled from grain but permits the advertising of spirits distilled from fruit. This prohibition is justified on health grounds, but protects French production of brandy from imports of whiskies and gin. In Germany, unless beer is made only from malt, yeast, hops, and water, it cannot be sold as "beer." This restriction effectively excludes imports of beer made from corn or rice. Canada prohibits imports of regional or "split run" editions of

periodicals containing advertising directed primarily to the Canadian market, and imports of periodicals of which more than 5 per cent of advertising space indicates Canadian sources of supply. The purpose of this prohibition is to divert advertising revenue from foreign (primarily U.S.) to Canadian publications and thereby to encourage publication in Canada.⁹¹

Conclusions

As already suggested, the reduction or elimination of tariffs among industrial countries will increase the importance of nontariff barriers as obstacles to trade. But the problems that nontariff barriers present are so diversified that no single solution is possible.

Efforts being made in the GATT, the OECD, and the Kennedy Round negotiations are only beginning to deal effectively with nontariff barriers. Although the GATT prohibits many nontariff barriers, it is generally less effective in dealing with them than with tariffs. Under the Protocol of Provisional Application and subsequent protocols under which countries apply the GATT to their commercial policy, legislation existing prior to a country's membership is exempt from its provisions. Because many nontariff barriers are embodied in legislation of long standing, they are legally maintained under the GATT even though they are inconsistent with its provisions. In the OECD, countries have few legal obligations in regard to nontariff barriers, but through a series of confrontations an effort has been made to remove or reduce them, with relatively little success in recent years. A major attempt is being made in the Kennedy Round to negotiate on nontariff barriers. However, many of them cannot be easily negotiated, and the Kennedy Round is already burdened with difficult tariff issues. In this section, possible ways of dealing with nontariff barriers will be examined.

As already indicated, quantitative restrictions among industrial countries on nonagricultural products are a minor problem except those relating to coal and to Japan. GATT prohibits their imposition except for balance-of-payments and a few

⁹¹ *Time* and *Reader's Digest* magazines, whose Canadian editions are published entirely in Canada, are exempt from this prohibition.

other purposes. Consequently, the few remaining restrictions that can no longer be justified on balance-of-payments grounds are illegal and should be dealt with under appropriate GATT provisions.

However, irrespective of their legal status, quantitative and other nontariff restrictions on coal could not, realistically, be handled in the same way. Restrictions on coal are similar in nature to those on agricultural products, because they reflect deep-rooted economic and social problems affecting politically important segments of the population. In all countries maintaining nontariff restrictions, efforts are being made to solve these problems, which are becoming smaller as the number of mines and miners declines.

The problem of coal restrictions is further complicated by its relationship to competing fuels and sources of energy. Domestic coal not only competes with imported coal but with petroleum, natural gas, hydroelectric power, and nuclear energy. One of the objectives of the Common Market is to develop a common energy policy that would allocate Community energy requirements among competing energy sources and between domestic and foreign suppliers. Such a policy has been under consideration since 1957, but it is unlikely to develop before the merger of the three communities.⁹² In varying degrees other industrial countries have energy policies that determine or influence the tariff and nontariff restrictions on coal and competing energy sources.⁹³ Consequently, restrictions on coal can probably be handled effectively only within the context of countries' energy policies in which the comparative economic and social costs of alternative imported and domestic energy sources are considered. Any removal of coal restrictions would have to be undertaken gradually so as to provide an opportunity for adjustments, particularly on the part of affected miners.

⁹² The European Coal and Steel Community is responsible for coal; the EEC for petroleum, gas, and hydroelectric power; and the European Atomic Energy Community for nuclear energy. For a discussion of developments in the Communities' common energy policy, see European Coal and Steel Community, 13th General Report, March, 1965, pp. 74-92.

⁹³ See, for example, the United Kingdom White Paper on *Fuel Policy*, published by the Ministry of Power, October 21, 1965 (Command 2798). This paper outlines energy policy for the next five to ten years.

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.

ment often result in restricting trade to a considerable extent. In the event of substantial reductions in tariffs, such preferences may become more restrictive to compensate domestic producers for loss of protection in the private sector. Because there are virtually no international rules relating to government procurement, this is an area where an international agreement or code might be successfully concluded. Such an agreement appears to be negotiable, because all industrial countries grant preferences to domestic producers in one form or another.

The purpose of an international agreement would be to eliminate these preferences or to make them uniform. Any effective arrangement would have to provide for standard procedures relating to publicity, submission of bids, awarding of contracts, and similar matters.⁹⁵ Unless this were done, the varying preferences inherent in the present procedures of many countries would continue. Any favoritism to domestic producers should be granted through margins of preference clearly stated in percentage terms. Such preferences could then be made uniform among countries and could be reduced over a period of time or in subsequent negotiations.

It might be too ambitious to include all government procurement in one agreement; nonmilitary, military, and foreign aid procurement could be dealt with separately. For example, the United States and Canada have mutually eliminated preferences on certain military supplies. This arrangement logically could be extended to include all NATO countries and Japan. Similarly, efforts now being made in the OECD to co-ordinate member countries' foreign aid programs might include an agreement under which this aid would be progressively untied so that recipient developing countries could purchase on a global basis from the most economical sources.

Preferences in procurement by provinces, municipalities, and other government bodies are more difficult to deal with, particularly because of the federal systems of some industrial countries. However, national governments could make efforts to standardize procedures and to eliminate such preferences.

In an Atlantic Free Trade Area, customs classification and

⁹⁵ Work on the possible harmonization of government procurement procedures is now taking place in the OECD.

valuation would disappear with tariffs. Correspondingly, the greater the tariff reduction the less important are the consequences of classification and valuation.

As indicated earlier, even though there is no uniform customs nomenclature among the industrial countries, this is not, by itself, an obstacle to trade. It would be desirable, however, if the United States and Canada were to adopt the BTN and to join the Customs Co-operation Council.⁹⁶ Also, procedures in the United States for making classification decisions and for handling disputes could be expedited.

Valuation is not a serious problem among those countries subscribing to the Brussels Definition. As in the case of tariff classification, there are always valuation problems relating to individual shipments, particularly in transactions between related parties. Any general problems can be worked out within the Customs Co-operation Council. U.S. and Canadian valuation practices, however, are out of line with those of other industrial countries. Their complexity, uncertainty, and in some instances opportunity for arbitrary valuation undoubtedly deter trade. Adoption of the Brussels Definition is a possible solution to such valuation problems. The U.S. Tariff Commission is now investigating the methods of valuation used by the United States and other countries, and the feasibility and desirability of U.S. adoption of the Brussels Definition.⁹⁷ A Treasury Department study has recommended elimination of the "final list,"⁹⁸ and ASP is under consideration in the Kennedy Round.

Adoption of the Brussels Definition by the United States and Canada would result in a higher c.i.f. system of valuation, so that rates bound in tariff negotiations would have to be lowered in order to compensate for the higher valuations. But

⁹⁶ Because of the introduction of a new tariff nomenclature in 1963, it may be some years before the United States is ready to make the considerable effort necessary to adopt the BTN. Separate negotiations with twenty-nine countries to compensate them for any impairment of previous tariff concessions caused by the 1963 nomenclature revision are still not completed.

⁹⁷ A preliminary report has already been published. See U.S. Tariff Commission, *Customs Valuation*, Preliminary Report to the Committee on Finance of the United States Senate, TC Publication 180 (Washington, D.C.: July, 1966).

⁹⁸ See U.S. Treasury, *An Evaluation*, p. VI-24.

since insurance and freight costs to the many U.S. and Canadian ports of entry vary considerably among countries, lower rates that would afford the same degree of protection to domestic producers would favor nearby countries and penalize distant ones.

Dumping and antidumping measures are becoming increasingly important problems in international trade. Antidumping measures may become more extensive as European countries introduce and amend legislation and regulations. However, multilateral tariff reductions as well as a free trade area would deter dumping by making it easier for dumped goods to be shipped back again into the dumping country. But even in a free trade area, transportation costs among many of the industrial countries are large enough to make this a limited deterrent. Furthermore, governments might be hard pressed to use antidumping measures to compensate domestic producers for the elimination or reduction of tariff protection.

Although the GATT requires that both price discrimination and injury be established before antidumping duties are imposed, it does not define what is meant by injury nor does it prescribe procedures to be followed in antidumping determinations. Consequently, GATT is not now adequate to regulate antidumping measures. As in the case of government procurement, an international agreement or code appears to be an appropriate and negotiable solution. Logically, a code would implement the GATT by including criteria for injury determinations and procedures for insuring that antidumping investigations would not inhibit trade and would treat all interested parties equitably. Such a code, which was discussed in the OECD and which is now being explored in the Kennedy Round, should eliminate the present and future nontariff barrier aspects of antidumping measures.

The elimination of such miscellaneous nontariff barriers as European and Japanese road and commodity taxes that have a discriminatory effect on imported automobiles, the U.S. wine-gallon method of assessing excise taxes and import duties, and the U.K. screen quota on recorded TV programs might be possible as part of a free trade area arrangement. If tariffs were only reduced, these and similar restrictions might best be handled through negotiations. Whatever their justification, unilateral complaints seldom result in satisfaction when diffi-

cult or important issues are involved.⁹⁹ Bilateral negotiations on such nontariff barriers may be impracticable when there is no basis for reciprocity. For example, the United States is interested in Austrian action on automobile road taxes, but Austria has no particular interest in any U.S. nontariff restrictions. Consequently, a multilateral package to which all countries contribute might be the best way to negotiate on such miscellaneous nontariff barriers. But even a multilateral package would be unbalanced for certain countries and, therefore, would not be reciprocal. Such a package would most easily be concluded within the framework of a general tariff reduction, such as the Kennedy Round, so that deficiencies in some countries' contributions could be made up by tariff concessions.¹⁰⁰ Short of a general trade negotiation, both tariff and nontariff barriers affecting trade in a particular industry might be negotiated. In chemicals, for example, an effort has been made in the Kennedy Round to exchange tariff concessions for elimination of the American selling price basis of customs valuation.

The misuse of standards and similar measures designed to regulate trade can best be treated within various international organizations dealing with these matters. The International Organization for Standardization and the International Electrotechnical Commission are ideally suited for this purpose with respect to industrial products. The *Codex Alimentarius*, which is being developed under the auspices of the Food and Agriculture Organization and the World Health Organization, is designed to cope with problems relating to agricultural products. The *Codex Alimentarius* will not only include health standards for food but also the standardization of can and other container sizes.

As indicated in the introductory section, this discussion

⁹⁹ For example, a U.S. complaint on European road taxes was considered by the OECD Trade Committee in 1963, but no changes in these countries' tax measures resulted.

¹⁰⁰ It might be possible to negotiate satisfactorily on recorded TV programs in connection with the OECD Code of Liberalization of Current Invisible Operations, part of which relates to liberalizing international transactions in motion picture films and recorded TV programs. However, neither the OECD code nor the GATT, which contains somewhat similar provisions, applies specifically to TV screen quotas, and their applicability to such quotas is a matter of contention that has not been resolved.

does not presume to encompass all nontariff barriers among industrial countries, but it does include the principal restrictions on nonagricultural products that have been the subject of recent international complaints. It is evident that in any elimination or further substantial reduction of tariffs the problems relating to these nontariff restrictions would be considerable. However, it is unlikely that any Atlantic free trade area or significant multilateral reduction of tariffs will develop until after the question of U.K. and other EFTA countries' entrance into the EEC is settled one way or the other. This key question to the future of Atlantic commercial policy may not be resolved for another few years. In the meantime, much greater attention is likely to be given to nontariff restrictions.

Mr. BYRNES. Then we can compare it.

Would this also include the quantitative quotas on the items that any country has? Are quantitative quotas approved under GATT? They are, under certain circumstances; aren't they?

Ambassador ROTH. Yes, under article 12 of the GATT. After the Second World War countries were able to have across-the-board quotas, to the extent that it was proven necessary because of balance-of-payments problems. The residual quantitative restrictions—there are still a few in France and, of course, in Japan—are the result of that. Then, of course, you have agricultural trade, which is an entity in itself.

Mr. BYRNES. Yes; I understand that. That is really a problem.

Do you have a list of the items on which Japan today imposes a quantitative quota?

Ambassador ROTH. These are the residual restrictions. We do have a list, and I will have that for you.

Mr. BYRNES. When you say residual, I am not sure that I understand what you mean.

Ambassador ROTH. After the Second World War—

Mr. BYRNES. They may be left over? Is that what you mean?

Ambassador ROTH. That is what I mean by residual.

Mr. BYRNES. What is the status today?

Ambassador ROTH. They are illegal. These are the items we were talking about.

Mr. BYRNES. Will you send me a list of these items? I did not count them all, but there are at least 14 pages, with at least 10 or 12 on a page, so there would be at least 140 items.

Ambassador ROTH. This includes both agriculture and industry.

Mr. BYRNES. Would that be part of the list that I have asked you to furnish?

Ambassador ROTH. That is right.

Mr. BYRNES. That would be a restriction that is illegal under GATT?

Ambassador ROTH. That is right.

Mr. BYRNES. But we have never taken any action on these; have we?

Ambassador ROTH. No. We have pressed very hard.

If I may present an example, 2 years ago we were prepared to do the same thing against the French that we now may have to do with the Japanese on automobile parts—to go to article 23 of the GATT. This was mostly in agriculture, canned fruit, and other products like that.

They were willing, however, at that point, to liberalize, and did. They still have some remaining quotas. We are again acting in the same way. We hope those will be cleaned up shortly.

Mr. BYRNES. I hope we have made some progress.

In my mind, not very much progress has been made, in that area. Yet we are told we don't dare to do anything.

If they remove a restriction, do we have to bargain that elimination by making a concession of some kind?

Ambassador ROTH. No, we don't, under GATT. Of course, under the Trade Expansion Act we can't. We can't pay for the removal of an illegal restriction.

Mr. BYRNES. You cannot?

Ambassador ROTH. We cannot. But the nontariff barriers in the ASP packages are not illegal. For instance, we were talking about the

European road taxes, which they now are willing to change within the ASP package.

If they had been illegal under the GATT, by the terms of the Trade Expansion Act, we could not pay for them.

Mr. BYRNES. Why, then, don't we press to have these actions determined illegal? Press the question so that we don't have to make some concessions. We don't have to buy our way out of having them stop doing something that is illegal?

Ambassador ROTH. That is what we did in France several years ago, saying you either liberalize these, or we go to GATT. This is what we are now doing to the Japanese on automobile parts.

Take another area, the area of subsidies, which our countervailing duty law does not allow us to accept.

When the Italians subsidized exports last year of transmission towers, we countervailed and raised our duties.

One of the last offers we made in the Kennedy round was, ironically enough, on canned tomatoes and tomato paste. Shortly thereafter it became clear that the Italians had put into effect a regulation which they said did not permit them to subsidize their exports to this country but in fact allowed them to do so on a retroactive basis.

The Treasury Department, under our law, felt we had nothing to do except to countervail. We did, and the duties have been increased.

Mr. BYRNES. The law says you have to do it?

Ambassador ROTH. That is right.

Mr. BYRNES. You mean here is an area where you did carry out what the law says? The Treasury found it was a subsidy, so the Treasury imposed a countervailing duty?

Maybe the law had some effect, then. On one particular point. We have not imposed very many, though, have we?

Ambassador ROTH. We have not.

Mr. BYRNES. We have had plenty of cases, haven't we?

Do you have to find injury there, too?

Ambassador ROTH. No. Our countervailing duty law would be illegal under the GATT, except it was in being before we entered the GATT.

We have said, when our trading partners have complained about this, that we were perfectly willing to discuss the problem of injury, if we can discuss the whole subsidy problem. If we can get some general understanding on subsidies worldwide, that is applicable to everybody, we will talk about our countervailing duty law, as well.

Mr. SMITH. Would you like some figures on countervailing duty cases?

I would say first that of course we operate on the basis of complaints.

Mr. BYRNES. Right.

Mr. SMITH. From 1935 to date, we processed 191 cases, and have issued 30 countervailing duty orders.

Currently in effect there are 13 countervailing duty orders, affecting eight countries.

We have three decisions in the last year—four decisions in the last year. Prior to that, the last countervailing duty order was, I believe, in 1959. There have been four in the last year.

Mr. BYRNES. And in the other cases, the finding was that there had not been a subsidy?

Mr. SMITH. Either that, or they terminated the subsidy before the case was complete.

Mr. BYRNES. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Burke will inquire.

Mr. BURKE. Mr. Ambassador, the figures that I would like to have for the committee are the total imports for the first quarter of this year, in comparison with the first quarter of last year, and the total figures of the exports for the first quarter of this year in comparison with the total exports of the first quarter of last year.

I understood you to say earlier that you had those available.

Ambassador ROTH. Yes, Mr. Chairman. The export figure for the first quarter of 1967 is \$31.1 billion, annualized.

Mr. BURKE. I don't want the annual figure. I want the actual quarter figure.

Ambassador ROTH. While we are looking those up, let me do it, if I may, on an annualized basis, because I think it is an interesting comparison.

The imports on an annualized basis were \$26.7 billion, for a net \$4.3. Now, this \$31 in 1967 compared with \$32.2 in the first quarter of 1968.

Mr. BURKE. The exports are higher?

Ambassador ROTH. Higher in 1968, by about \$1 billion, on an annualized basis.

Mr. BURKE. Imports?

Ambassador ROTH. Imports were from \$26.7 to \$31.3, a very sizable increase, so that the net effect went from \$4.3 to \$0.7.

It is probably easier to take the January-April figures for 1967. Exports were \$10,428 million. Imports, \$8,914 million, or a net plus \$1,514 million.

The same period, 1968, January-April, exports, \$10,901 million. Imports, \$10,470 million or a net figure of plus \$430.8 million.

I think what this shows, among other things, is that if you take out the special circumstances of the copper strike, which may have cost us anywhere between a half billion and a billion dollars in our balance of payments, and probably closer to the higher figure, you had this continuing—

Mr. BURKE. Half a what?

Ambassador ROTH. Half a billion to a billion dollars, because of the copper strike, and closer to the higher figure. In the last quarter of 1967 to the first quarter of this year, you have the continuing purchasing for steel inventory, because of a possible steel strike.

You have more deterioration of agricultural exports, perhaps at the end of last year than this. But beyond anything else, in fact, this was a period of rapid demand and growth in this economy.

Mr. BURKE. I have a letter here. I would like to take up my favorite subject, footwear.

As you know, the shoe industry is the second or third highest employer of my State. I have a letter here from the footwear people. I will just read part of it. I would like to have your comment on it.

You might be interested to know that we just received the April figure on shoe imports. For the first four months, we imported 69 million pairs, worth about \$112.7 million. In other words, imports are up 47.5 percent this year over last year, and 48.4 percent in dollars.

This is for the first 4 months. Just imagine what this will do to the State of Massachusetts, if it keeps on for 2 or 3 more years, and there is every sign that it will continue.

Retailers are making fantastic profit margins on these imported shoes.

In other words, it not only points out that there is a terrific increase here on imports, but the letter counteracts the statement made here this morning, that these imports are resulting in lower prices to the consumers.

I find out, in checking around, myself, that the retailers are not passing on these low prices to the consumers, but instead are reaping profits of 6, 7, and 800 percent.

Some of these shoes are being sold in some of our urban areas, where we have some real problems.

In other words, they are paying something like \$5.50 for a pair of shoes, wholesale, and then they are gouging the public, the American public, for an amount as high as \$19 or \$20 for that same pair of shoes; an unconscionable profit.

Now, I would like to have you comment on that, and comment on the statements that were made here this morning, indicating that these imports are resulting in lower prices for the consumer.

Ambassador ROTH. Congressman Burke, I think as a general rule it is true that imports as a competitive factor bring prices down.

I would like to comment on the shoe industry, because I think this is a very important industry, and is a difficult problem.

I think this relates a little bit to the discussion that Congressman Byrnes had with us this morning. This is a substantial industry and employs around 240,000 workers.

In other words, the problems of the shoe industry are ones that we have to take very seriously.

However, it is very complicated to get the facts, for a number of reasons. On a value basis, at least until this point, imports have not made a serious penetration.

You have the fact, and I think this probably fits into some of the things you were saying, Congressman Burke, that major American shoe companies are themselves importing a great many shoes from other countries.

You have small shoe manufacturers who are under intense competition not just from imports, but from the large integrated companies.

You have a situation where certain types of shoes are becoming less popular and new types of materials are coming in.

We felt, just as you do, that there is a serious problem here with an important industry that we must look at. But we are not satisfied that we have the facts within the Government, or in terms of material that has been submitted to us. The President and Chairman Mills therefore asked the Tariff Commission for an intensive study.

Mr. BURKE. When do you think the results of that study will be forthcoming? After we adjourn this year?

Ambassador ROTH. It will be after you adjourn.

Mr. BURKE. There will be very little we can do about it.

The CHAIRMAN. May I interject a question?

You say after we adjourn. What day are we going to adjourn?

Ambassador ROTH. I will defer my answer.

Mr. BURKE. Someone suggested this morning, or testified, that if the quota system was put in, it might result in a massive retaliation.

Could you tell me whether or not the countries who are shipping shoes to this country would object to setting a quota, say 5 to 10 percent above the amount of shoes or footwear that they shipped in the year before? Or do they expect to continue to pyramid these imports until they drive every shoe company here in the country out of business?

Ambassador ROTH. To turn the question around, I think it would be as if the Europeans were to ask whether our computer industry would mind if we set a quota level not on the basis of present imports, but a little bit above. The answer is, that industry would object very strongly.

Now, it is true that if you have a quota bill where the quota is triggered at some future point, there is—although the legal question is open—probably no immediate retaliation.

Retaliation only comes at that point where the quotas come into effect, and where trade is affected.

Mr. BURKE. Don't you believe it would be reasonable to expect these countries to understand what the situation might be here in this country if these imports continue to glut the market, as they are with shoes?

I think in January their imports were raised 73 percent. This is an unreasonable amount for them to expect that this country here should absorb.

I think they ought to be reasonable enough, and be able to take a reasonable amount of business, and not expect to get it all.

I think the whole trouble in some of these foreign countries, with possibly some of our negotiators, although I am not complaining about you, but I think what they fail to realize is that Congress has the power to enact strong quota legislation, and if there aren't reasonable steps taken by those countries, then this legislation might be forthcoming.

I voted for the trade bill. I am for the trade expansion bill, but I certainly realize that no country should expect to come in here and capture the entire footwear market in this country. No two or three countries should expect that.

I think we are reasonable enough to expect them to expand a bit, but when they start expanding to the point where they are increasing their imports 73 percent in 1 month, then Congress certainly will act.

Now, you and I know there are 250-some odd Members of Congress who have shoe factories in their districts, and there are some other products that are affected, textiles, and steel, and others.

Now, if we don't have some reasonable action on the part of these negotiators, and let these people know just how far they can go, I am afraid your whole trade program will go down the drain.

I would not want this to happen, but we keep appealing and appealing to them to use judgment, and they are just sweeping that aside, and they continue to glut the market with these shoes.

It has been on a steady rise up since the trade bill was passed. Once the Kennedy round took effect, then they came in here with a 73-percent increase in 1 month.

Certainly back in by home State, the shoe industry is the second or third highest employer in that State. We don't expect to stand idly by.

It won't be just one party support, it will be bipartisan support of quotas.

What I am doing here is trying to appeal to you and also to appeal to the negotiators to get this story across to the foreign countries, that there is a saturation point, and once we reach that, watch out, because your whole trade program could go right down the drain.

One of the items that has reached the saturation point is footwear.

I also have complaints from the seafood people in my State, and the textile people.

I am merely transmitting that to you because I know you are looking for this legislation and other legislation, but we are faced with some real problems.

You take the shoe industry. What better industry is there for training the untrained worker? With the Government spending billions of dollars trying to wipe out poverty, what better program could we establish here in this country than to go into the ghettos and train some of these young men and young women into this type of work, create jobs for them?

These are things that we have to keep in mind.

I would hope that we would get some honest answers here, and some good answers, about what is going to be done, because certainly we are not going to tolerate an average of 50-percent increase in imports month after month.

I am not going to stand idly by and see the entire shoe industry of Massachusetts wiped out, which according to this letter might take place within 4 or 5 years, if the imports continue that way.

Ambassador ROTH. This is why, Mr. Congressman, I felt it important to know whether the concerns voiced in that letter can actually be based on fact, or not. It is not necessarily true that a sharp increase in imports in any particular month, or any particular period, is going to continue on up.

You have great concern with this industry, and with other industries that have problems. But yours is also a great exporting State.

This Congress has the power to put quotas into effect in any area they wish. Their answer is, of course, that their own congresses have that right, as well.

This is our basic concern, that we do not, looking to the future, get into a situation where the future growth in our exports, in agriculture as well as industry, is stopped.

Again let me add that I think this study will be important, and on the basis of it, I hope that this matter can be directly discussed with the Congress again.

Mr. BURKE. I don't want to bring up further the sectional problems that we have up here, because our good Secretary of the Interior has been helpful to New England, but we seem to have quotas on oil up there, and no quotas on shoes. What we need, we can't get, and what we don't need, we get plenty of.

The CHAIRMAN. Mr. Byrnes.

Mr. Byrnes has not yet completed his interrogation of Secretary Udall.

Mr. BYRNES. I just have a couple questions, Mr. Secretary.

On page 8 of your testimony you refer to the exemption in the administration of the oil quotas for overland shipment. What are you doing about the situation where they bring a ship in, unload it in bond onto a truck, drive the truck over into Mexico, and then import it overland, thus avoiding the quota?

Are you familiar with that?

Secretary UDALL. Yes, I am very familiar with that, Congressman. It is one of those embarrassments that I inherited. I still have never been able to resolve it, as an issue.

We did, if I may explain the rationale of it, at least the way we have always justified it.

Since the oil import program was based entirely on national security considerations, and since national security considerations are also very compelling with regard to our neighbors, Canada and Mexico, the movement of petroleum overland from either of these countries, they being adjacent countries, is presumably and indeed is in the national interest, obviously, and therefore, after the program was put into effect, one of the first things that was done was to make an exemption for Canada and Mexico.

That exemption still exists. At that time, in 1959, when the administration put the program into effect, there was a shipment of petroleum into Brownsville, Tex., but it came overland only indirectly, it was coming by tanker to Brownsville from Tampico and is, of course, Mexican-produced oil.

When the overland exemption was put in, this gimmick was developed to truck it over the border in bond, and back, again as an overland movement. This legally complied with the regulations.

It is rather ridiculous. At various times I have brought it up with my people, and we have taken it up, because over the years it has been singled out as something that was not a very businesslike way to run a program.

But it represents a vested interest. It represents the only oil that comes in in this fashion, from Mexico. Mexico basically is an importer, as you know, themselves; and it involved a lot of special circumstances with the result that we have never done anything about it. By agreement with Mexico, the quantity is limited to 30,000 barrels per day.

It was not my idea in the first place. That is the only defense I have. I inherited it. We have preserved it. We have not enlarged it in the last seven and a half years, however.

Mr. BYRNES. Is this a Mexican company that is doing this?

Secretary UDALL. It is U.S. companies. The oil is Mexican oil. It is a special arrangement.

Mr. BYRNES. In other words, it is a loophole they have created. As far as you are concerned, it is all right?

Secretary UDALL. It is a legal loophole—there is no question about it, that it is a legal loophole—and we have allowed it to exist, because of the circumstances I have described.

Mr. BYRNES. Because Mexico is involved?

Secretary UDALL. Yes; because Mexico is involved, and because of the vested interest—

Mr. BYRNES. Our national interest is not tied in with the amount of oil that is coming in in this way; is it?

Secretary UDALL. Our national security is not tied up in the sense that this is a pipeline movement, which has the implications of national security, as anybody might believe it does have.

Mr. BYRNES. I was trying to find out what the real interest was that we have as a nation in permitting this flouting of the fundamental restrictions by a gimmick that is apparent on its face.

All you have to do is say that we are not going to let it be unloaded in bond, I would think, for the purpose of then importing it through an exempt device.

I don't know whether it should come in or not. That is not my point; but when I see these loopholes develop, I don't see why there is such reluctance to close them.

We have had it in the dairy industry, under section 22 of the Agricultural Adjustment Act. We just turn our back when these very intelligent, able people—and I am not criticizing them, I give them credit for being damn smart—find some ways of circumventing an order.

But when they do find a way to circumvent it, it seems to me our best interest is to make people understand that when we have an order, we mean for it to be carried out. If they find some way to get around it, we will close that door.

Secretary UDALL. Congressman, of course, with any program of quotas, when you put the quotas into effect, whatever the time period is, there are always some odd situations, or there usually are.

This is one of the few odd situations that involved Mexico. The Mexicans said, "Why don't you treat us the same way you are treating Canada?"

Our reply, I suppose, should have been at that time, "Well, we are going to exempt overland movements; but this is not an overland movement."

But it was there. It was coming in, and this loophole was created in respect of vested interest. It has been there. It has been operating for 10 years, now.

It is a loophole. I can't deny that.

Mr. BYRNES. Let me come down to the quotas, and the way they are administered.

This is not necessarily involved in the legislation before us, but every barrel of the quota that is given to somebody is worth about a dollar and a quarter a barrel; isn't it?

Secretary UDALL. There is a value. It depends on the special circumstances. This is the figure that is usually used, yes, in District I-IV.

Mr. BYRNES. Is there a quarrel about that figure being materially inaccurate?

Secretary UDALL. No; but there are special circumstances that exist.

I don't want to quarrel with you. I think that is the figure that is commonly accepted; yes.

Mr. BYRNES. Why should we just give away a dollar and a quarter a barrel to people on a quota basis? There is no formula for it, is there, in the law?

You are recognizing what almost amounts to a quota by letting these people import whatever they can get through during a 12-month period. That is really a quota that they have gotten; isn't it?

Secretary UDALL. You are talking about the Mexican loophole?

Mr. BYRNES. Yes.

Secretary UDALL. Yes.

Mr. BYRNES. So whoever gets that is getting about a dollar and a quarter a barrel.

You say this is justified on the basis of a vested interest somewhere. What about these other quotas that are given out?

Frankly, I have difficulty in understanding why we should not sell the quotas.

Uncle Sam ought to get some of the \$1.25, it seems to me.

Secretary UDALL. Congressman, we are studying this very intensively, right at the present time.

This was, I believe, mentioned in the President's budget message this year. Some in the Council of Economic Advisers and others in the White House, the Executive Office, have been advocating this for some time.

My Department has taken a rather negative view about it. We are in the process of analyzing the possible sale of all or part of the oil import quota tickets. This is under active consideration.

Mr. BYRNES. I understand an individual may not have a refinery, but may have a historic quota. All he has to do is draw the check for the value of this quota that he turns over to somebody else. It goes through him. He just collects a dollar and a quarter a barrel.

I don't get the point.

Secretary UDALL. Let us look at it just a moment. Let us turn it around. At the time the oil import program, the quota, was instituted, these people at Brownsville—and all the other companies, most of whom have the quota tickets today—they were bringing oil in. They were importing it. This is not something that we gave them. They were all bringing it in; but we instituted a quota system, and we instituted formulas to decide who gets the quotas, and we passed the tickets out.

It is not as though the Government suddenly came along and said to someone, "Look, we are going to give you a right to do something that you were not doing heretofore"; because when the program was put into effect, in 1959, we were importing substantial quantities of petroleum into this country at that time.

This is the argument on the other side. There are two good arguments on this question, as I see it.

Mr. BYRNES. I am not quarreling with the proposition that our national security requires a limitation on the amount of oil coming in. I am not quarreling with that, at all. But part of the reason for this value I assume is the limitation of the amount of imports that come in. When you put a quota on that has this kind of value, it just seems to me that there isn't any inherent right in perpetuity in any party to be able to have the enrichment.

If imports came in, if there were no restrictions, no quotas, all the prices would fall, so there would not be this differential of a dollar and a quarter.

Why should not Uncle Sam or somebody get the advantage of the fact that that price is held up, and that these people are getting this benefit?

How much oil can you move by boat from Mexico to Brownsville, and then put in a truck and run over the line and back again? That

is an open ended quota, depending how many ships can be used, and how many trucks can be unloaded.

Secretary UDALL. No, there is a limit on that; 30,000 barrels a day, as I recall.

What they were bringing in in 1958 has remained the same. It is not open ended, not at Brownsville.

Mr. BYRNES. But they come in under a proposition that has no limitation on it.

Secretary UDALL. As a practical matter, they understand it is 30,000 barrels a day, and that is all.

Mr. BYRNES. Excuse me, Mr. Secretary. This is not a grievance I have with you. It is whoever is Secretary of Interior.

Some individual simply makes a decision that Mr. X can have this kind of windfall, and he enters into an understanding with them: "Don't bring in more than 30,000 barrels, otherwise, it is going to look bad."

I don't think that is the way to run a country, or a railroad.

Secretary UDALL. When the program was put into effect, and they were importing 30,000 barrels a day, and are continuing to do it today, nothing was given to them—it was simply recognized that they could continue to do what they were doing.

That is where the vice of the thing began. It is the only one of its kind, too, may I say.

Mr. BYRNES. You have given it to people who have never been in the business. People have more than they were bringing in, people who were not bringing in any.

Secretary UDALL. We have tried to have quotas for newcomers, for new refineries, for example, so that we just don't freeze in all the big companies, or all the old companies, so that there is a growth factor in it, and we tried to make the program responsive so that the small refineries get more.

This is a sort of small business bias we have built in. We have built in a bias for newcomers, too; not a bias, but we let them into the program, so we simply are not freezing it with an existing group of companies that get the quota tickets, and that is all.

Mr. BYRNES. I know it is being passed out as others come along, and they get a quota.

Is there a formula for who gets what, when, and how much, or is this an administrative determination?

Secretary UDALL. An administrative determination.

Mr. BYRNES. With a valuation of approximately a dollar and a quarter a barrel.

Secretary UDALL. It has that value. That is correct.

It is like, if I might point out, if we were to decide this year, and put into effect next year, as we are studying seriously now, a program to sell part of the quota tickets, I think it is reasonable to assume that all or part of that would be passed on to the consumer, because of the essential economics.

Mr. BYRNES. The essential economics? The essential economics is the overall supply. Here is a limited additional amount that comes in, which has a valuation, because it automatically moves up into the normal market.

I assume that is the difference between the dollar and a quarter that comes in. So how does the consumer get that?

Secretary UDALL. The overall economics of the industry fixes the prices for wholesale and retail, and in the main there has been as much price stability in petroleum, generally, or more, perhaps, than in the economy generally.

Mr. BYRNES. Do you know how many of these people that have these quotas really see the oil themselves because it is automatically sold?

Secretary UDALL. Generally you can't sell quota tickets. You either have to use the imported oil or exchange it for domestic oil.

Mr. BYRNES. Do you know the volume of the quotas where the guy never sees the oil, but simply sells the ticket?

Mr. SCHNEEBELI. Is there one individual who has a quota of 5,000 barrels a day, who operates in this fashion—he does not see the oil, he does nothing about it, and he capitalizes it by selling his quota? Is this correct?

Secretary UDALL. Yes.

As a matter of fact, some of the inland refiners, refiners in places like Minnesota and Missouri, places like that, they can't import—some of them can by barging it, but we feel all refiners ought to participate in the program.

Mr. SCHNEEBELI. Will you answer that question with regard to Brownsville? There is an individual, not a refiner, who operates on a basis of 5,000 barrels a day quota, who never sees the oil, never has anything to do with the transaction, he merely sells the quota?

Secretary UDALL. It is not correct as to Brownsville.

Mr. SCHNEEBELI. In Texas?

Secretary UDALL. There are individuals who get quotas who do not see the import oil. They make trades. This is the way business is done in this industry. As to the one case you mention, it is based on a "grandfather" clause in the proclamation, preserving a nonrefiners importing history.

Mr. BYRNES. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Curtis.

Mr. CURTIS. Thank you, Mr. Chairman.

I think the colloquy that has been going on regarding oil quotas could go on in regard to any other imports, for example, sugar or coffee.

It ought to spell out what happens when we go to a quota system of this nature.

In a way, I am pleased to have the colloquy develop in this fashion. A quota is sort of like opium—it may be necessary to ease various pains, but it can become a habit, and a very dangerous one.

Mr. Chairman, first I would like to call not only the attention of the Government officials we have here today, but others who might be in the audience, to the committee staff print, "Selected Provisions of Tariffs and Trade Laws of the United States and Related Material," published June 4, 1968.

I think a very good job has been done by the staff. I am most anxious for witnesses who will be appearing in the future to refer to this document and criticize it where they feel the staff might have missed material that is important, or has interpreted or explained certain information incorrectly. I think it might be very helpful in the future to refer to this document.

Incidentally, on quotas, on page 253, they have a list of quantitative import restrictions of the United States there. I would like to be certain that this list is all-inclusive.

In this material most of the statutes are linked to laws that affect imports. Yet they are not collected together as nicely as the Steel Import Problem, published by the American Iron and Steel Institute in October 1967, has them listed beginning on page 43.

I want to read these very quickly.

Section 801 of the Revenue Act of 1916.

Countervailing duties, section 303 of the Tariff Act of 1930.

Tariff adjustment and other adjustment assistance, sections 301, 302, of the Trade Expansion Act of 1962.

Adjustments for cost differences, section 336 of the Tariff Act of 1930.

Orderly marketing agreements, sections 351 and 352 of the Trade Expansion Act of 1962.

National security clause, section 232 of the 1962 Trade Expansion Act.

Unfair practices in import trade, section 337 of the Tariff Act of 1930.

Section 73 of the Wilson Tariff Act.

Section 802 of the Revenue Act of 1916.

Section 252 of the Trade Expansion Act of 1962.

Preventing discriminatory practices, 1890 Anti-Discrimination Act.

This last one I do not find listed in this compendium compiled by the Ways and Means staff.

Federal antitrust laws which include the Webb-Pomerene Act among others.

Treaties of friendship, commerce, and navigation.

I do not find some of these items of material in the staff document.

I would like for the purpose of the record here to read further.

Again, I am reading now from the publication of the American Iron and Steel Institute.

After World War II, the United States entered into treaties of friendship, commerce, and navigation with several countries which contained a provision that the countries that were signatory to the treaty would consult with one another upon request of one of the nations that the others were engaging in business practices which restrained competition, limited access to markets, caused monopolistic control or, as the result of agreements among business enterprises, had harmful effects on commerce between the two countries.

They are talking now about the fact that the steel producing countries with which we have negotiated such treaties are Japan, Germany, and Italy, and they go on to point out that these treaties provide the vehicle whereby our Government can consult with any of these nations with respect to the prescribed business practices.

I simply wanted to get this material in, because, as the hearings progress, I am hopeful that we will be able to, before we are finished, have them complete, so any of the Departments here represented can check these documents and criticize them, and add to them where they feel there needs to be additional material.

Now I have just one or two specifics. I want to add my request to those of Mr. Byrnes for updating the study of these nontariff trade barriers, and again appeal to the Department heads here to assist in

getting these nontariff barriers, particularly our own, but also those abroad, fully spelled out.

The Joint Economic Committee in 1961 published a compendium of trade restraints in the Western community, which was a beginning of the listing of nontariff barriers. What I want to point out is that many of these come under the guise of health measures. They can be legitimate health measures, but they can be overextended.

Some have to do with conservation and may be either justified or not justified.

Pest control is another measure often taken.

Subsidies have already been mentioned in many varieties.

Purity and other kinds of standards are often used.

Again, I think we want to have as many of these available as we can to get into this area in depth.

We have a problem in the Congress in trying to bring to bear all of the various factors that affect international trade.

I have identified 13 out of our 20 standing committees in the House that have important jurisdictional aspects that deal with international trade:

(1) Banking and Currency, which has jurisdiction over our various development banks, including the World Bank, the Inter-American Bank, Asiatic Bank, and others.

(2) Agriculture, of course.

(3) The Armed Services Committee, which has many of the defense programs abroad. Because they are called military programs they are often not identified in the economic field, and yet they are primarily economic.

(4) Interior and Insular Affairs, which has to do with what Secretary Udall talks about.

(5) Labor and Education becomes, in my judgment, Secretary Wirtz, one of the very difficult problems we have in trade. I would be most interested in having further information from your Department on the manner in which ILO and other international organizations deal with the problems of wage rates, wage conditions, child labor laws, et cetera, and how such conditions might be used as barriers to trade.

(The following information was received by the committee:)

THE INTERNATIONAL LABOUR ORGANISATION AND WORKING CONDITIONS

In its almost 50 years of history the International Labour Organisation (ILO) has adopted 128 Conventions and 131 Recommendations related to establishing standards for minimum wages, hours, working conditions, safety and health, social security, and other social legislation including the right of workers to organize and bargain collectively. These Conventions and Recommendations are adopted at ILO conferences by votes of the Government, Employer and Worker delegates of the member countries (now 118). ILO instruments are not binding upon an individual member country until the country takes appropriate implementing action. However, reports on law and practice with respect to Conventions and Recommendations are required from all member countries. The ILO relies primarily on persuasion and the weight of public opinion as the means of achieving improvements.

The Conventions and Recommendations are designed to achieve social justice and to improve the conditions of workers throughout the world. Another major activity of the ILO influencing the development and promotion of improved conditions for workers is the collection, analysis, and dissemination of data relating to employment, wages, and working conditions throughout the world. The ILO also conducts a wide-ranging and comprehensive technical cooperation program for the same goals.

Other international and United Nations' organizations are not active in setting standards in the labor area. Where some such activity might be taking place, the ILO generally sets the pattern and is looked to by these other organizations as the appropriate body to deal with the issues.

We do not know of any cases where implementation of ILO Conventions and Recommendations have been used as a barrier to U.S. exports.

Mr. CURTIS. (6) Judiciary Committee, on patents, copyrights, and antitrust laws.

(7) Interstate and Foreign Commerce.

(8) Merchant Marine and Fisheries.

(9) Of course, the various subcommittees of appropriations deal in these areas.

(10) And Government Operations among other committees.

Now, to Secretary Smith, first let me make this general observation.

I thought the papers prepared by the witnesses were excellent and have gotten us off to a good start, so if I pick up something critical it is not because I don't appreciate the other data.

On page 10, you report how the President is trying to increase the amount of money that the Government spends abroad to promote exports. The thing that bothers me, Mr. Secretary, is that at the same time the administration, through your own Department, is restricting private investment abroad.

I have the impression that private money spent abroad does a much better job promoting exports than Government money.

Would you care to comment?

Secretary SMITH. I think you can make a good argument that restrictions on foreign investment over a reasonable period of time do not restrict exports of the country.

I would not like to see restrictions on foreign investment last forever. In fact, we look forward to the day when we don't have them.

But the recent figures on the balance of payments have been such that we had to do something to get it back as promptly as possible, to save a billion dollars in foreign investment.

I don't think it is going to have much effect on foreign investment this year, or next year because of the large amount of the total investment being financed abroad. As you know we are controlling only new capital flows from the United States and reinvested earnings not borrowings abroad by U.S. firms.

Mr. CURTIS. Mr. Secretary, you have to put it in context. You are cutting back on the private sector, but you are not cutting back on the Government sector. You are increasing the Government sector in trying to promote exports.

Secretary SMITH. That is right. There is a difference in that.

Mr. CURTIS. I know there is a difference. That is what I want to talk about.

What is the difference? What is the difference between using public money and using private money to encourage exports?

I would argue that concerning the balance of payments, the use of Government money tends to be more deleterious on the balance of payments than the use of private money.

Secretary SMITH. We are trying to encourage people to export, and become interested in exports, and to tell them where the markets are, and to develop offices where they can get acquainted with people abroad.

Mr. CURTIS. Don't you think, Mr. Secretary, they can do that better with their own money?

Secretary SMITH. Yes. I think the average corporation, such as the United States Steel Corp., is big enough, but this country has hundreds of thousands of small potential exporters, and they don't know foreign markets. Some of them have not been abroad in their life. They don't know what people abroad want. They don't know what people abroad will buy.

We have become a clearing house to find places where American products can be sold abroad. That is our principal chore.

Mr. CURTIS. In this area, you are not necessarily talking about large volume. I am very concerned about small business, too.

We are talking about balance of payments. We are talking about increasing the amount of money that the Government spends abroad to increase exports in sufficient quantity to justify the expenditure. Then we must relate Government spending to what spending by the private sector would do to increase exports.

Secretary SMITH. If you will read my testimony this morning, you will find a specific figure in there. We believe we can prove that for every dollar we have spent in the trade promotion program, we have gotten \$30 effect on the balance of payments plus.

Mr. CURTIS. That is where I want to see the working papers, I might say. I have been trying for years to get some of the working papers of the AID, to try to find out where they get their tie-in figures. I have tried, unsuccessfully, I might add.

Secretary SMITH. We have no objection. We can't be accurate down to the dollar on a calculation like that, but we have no objection.

Mr. CURTIS. Mr. Secretary, no one is asking for figures accurate to the dollar. This is the kind of response, I regret to say, I so often receive from Government witnesses.

No one asked that. All I ask for is general figures. I still pose the question, because the Ways and Means Committee has gone into this problem of how to encourage our exports and how private investment relates to it. The question of whether Government money is spent as well in increasing exports as is private money, is an important question.

Now, we can't pursue a subject of this importance here in any detail at this time. I hope that there will be more discussion of it in the future.

I would hope that the Department of Commerce would prepare a paper on this matter, submit it to the committee, so that we can interrogate on the details that would then be in the record.

Secretary SMITH. You are talking really about the money we have spent for our trade program overseas, and how much we get back on that investment. We will be glad to give you a paper on it. (See p. 380.)

Mr. CURTIS. I want to relate it, also, to private investment, because this administration has cut back on private investment, and increased public investment.

Secretary SMITH. As a matter of fact, we have put a restriction on authorization of private investment which really has had no great effect in the substantial amount of money that will be spent abroad.

We will be glad to submit figures on that.

Mr. CURTIS. I have been trying to get it for some time, Mr. Secretary.

Secretary SMITH. You will get them next week. (See p. 380).

Mr. CURTIS. I was disappointed when the Ways and Means Committee early this year held hearings on the President's package of balance of payments, and we did not get into this kind of discussion, because, frankly, I think the Department of Commerce was acting illegally, *ultra vires*, in restricting private investment abroad.

You have no authority to do it. You cite an act back in 1917, which in my judgment is very questionable authority for this kind of action.

I want to get to the practical proposition of why the administration cuts back on private investment, and yet increases its own investment abroad, and in fact comes to Congress asking for further increases in the amount that the Government can invest abroad.

Secretary SMITH. We are not making an investment abroad. We have a sales program to try to sell American products overseas.

Mr. CURTIS. I know the Department of Commerce does. When I said the other, I refer, for example, to the request to increase the capitalization of the Inter-American Bank by a billion dollars, which was submitted to the Congress by this administration.

There is another request for authority to increase the capitalization of the Asiatic Bank.

Now, I happen to favor these programs, generally, but I want to put them in context with private investment, where we are restricting capital outflow. I want to see how Government programs fit into the overall balance of payments.

Now, I am relating my immediate question to you in regard to this business of promoting exports. We have the same type of situation in a minor way on the travel tax.

There was a request by the administration to increase the amount that the U.S. Travel Service was spending abroad to promote travel to the United States by foreigners.

I asked the very obvious question: Why wouldn't money spent by the private sector to promote travel abroad—the private sector is already spending a hundred million dollars—be better spent in increasing travel to the United States than having the Government do it?

I got very few answers. But I am seeking the answers on this question as to why the Department of Commerce thinks it can do a better job in promoting exports than can the private sector.

This is what I really want to know.

Secretary SMITH. To answer you fully, I would have to write you a volume, but I will do the best I can to get you a report on it next week. (The information was received by the committee:)

COMMERCE EXPORT PROMOTION ACTIVITIES—RELATION TO PRIVATE EFFORTS AND MEASUREMENTS OF RESULTS

The export promotion programs of the Department of Commerce—part of the overall effort of the U.S. Government to increase exports—are of a varied nature. They include, for example, overseas promotions, trade missions, informational services, workshops and seminars to help orient businessmen toward exports (carried out in cooperation with Regional Export Expansion Councils) and policy-oriented activities aimed at improving the international trading climate. In all of these activities, the Department's aim is to assist business—not to do for business what it can best do itself. In our international commercial information program, for example, the Department concentrates on providing data on foreign economies, foreign Government regulations, market statistics, lists of companies abroad, which business cannot develop as efficiently, leaving wide areas to private enterprise.

The largest part of Commerce's current export promotion expenditures are for overseas promotion activities which are designed to assist businessmen in entering new markets through the technique of displaying their export goods at overseas exhibitions of several types. Commerce's role is that of: (1) arranging for or supplying the facility for such displays; (2) identifying those products and exhibitions with high potential for U.S. export goods; and (3) assisting in the identification of potential customers and sales representatives and attracting them to the display events. The actual sales and the signing up of agents to make future sales are carried out, of course, by the private firms. Commerce's role, thus, is that of a catalyst. Also, the firms participating in Commerce-sponsored promotion events overseas pay certain fees. They do not get a free ride at the taxpayer's expense.

We share your concern about the U.S. Government spending money for what private firms can do themselves. We have found, however, that exporting is somewhat of a stepchild in the case of many U.S. firms. They are not export-minded and need encouragement to spend some of their marketing dollars on export sales. This encouragement is what we provide. I believe that an expansion of our activities to encourage exporting is necessary at this time to get firms not now exporting into export and to get many firms which are now exporting to increase their exports.

With respect to measuring the results of export promotion activities, we naturally do this in order to set priorities for the use of our appropriations for those export promotion activities which produce the best results. It is not possible to quantify results of certain of our activities, such as informational programs, but we have kept careful records on our overseas promotions and are measuring their effectiveness. For the three major overseas promotions (Trade Center exhibitions, Trade and Industrial Exhibitions, and America Weeks displays) we find that each \$1 of Commerce-expended funds results in about \$15 of export sales. This is based on signed reports from participating firms and includes only sales and made at the exhibitions or clearly resulting from participation in the exhibitions, i.e., sales in the following year by agents appointed as a result of the exhibition. Also, since only about half of the Commerce expenditures are overseas, the ratio of expenditures to sales results on a balance-of-payments basis is about 30:1.

The attached summary on the evaluation of our overseas export promotion activities provides data on these three major overseas promotion programs and the cost-effectiveness ratios we have derived for them.

EVALUATION OF DEPARTMENT OF COMMERCE MAJOR OVERSEAS EXPORT PROMOTION ACTIVITIES

The Department of Commerce conducts several export promotion activities overseas which are designed to assist in introducing new exporters to foreign markets and present exporters to new markets. The principal programs are Trade Centers and Trade and Industrial Exhibitions. In addition, the Department promotes the export sales of U.S.-produced consumer goods through America Week promotions in cooperation with foreign retailers. The effectiveness of these three activities can be measured by two related cost-effectiveness ratios based on operating experience.

COST-EFFECTIVENESS RATIOS AND OTHER PROGRAM MEASURES

The first ratio compares confirmed export sales reported by the exhibiting firms at the promotional events and show-related sales to the market in the 12-month period immediately thereafter in relation to the Commerce-appropriated costs of the activities. This cost-effectiveness ratio has averaged about 15 to 1, that is, \$15 in export sales for every Commerce dollar spent on these programs.

The second ratio compares the same export sales results of Commerce-sponsored export promotion activities in terms of the direct impact of related costs upon our balance of payments. Since only about 45 percent of the funds for these programs are spent overseas, the cost-effectiveness ratio on a balance-of-payments basis has averaged about 30 to 1. This means that \$30 in export sales have resulted from every Commerce dollar spent overseas for these activities.

Export sales data upon which these ratios are based are reported to the Department by the exhibiting U.S. firms at the end of each exhibition and 12 months thereafter in the case of those at Trade Centers and Trade and Industrial Exhibitions. Attached are copies of the forms used in reporting the sales results.

In the case of the America Week program, confirmed export sales include only the foreign retailers' initial purchase of U.S. goods for sale during those promotions.

Other measures of program effectiveness are also available. Most important among these is the number of new sales representatives for U.S. products resulting from the promotional activities. The sales of these representatives are included in the 12-month confirmed sales data which provide the basis for the cost-effectiveness ratios. It should be noted, however, that additional export sales by these representatives continue on, and often increase, in subsequent years. These results, which cannot be measured easily, would raise the level of sales above that used in the present cost-effectiveness ratios.

To improve further the scope of the present measure of program effectiveness, techniques are now being developed to measure some of the side effects of these promotional programs. For example, increases in exports of spare or replacement parts and product service follow the initial sales achieved through the exhibitions, but are not included in present program measurements. With respect to America Week promotions, the Department now asks participating foreign retailers to provide reports on additional sales in the first 12 months following these promotions in order to acquire data more comparable to that available for other programs.

EVALUATION BY PROGRAM

Trade and Industrial Exhibitions

The program was initiated in Fiscal Year 1963. These exhibitions, generally known as U.S. Commercial Exhibitions, take place in established international trade fairs and, since March 1966, as solo exhibitions in particularly promising markets where no suitable fair exists. Their primary purpose is to increase U.S. exports by assisting U.S. manufacturers in distributing and selling their products abroad. These exhibitions are aimed almost exclusively at trade audiences. A customer identification and market promotion campaign precedes each exhibition to assure that the market's best business prospects are attracted to the exhibition.

Analysis of costs and results for Trade and Industrial Exhibitions shows a greatly increased cost-effectiveness ratio between Fiscal Years 1964 and 1966, when the ratio increased from 8 to 1 to 13 to 1. In 1967 further improvement was registered. Several factors are involved in this improvement: (1) in recent years careful research has been conducted to identify market opportunities of high potential; (2) intensive market promotion work was instituted during Fiscal Year 1966; and (3) costs have been reduced.

TRADE AND INDUSTRIAL EXHIBITIONS—COSTS AND ACCOMPLISHMENTS, FISCAL YEAR 1964-67

[Dollars in thousands]

Fiscal year	Number of exhibitions	Commerce appropriated costs	Confirmed sales at show and for 1 year after ¹	Ratio of total confirmed sales to appropriated costs
1964.....	12	\$2,092	\$16,491	8 to 1.
1965.....	13	2,463	16,188	7 to 1.
1966.....	22	3,316	43,368	13 to 1.
1967 ²	20	3,682	51,566	14 to 1.

¹ Confirmed sales are computed on the basis of sales reported by exhibitors in response to a followup survey made 1 year after close of exhibition.

² Partial projection.

Trade Centers

U.S. Trade Centers provide permanent exhibition facilities in major commercial areas abroad. Their purpose is to assist U.S. manufacturers in establishing and selling their products in these markets. The six Trade Centers now operating average seven to nine product exhibitions a year, with an average of 30 to 35 U.S. firms participating in each major show. Between these regular exhibitions, the Centers are used by individual firms, associations and other groups for a variety of promotional purposes, such as product demonstrations, window displays and sales conferences. These "between-shows" activities add significantly to the sales returns from the Centers. For example, in the table

below between-show promotions accounted for over \$14 million of the 1966 sales and \$4.5 million of the 1967 sales. (Such figures are not available for 1964 and 1965.)

TRADE CENTER COSTS AND ACCOMPLISHMENTS, FISCAL YEARS 1964-67

(Dollar amounts in thousands)

Fiscal year	Number of trade centers	Number of exhibitions	Commerce-appropriated costs	Confirmed sales at show and for 1 year after ¹	Ratio of total confirmed sales to appropriated costs
1964.....	5	30	\$1,796	\$30,532	17 to 1.
1965.....	6	41	1,826	33,951	19 to 1.
1966.....	6	43	2,044	58,702	29 to 1.
1967 ²	6	43	2,248	41,421	18 to 1.

¹ Confirmed sales are computed on the basis of sales reported by exhibitors in response to a followup survey made 1 year after close of exhibition.

² Partial projection.

America Weeks

The America Week program was launched in the spring of 1966. It is designed to promote the overseas sale of U.S. consumer goods. The Department provides assistance, primarily in the form of special exhibits, to foreign retailers staging promotions that feature these U.S. goods. Generally, a \$100,000 minimum initial purchase of U.S. goods is required of the foreign retailer as a condition of Commerce participation. Export sales properly attributable to America Week promotions may be considerably larger than stated below because this data covers only the initial purchases of goods. New product lines successfully introduced through an America Week promotion will generate subsequent sales, usually exceeding initial purchases.

AMERICA WEEK PROMOTIONS—COSTS AND ACCOMPLISHMENTS, FISCAL YEAR 1966-67

(Dollar amounts in thousands)

Fiscal year	Number of promotions	Commerce-appropriated costs	Initial purchases	Ratio of initial purchases to appropriated costs
1966.....	3	\$110	\$2,500	23 to 1.
1967.....	9	243	2,700	11 to 1.

Balance-of-Payments Ratios

Since only part of the Commerce costs of these programs is spent overseas, the cost/effectiveness ratio relative to direct impact on the balance of payments is much more favorable than the overall cost/effectiveness ratio.

The table below shows overseas Commerce expenditures, sales and a composite ratio derived on a balance-of-payments basis for 1966 and 1967. The 1967 ratio is preliminary since it is estimated on the basis of confirmed sales of 1966 program results.

BALANCE-OF-PAYMENTS RATIOS FOR MAJOR PROGRAMS, FISCAL YEARS 1966 AND 1967

	Fiscal year 1966 ¹		Fiscal year 1967 ²	
	Commerce overseas expenditures	Confirmed sales	Commerce overseas expenditures	Confirmed sales ³
Trade and industrial exhibitions.....	\$1,497,000	\$43,368,000	\$1,768,000	\$51,566,000
Trade centers.....	1,147,000	58,702,000	1,020,000	41,421,000
America weeks.....	9,000	2,500,000	7,000	2,700,000
Total.....	2,653,000	104,570,000	2,795,000	95,687,000

¹ Balance-of-payments ratio, 39 to 1.

² Balance-of-payments ratio, 34 to 1.

³ Preliminary, partially projected.

Relationship of Fees to Other Exhibition Costs

Recognizing that firms should bear a share of the costs of the export promotion programs since they are direct beneficiaries, Commerce collects fees from participating firms (often referred to as "industry contributions"). The following tables show the relationship of exhibitors' fees in relation to exhibition costs for Trade Centers and Trade and Industrial Exhibitions.

(These costs do not include expenses borne directly by exhibitors such as the cost of packing, shipping and insuring the exhibits nor the expenses of providing sales representatives at exhibits).

RELATIONSHIP OF FEES TO OTHER EXHIBITION COSTS—TRADE CENTERS

Fiscal year	Number of trade centers	Number of exhibitions	Number of exhibitors	Total direct cost ¹	Commerce appropriated funds	Percent of industry contributions to total cost
1964.....	5	30	1,080	\$1,885,000	\$1,796,000	4.7
1965.....	6	41	1,374	1,943,000	1,826,000	6.0
1966.....	6	43	1,441	2,275,000	2,044,000	10.2
1967.....	6	43	1,390	2,544,000	2,248,000	11.6

¹ Total direct cost equals the sum of appropriated cost and industry contributions.

RELATIONSHIP OF FEES TO OTHER EXHIBITION COSTS—TRADE AND INDUSTRIAL EXHIBITIONS

[Dollars in thousands]

Fiscal year	Number of exhibitions	Number of exhibitors	Total direct cost ¹	Commerce appropriated funds	Percent of industry contributions to total cost
1964.....	12	403	\$2,229	\$2,092	6.1
1965.....	13	538	2,687	2,463	8.3
1966.....	22	970	3,722	3,316	12.1
1967.....	20	964	4,306	3,682	14.5

¹ Total direct cost equals the sum of appropriated cost and industry contributions.

NOTES

1. Report filled out by exhibitor at conclusion of exhibit.
2. Followup report completed by exhibitor a year after the promotional event.

FORM IA-941A (6-66) U.S. DEPARTMENT OF COMMERCE BUREAU OF INTERNATIONAL COMMERCE EXHIBITOR'S REPORT This report is required in pursuance of the "Conditions of Participation". All information will be kept confidential unless you authorize its release. If you are an Export Agent, Combination Export Manager, etc., please complete a separate report for each company whose products you exhibited.		1. Name, dates and location of exhibition	
3. Company name and address		2. Type of participation ☐ New to exporting ☐ New to market ☐ Old to market	
4. The company is: ☐ Large (Not worth \$1 million or more) ☐ Small (Not worth under \$1 million)		5. Products exhibited a. Were any being introduced to the market? Yes ☐ No ☐ b. Was agent sought for the products being introduced? ☐ ☐	
6. Company representative(s) at the exhibition (If Export Agent, CEM, etc., give name and address of representative's organization)		7. Sales (\$ US, F.O.B. US port of export) a. Sales made at exhibition _____ b. Estimate of additional sales during next 12 months that will result from your participation in exhibition. _____	
8a. Names and addresses of Agencies/Distributorships established as result of participation			
b. Number of agencies or distributorships still under negotiation at Exhibition's close _____			
9a. Primary objective in participating (Check one ONLY) Appointment of Agent or Distributor ☐ Selection of Licensee/Joint Venture Partner ☐ Exposure to New Business Prospects ☐ Product Testing/Market Research ☐ Immediate Sales ☐ Other ☐			
b. Was primary objective achieved? _____ Yes ☐ No ☐ Partially ☐			
c. Was exposure to new business prospects satisfactory? Yes ☐ No ☐			
10. On the basis of your experience in this exhibition, would you recommend that your firm participate in future commercial exhibitions suitable to your product lines in other markets? Yes ☐ No ☐			
11. Comments, suggestions for improvement, or description of ways in which exhibition helped your export activities; such as improved sales arrangements, leads for products not shown, etc. (Continue on reverse side if necessary.)			
12. May we use this information for publication? ☐ Yes ☐ No			
13. REPORT PREPARED BY			
Signature _____		Title _____	
		Date _____	

U.S. DEPARTMENT OF COMMERCE,
BUREAU OF INTERNATIONAL COMMERCE,
Washington, D.C.

Approximately a year ago, your firm took part in an overseas Commercial Exhibition sponsored by the Bureau of International Commerce. We are now trying to determine the results of the exhibition, and would like to know if your business estimates made at the show's close have been fulfilled.

A brief form is provided below, which contains the information you supplied approximately a year ago. Please complete it. Your information will be held in strict confidence by this group. A copy of this inquiry is attached for your files.

Sincerely yours,

JAMES E. MURRIN,
Director, Program Evaluation Group.

1. Exhibition :
 2. Dates :
 3. Sales made at Exhibition :
 4. *Original estimate of sales* resulting from show for 12 months following exhibition close :
 5. *Present estimate of sales* in U.S. dollars resulting from show for the 12 months following exhibition's close : \$-----
 6. Number of agents or distributors appointed : -----
 7. Primary objective in participating (*Check one only*)
 - Appointment of Agent or Distributor ()
 - Selection of Licensee/Joint Venture Partner ()
 - Exposure to New Business Prospects ()
 - Product Testing/Market Research ()
 - Immediate Sales ()
 - Other (specify) ()
 8. Was primary objective achieved? Yes — No — Partially —
 9. Estimate the sales that you expect during the next 12 months as a result of your participation : \$-----
- Executive's Name & Title -----

EXPERIENCE TO DATE WITH THE 1968 INVESTMENTS UNDER THE MANDATORY INVESTMENTS RESTRAINT PROGRAM AND RELATIONSHIP OF THIS PROGRAM TO EXPORTS

a. The 1968 direct investment picture

The Office of Foreign Direct Investments (OFDI), which administers the mandatory investment restraint program instituted in January 1968, has received to date almost 900 applications for specific authorization. The applications show planned foreign direct investments amounting to over \$1.4 billion above the allowable amounts in the Regulations (excluding Canada). The Foreign Direct Investments Program is designed to reduce new capital flows and reinvested earnings by \$1 billion in 1968 from the amount invested in 1967 in these two categories. The third category available to the companies is to finance the projects represented by this \$1.4 billion abroad directly, or indirectly through their subsidiaries. To date, all available reports show that companies have been and will be successful to a very large extent in financing abroad. Thus, we estimate that the total amount of funds going into U.S. investments abroad in 1968 from all sources should show an increase over 1967.

b. Investment restraint program and exports

Although it is generally recognized that there is a relationship between export trade and overseas investment, there is much less agreement as to the exact nature of this relationship and the impact of direct investments abroad on the U.S. balance of payments. While it is clear that over the long-run direct investments abroad are advantageous to the balance of payments, there is disagreement over the short-run impact, especially short-run effects on trade. There is reason to believe that some overseas investments drain away investments and exports from the United States, having a short-run adverse effect on our balance of payments. Some observers, however, maintain that the creation of overseas investments not only directly increase exports but also produce indirect exports even within a few years and that although these cannot be measured adequately, they are sufficiently large to produce a beneficial short-run effect on the balance of payments. The latter is the contention of a number of firms and also is the finding of a study prepared by the National Industrial Conference Board several

years ago. Unfortunately, the available data on the investment—export relationship are far from complete and they do not provide conclusive answers to many of the questions needed to accurately determine the overall investment-export relationship.

The mandatory investment restraint program administered by OFDI is designed as a temporary program and is primarily aimed at arresting new capital outflows and reinvested earnings and encouraging U.S. firms to make further use of funds available abroad in their investments overseas.

In administering this program, every possible effort is being made not to interfere with the decisions of U.S. companies to invest abroad but to limit the effects of these decisions on the balance of payments over the near term. We are continually reviewing the program and seeking ways to reduce any adverse effects which it may have on exports.

Mr. CURTIS. Very good.

Up to date the administration has not shared with the Congress or the people its reasoning in this area.

Now, the other point I would like to ask you, Mr. Secretary is this: You are advocating a tax increase. Is it not true that increasing taxes is going to further encourage imports, and also be a deterrent to exports?

Secretary SMITH. No. I think you can argue that both ways. Certainly I think we can make a good argument that the tax bill will decrease imports.

Mr. CURTIS. Increasing taxes to that point does become a deterrent to exports. I am not arguing how much, but it is a deterrent to exports, and is an encouragement to imports.

Back in 1962, the Secretary of the Treasury argued that by reducing taxes, we would encourage exports, and to a degree make ourselves more competitive on imports.

Isn't this true?

Secretary SMITH. To the extent that taxes have gone in the cost of production, you increase the cost of producing the article that you export.

On the other hand, one of our problems is that the purchasing power in the hands of our citizens is so high now that they have a great ability to purchase imports, which they would not have. Certainly it would be diminished with the passage of the tax bill. I would expect the imports to decrease after passage of the tax bill.

Mr. CURTIS. What you are really saying is that our tremendous deficits that lie behind inflation and that the inflation is a deterrent to exports and an encouragement to imports. On that I could not agree with you more.

There are two ways of overcoming a deficit. One, and the preferable way, I would argue, is getting Federal expenditures down. The deficit in the balance of payments also adds to the national deficit which lies at the basis of our inflation.

That is why I pointed out that using the tax increase has a detrimental aspect that cutting expenditures does not have. This is why I raise the point.

Secretary SMITH. I presume it will do both.

Mr. CURTIS. The trouble is that we are getting nowhere on cutting expenditures. We have had the administration fight us every inch of the way.

Secretary SMITH. It has been decided.

Mr. CURTIS. It has not been.

I made a speech on the floor last night, pointing out that fiscal 1969 begins in 27 days. If we are going to do any cutting for the first month of fiscal 1969, we have to have our plans ready right now and know what they are. We have no plans.

Only 6 months of fiscal 1969 is under this administration. The other 6 months are under a succeeding administration. There has been no spelling out of line-item cuts. If these cuts are made in troops in Europe, or in foreign aid, then it has a bearing on what we are talking about here.

I don't know where the cuts would be, but I think we need to know. If we make the line-item cuts of \$6 billion or more in the domestic area, those also have an economic bearing.

I am not trying to argue the tax increase, and the expenditure cut package, other than to relate it to the problem that we are here faced with—the fact that you mentioned the tax increase, but said nothing about expenditure cuts.

Certainly we are still at a loss to know what the expenditure cuts might be.

Secretary SMITH. I am rather certain now that the tax bill and the expenditure cut are going to be very closely joined together.

Mr. CURTIS. It could be a complete sham, as far as this administration is concerned. The administration could accept the \$6 billion cut, and continue expenditure levels at the same rate they now are, in fact, could increase them, because only 6 months of the fiscal year are under this administration.

You can smile——

Secretary SMITH. I don't think there is any intention of doing that.

Mr. CURTIS. If there isn't why doesn't the President spell out where the cuts will be made?

Let me tell you something. The President told us in August that he cut \$4 billion out of the expenditure level for fiscal 1968, and when we examined it, we found that far from a \$4 billion cut, there was a net \$7 billion increase.

So if he cut \$4 billion, he must have increased \$11 billion elsewhere. So I don't think that you can smile at this, Mr. Secretary, and just say we can't expect this type of thing to happen again.

I am saying that time has run out, and fiscal 1969 begins now in 26 days, and we still have no information from the Executive on where these cuts are going to occur.

There has been no sitting down with the congressional leaders to figure out where these cuts are going to occur. Where these cuts are made has real economic import, and it is important to know where they will be.

This is nothing to be cute about. Let me say this if you are going to cut in the month of July, you have to start doing it now. You can't just do it beginning July 1. It is probably already too late to cut back expenditures levels in July.

So I am afraid this Congress, as well as this country, is being flim-flammed. Yes, I question whether or not the President will really cut back on expenditures. Particularly when you come in today with your paper saying we need a tax increase, and say nothing about expenditure cuts.

You don't say anything about expenditure cuts, do you, in the way of cutting back on our international balance-of-payments deficit?

Secretary SMITH. The tax increase and expenditure cut go along with each other. I think that would be the result.

Mr. CURTIS. You say that, in spite of the fact we went through this bloodletting on the floor of the House last week as to whether it will be \$4 or \$6 billion, and the administration fought the spending cuts/tax surcharge package when it was put on as an amendment in the Senate?

How can you say you accept it?

Secretary SMITH. I am convinced if you decree a \$6-billion cut, you will get a \$6-billion cut.

Mr. CURTIS. You have more faith than I do. I have had a little more experience with this administration.

Secretary SMITH. I am sure of that.

Mr. CURTIS. Regretably. So have the people of this country.

I suspect, in the light of your answer, and what I have heard from the administration, there is only one date to look to, and that is November. That is when we will get a change in fiscal policy, and hopefully that is when we might get a change in trade policy as well. I find in this business of your wanting Government to spend more money abroad, in contrast with cutting back on private money that this is not the kind of action that in my judgment is going to increase exports or to liberalize international trade.

I will make one other general observation for further comment.

I have been doing some writing and talking on this subject, particularly in the last 2 years.

What I have been trying to say, if anything, is: do we really mean trade, not aid? Because if we do, we had better start facing up to the hard reality of what that expression means.

I am not sure that the administration policies are such that we do mean trade, not aid, when I see this continued increase in governmental expenditures, both in the so-called investment area, if you call these soft loans investments, as well as in the area you talk about of export promotion.

I hope that witnesses from the general public, private witnesses, when they testify, will be prepared to discuss this to some degree.

Yet it is difficult to ask a specific industry to have this broad outlook on trade matters when our governmental officials are not putting it into this kind of context.

None of the papers here has discussed what I think is one of our most crucial problems: do we mean trade, not aid?

How do we fit in trade with less developed countries? This is something that the GATT, the Kennedy round of negotiations, attempted to move into, but we barely touched upon it.

It does involve heavily the problems in agriculture, but I would say also in Secretary Udall's area of raw materials.

I merely pose the question, hoping that there will be something forthcoming from the administration. Maybe the Secretary of State will have something to say on this very important problem of trade in relation to aid.

Ambassador ROTH. Congressman Curtis, I think the committee should enter into a discussion of the problem of developing countries. We made a start in the Kennedy round. We didn't go far enough.

Within our total study, we will look into the developing country problem, which is worsening. Also the whole problem of generalized preferences to developing countries is under study in the OECD and UNCTAD.

I would suggest that on Thursday, when Secretary Rusk will be here, we can perhaps at that time, after his statement, go into some depth on this.

Mr. CURTIS. Yes.

Ambassador ROTH. I would like to go back, however——

Mr. CURTIS. Before you go back, I would like to relate this to the Secretary of Commerce.

In export promotion you run into this very problem we are talking about in LDC's—now do we promote this kind of trade? It does mean that they are going to export goods to us, or at least somewhere, if they are going to be able to buy our exports from us.

I think we need some better mechanism for synthesizing these problems that become proliferated into different departments and in the Congress.

Ambassador ROTH. This is one of the things I want to go back to, in terms of what you earlier said.

In one of the areas of study, the increasing concern, for instance, relates to the relationship between fiscal policy and trade policy, the relationship between investment policy and trade. As we get along in our own study, we have to be increasingly concerned about such things.

You mentioned that compilation of Federal laws, which is a useful document. You do read the items in the American Steel Institute report. It is my understanding that those are Federal laws.

Mr. CURTIS. Yes.

Ambassador ROTH. I would hope that this committee would concern itself with something that has become increasingly a concern to us, and that is the possible proliferation of restrictive State laws.

One of them is new before the Legislature of Massachusetts. Among other industries, it deals with the steel as well as the glass industry.

Mr. CURTIS. You mean the State "Buy America" Act?

Ambassador ROTH. Yes. This, in terms of nontariff barriers, could be one of the most serious, if it got out of hand. There could be an increasing proliferation of them, and I think the committee, as well as the Federal Government should perhaps consider the implication of these laws.

Mr. CURTIS. I also hope that we look to the "Buy British," the "Buy French," and other such laws, because these restrictions in other countries almost put us to shame, I think, in the "buy domestic" regulations.

Ambassador ROTH. Only to the extent that they are better at it.

Mr. CURTIS. That is my point.

Again, as Mr. Byrnes said, we have a tendency, I regret to say, of talking about our sins, and without putting it into context. Regretably this is what other nations do, too, and in one sense we probably don't do as much of it.

I do have one other question that I want to direct to Secretary Wirtz.

It goes back to when we put these trade adjustment features into the law. I worried at that time about putting something in the law saying that if we could prove a person became unemployed as a result of imports, we did something special for him, and we made a dis-

inction between his unemployment and someone who is unemployed for another reason whatever it might be.

I would think that our unemployment insurance, our Manpower Development and Training Act, these general laws that are supposed to be hitting at the problems of unemployment, would be the way to take care of any unemployment that is created as a result of imports, rather than trying to do something special.

Do you have any reason, Mr. Secretary, why you think it is necessary for us to treat unemployment which results from imports differently than we treat unemployment for another reason?

Secretary WIRTZ. I have nothing to add to the record of 6 years ago.

Mr. CURTIS. Well, we have had some experience since then.

Secretary WIRTZ. We have had no experience. Twenty-five applications have all been turned down, every single one of them.

Mr. CURTIS. That is what I mean. We have had that experience. Now, in the light of that experience, was it because we didn't treat the problem of unemployment resulting from imports correctly or was it because there wasn't any reason to treat the problems differently because they were being adequately taken care of under unemployment insurance and the Manpower Development and Training Act?

Secretary WIRTZ. It is my judgment because we put the wrong words in the statute, and created an impossible burden of proof.

Mr. CURTIS. In other words, what you are saying is that you do think that in light of experience there is a reason why we should treat unemployment resulting from imports in a different way than we treat unemployment that is caused by other reasons?

Secretary WIRTZ. I think the provision in the law is correct in that respect.

Mr. CURTIS. Could you explain why you think there is a special problem in unemployment that results from imports, as opposed to unemployment resulting from other causes?

Secretary WIRTZ. I only note, Mr. Curtis, that we went around and around on that, 6 years ago, I don't believe I have a word to add to it.

With due respect to the committee, and the recognition of the inadvisability of repeating it, I don't believe that argument has changed a bit.

Mr. CURTIS. This committee is a different committee in membership from 6 years ago. This is a different Congress. It is hard for me to believe that the administration stands pat on what it did 6 years ago.

I can believe it, though.

Mr. FULTON (presiding). Mr. Battin.

Mr. BATTIN. Mr. Smith, in your statement, on page 2, you say, and I quote:

In the area of consumer goods, other than automobiles, the total value of exports has grown from \$1.4 billion in 1960 to \$2.1 billion in 1967, an increase of about 50 percent.

In arriving at that figure, are we talking about constant dollars, or is this an adjustment figure?

Secretary SMITH. That is the dollar in whatever year. There is no adjustment of dollar value.

Mr. BATTIN. To get a true picture of the constant dollar, this figure would have to be adjusted?

Secretary SMITH. That is correct.

Mr. BATTIN. Ambassador Roth, I think you shocked me the last time you were here before the committee by telling me that the United States was not a member of GATT. That really did give me quite a shock, because that is all we have talked about in trade associations for a long time.

That situation still exists, does it not? We are not a member of GATT?

Ambassador ROTH. As you know, it is an agreement we have signed by Executive action pursuant to legislative authority in section 350 of the Tariff Act—the Trade Agreements Act.

Mr. BATTIN. It has not been ratified?

Ambassador ROTH. It has not been ratified by the Congress.

We have been a part of it by Executive action, pursuant to previous legislative authority. This, if I may say, relates in part to the provision that is in the trade bill. The appropriation for GATT each year has been a part of a catchall appropriation which the State Department administers and which includes a number of other contributions.

This is why, at this point, after 20 years of effective working with GATT, we felt it appropriate to bring this out, so that it could be seen.

Mr. BATTIN. Is there any reason why there has never been any attempt to have it ratified as a treaty by the U.S. Senate?

Mr. REHM. I think it has been the position of the administration now for some 20 years that this is a valid Executive agreement, as Ambassador Roth was saying, pursuant to statutory authorization. Specifically, section 350 of the Tariff Act of 1930, which is the predecessor of the Trade Expansion Act of 1962.

I think normally, in the case of such an executive agreement, it is felt to be unnecessary to present it to the Senate for its advice and consent.

Mr. BATTIN. It seems rather strange. The last time you were before the committee, we talked about the final details of the provisions of the Kennedy round, which relate to agricultural products, had to be worked out by committee.

Have all the details of that been worked out?

Ambassador ROTH. Yes. I was referring specifically to the International Grains Arrangement. The details of the various parts, including the multilateral food aid package, have been worked out in the form of a treaty. Therefore, we have submitted it to the Senate, to the Foreign Relations Committee.

It has been considered in a subcommittee, and we are hoping for action by the full committee in the immediate future.

Mr. BATTIN. This, as I recall, deals with wheat, basically, the International Wheat Agreement.

Ambassador ROTH. That is right.

Mr. BATTIN. I think Under Secretary Schnittker testified on behalf of the treaty, that it conceivably could result in a loss of a market of approximately 200 million bushels of wheat that the United States formerly sold abroad.

Do you know anything about that?

Ambassador ROTH. It is not our feeling that this will mean any loss in U.S. sales of wheat. The price is higher than under the old agreement but nevertheless sufficiently low that we would hope, given a rise in agricultural cost, that for the most part the world price would float over the minimum price.

The important thing about the agreement, though, as it relates to our trade, is that a consultant mechanism among the exporters and importers comes into effect as the price goes down toward the minimum.

It is the obligation of all the exporters to see that that price remains up.

If, however, the price of a wheat which is competitive with ours comes down, in spite of consultation, then we would have the right to break the minimum.

In other words, the agreement is flexible enough that we can fully maintain our competitive position.

The other part of the agreement, you will remember, provides that approximately four and a half million tons will be given as food aid on a multilateral basis.

We feel this is important, because this is the first time we have been able to get other producers, and importers, too, to assist us in the food aid; in addition, speaking quite frankly, this takes that amount of wheat off the market.

Mr. BATTIN. Is it possible to furnish the committee—I haven't seen a copy of the treaty—the proposed treaty?

I would like to look it over to see if there are any further questions, so that either now or in executive session I can go into it with you in perhaps more detail.

Ambassador ROTH. We will get this to you tomorrow. Then, on Thursday, Secretary Freeman will be here, and I am sure he would like to expand on it.

(The following information was received by the committee:)

INTERNATIONAL GRAINS ARRANGEMENT, 1967

PREAMBLE

The signatories to this Arrangement,

Considering that the International Wheat Agreement of 1949 was revised, renewed or extended in 1953, 1956, 1959, 1962, 1965, 1966 and 1967,

Considering that the substantive economic provisions of the International Wheat Agreement of 1962 expired on 31 July 1967, that the administrative provisions of the same Agreement expire on 31 July 1968 or on an earlier date to be decided by the International Wheat Council and that it is desirable to conclude an Arrangement for a new period,

Considering that the Governments of Argentina, Australia, Canada, Denmark, Finland, Japan, Norway, Sweden, Switzerland, the United Kingdom, the United States of America and the European Economic Community and its Member States agreed on 30 June 1967 to negotiate an Arrangement on Grains, on as wide a basis as possible, that would contain provisions on wheat trade and food aid, to work diligently for the early conclusion of the negotiation and upon completion of the negotiation to seek acceptance of the Arrangement in conformity with their constitutional and institutional procedures as rapidly as possible.

Considering that these Governments and the European Economic Community and its Member States, in accordance with these prior mutual commitments, shall sign both the Wheat Trade Convention and the Food Aid Convention and that other Governments should have the possibility of joining either one of the Conventions or of joining both Conventions,

Have agreed that this International Grains Arrangement 1967 shall consist of two legal instruments, on the one hand a Wheat Trade Convention, and on the other hand a Food Aid Convention, and that each of these two Conventions, or either of them as appropriate, shall be submitted for signature and ratification, acceptance or approval in conformity with their respective constitutional or institutional procedures, by the Governments concerned and the European Economic Community and its Member States.