The Final List is an anomaly, a nuisance for the Customs Service and a serious vexation for the trade with Japan, for three reasons.

First, the Final List affects the valuation of vacuum tubes from Japan, which presents serious commercial difficulties.

Second, it causes the American Selling Price valuation of footwear to be considerably higher than it would otherwise be, and thus makes this method of valuation even more unfair.

Third, the Final List hangs like a sword of Damocles over the trade. What happened on vacuum tubes was unanticipated, and there are a variety of other products for which unanticipated high duties could be demanded at any time.

We understand some of the reasons why the Congress and Administration have not made any effort for some years to abolish the Final List. However, we submit that this is a mistake.

This comment also applies to some other reforms in customs administration which are long overdue. For instance, the Congress should adopt legislation to merge the statutory procedures for review of valuation and for review of classification. Such a bill was introduced as a trial balloon in the 89th Congress, but has not been heard of since. If we wait to propose the reforms that were due years ago, then how will we ever make the reforms of tomorrow?

MAINTAIN MUTILATERAL TRADE BASED ON "MOST FAVORED NATION" PRINCIPLE

The General Agreement for Tariffs and Trade is based on the "Most Favored Nation" principle. Simply stated this principle means that the terms of trade granted by one nation to another is extended to third nations.

Both tariff preferences and economic blocs seriously violate this principle.

Preferences for the less developed countries

The developed nations of the free world, including the United States and Japan, have come reluctantly and for essentially political reasons to accept the idea of tariff preferences for the products of the less developed nations. The failure of the second UNCTAD meeting in New Delhi to reach any meaningful agreements should cause both developed and less developed countries alike to review their positions.

The economic case against preferences has been ably stated by many commentators. *First*, they tend to promote and perpetuate economic inefficiency. *Second*, preferences would be least helpful to those developing countries that are least developed and would most help those who have reached a stage where they have least need of the help. *Third*, there is no clear definition of "less developed" as this term applies to the cost of producing various products. *Fourth*, tariff preferences would create a vested interest against further efforts to liberalize world trade because the general reduction of tariffs would then automatically reduce the margin of preference. *Fifth*, a preferential system is extremely complex to administer and would give rise to additional bureaucratic regimentation. *Sixth*, the existence of a system of preferences would cause many industries in developed countries to insist that legislative safeguards be established against so-called market disruption. *Finally*, if tariff preferences were regarded as a form of aid the developing countries could measure this aid and deduct it from the aid that would otherwise be given. This could have the effect of reducing infrastructure aid while artificially stimulating uneconomic export industries.

The U.S.-Japan Trade Council urges that the objections to preferences be realistically re-examined instead of pursuing a course that is bound in the end to cause disappointment. Efforts should rather move in the direction of opening the doors of the highly industrialized nations to those products which the underdeveloped countries can best produce, and this on a non-discriminatory basis. For instance, abolishing the international agreements limiting the movements of cotton textiles would probably do more for the underdeveloped countries than any system of generalized preferences that could conceivably be accepted.

These comments are made in full sympathy for the problems that the less developed countries face, and indeed, in the belief that assistance to these countries to achieve acceptable rates of development is a major task which faces the world today. The task would not be advanced, however, by pursuing illusory methods for momentary political adcantage.

Avoid more trading blocs

If the rate at which trade barriers are dismantled is disappointingly slow, then inevitably attention turns toward the creation of regional blocs which