

APPENDIX

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

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

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

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

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

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

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

CURRENT STATUS

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

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

extensive trade controls systems but these usually do not discriminate against U.S. trade. Of the 40 contracting parties to the GATT, 15 still maintain restrictions on at least a part of their import trade for balance-of-payments reasons. The countries are: Brazil, Burma, Ceylon, Chile, Denmark, Finland, Greece, India, Indonesia, Japan, New Zealand, Pakistan, Republic of South Africa, Turkey, and Uruguay. These countries are required, under the GATT, to remove their restrictions as rapidly as conditions permit and a regular consultation procedure is provided to keep the controls under constant review. The GATT working party on balance-of-payments restrictions will examine the control systems of six countries in May 1962, and will hold consultations with additional countries in September.

During the period of accelerated decontrol following the European currency convertibility moves in 1958, a substantial number of GATT countries ceased to invoke the provisions of article XII and XVIII of the agreement. While these countries have removed most restrictions formerly applied for payments reasons, some residual controls still remain.

A current effort is therefore underway in the GATT to identify all residual restrictions applied by GATT countries which are inconsistent with obligations under the agreement so that further progress can be made in their elimination. A group of experts held an initial meeting on this project in Geneva during January 1962 and a second meeting will be held in May.

The articles of agreement of the International Monetary Fund (IMF) limit the use of exchange restrictions in much the same way that the GATT deals with import restrictions. The IMF, in which the United States also participates, maintains a close working relationship with the GATT in this general field, and the activities of these two groups reinforce each other in freeing trade from unnecessary administrative control.

Another international forum in which the United States is seeking to encourage the removal of trade restrictions is the Organization for Economic Cooperation and Development (OECD). The OECD came into force in the fall of 1961 as a result of a thorough revision and broadening of the former Organization for European Economic Cooperation (OEEC). The OEEC was set up in 1948 to facilitate European postwar recovery and make the most effective use of Marshall plan aid. With this mission accomplished, a reconstituted organization was set up at the initiative of the United States, oriented to deal with present and future major world economic problems and with the United States and Canada as full members. Its current work program includes plans for confrontations this year on trade restrictions applied by member countries.

Complementing and supported by the above international commitments and activities for removal of restrictions affecting U.S. trade are the bilateral representations constantly made through the many U.S. diplomatic posts abroad. These representations permit prompt consideration of problems as they arise, or at a time when local conditions are most favorable to a solution. The importance of trade liberalization is also stressed when high foreign officials visit Washington or U.S. officials confer abroad.

Through a combination of activities, including representations in multilateral forums and selective bilateral approaches to foreign governments, progress is being made in the removal of remaining quantitative import restrictions. A summary table, showing the current status of licensing and exchange controls applied by foreign countries, together with a more detailed statement covering the systems in force in over 50 of these countries, are attached to this memorandum.

[From the Foreign Commerce Weekly, Dec. 25, 1961]

SUMMARY OF FOREIGN CONTROL REGULATIONS APPLYING TO IMPORTS FROM THE UNITED STATES

The following tabulation of the import and exchange permit requirements of foreign countries, prepared by the Bureau of International Programs as an aid to exporters, has been revised as of December 1, 1961.

The regulations apply primarily to goods of U.S. origin and to other goods payable in U.S. dollars.

Many countries do not permit import of foreign goods except under import licenses, which must be obtained by the importer. In some cases an import license must be granted before the order for goods is placed, and some countries also

require the importer to obtain an exchange permit before he may make payment for the import.

U.S. exporters therefore are urged to make certain before shipping that the foreign importer has obtained the required permit, and they should insist on being furnished the identifying number or symbol of the permit.

More detailed information on licensing and exchange controls may be obtained from the Field Offices of the U.S. Department of Commerce. Publications covering licensing and exchange controls of individual countries also are available from the Field Offices at a nominal charge.

Country	Is import license necessary?	Is exchange permit required?
Afghanistan ¹	No, for most imports; but a declaration or customs permit must be obtained from Afghan border officials or trade agents abroad.	No; but permission to remit foreign exchange to exporters abroad must be obtained from Da Afghanistan Bank.
Arabian Peninsula areas: Saudi Arabia.....	No.....	No. Import licenses carry right to foreign exchange at official rate. Other goods may be imported by purchase of foreign exchange on free market.
Aden.....	No.....	No.
Bahrain, Qatar Trucial States.....	No.....	No.
Muscat and Oman, Yemen.....	No.....	No.
Argentina.....	No; but most imports are subject to exchange surcharges.	No.
Australia.....	No, except for about 10 percent of imports, including principally textiles, toys, canned fish, aluminum products, and other miscellaneous items of minor importance.	No.
Austria.....	No, except for a number of agricultural and some industrial items which require an individually validated import license. Most industrial and some agricultural items may be imported freely under general license.	No.
Belgium.....	No, except for specific items. Licenses usually freely granted if still required.	No separate permit required.
Bolivia.....	No.....	No.
Brazil.....	No, except for nonessential or luxury goods and for items imported without foreign exchange cover. Most commercial imports require only a certificate of exchange cover.	No. Foreign exchange for imports is purchased in the free market. Certificates of right to purchase exchange for non-essentials are obtained at auction.
British Colonies not specified elsewhere. ²	No, except for certain items not under open license and for the Bahama Islands where the license requirement is merely a formality.	No. Import licenses assures release of foreign exchange.
Bulgaria.....	Yes.....	Import license automatically assures foreign exchange.
Burma.....	Yes, except for imports by the Government, or goods importable under open general license.	Yes.
Cambodia.....	Yes.....	Yes; import license carries right to foreign exchange.
Cameroon, Federal Republic of.....	Yes.....	Yes; import license carries right to foreign exchange.
Canada.....	No, except for butter; butter fat; cheddar cheese; dried skim milk; wheat, oats, and barley and certain processed products of these grains; turkeys; natural gas; radioactive and fissionable materials, isotopes, and equipment for production, use, or application of atomic energy. Import of alcoholic beverages requires Provincial licenses. Secondhand automobiles manufactured before year in which importation is sought, secondhand aircraft, oleomargarine, and butter substitutes and spreads are prohibited importation.	No.
Central African Republic.....	Yes.....	Yes; import license carries right to foreign exchange.
Ceylon.....	Yes, except for "essential" commodities importable under open license.	Yes.
Chad.....	Yes.....	Yes; import license carries right to foreign exchange.

Footnotes at end of table, p. 310.

Country	Is import license necessary?	Is exchange permit required?
Chile.....	No; prior registration of imports is required, however, and many goods are subject to prior import guarantee deposits which must be deposited at the time of registration. The deposit is returned 30 or 90 days after date of deposit. Those goods not subject to import guarantee deposits pay surtaxes in addition to usual import duties, which range from 5 to 200 percent of the c.i.f. value.	No.
Colombia.....	Yes; nearly all imports require an import registration certificate, which is issued upon payment of a deposit. Imports included in the "prior license" list also require a specific license from the import-control authorities.	No; importer purchases foreign exchange from the bank concerned upon submission of import registration and evidence (customs manifests) that the goods have entered Colombia.
Congo, Republic of (Brazzaville).....	Yes.....	Yes; import license carries right to foreign exchange.
Congo, Republic of the (Leopoldville).....	Yes.....	Yes.
Costa Rica.....	No, except for live animals and for live plants, parts of plants, seeds, and the like.	No. Exchange regulations were lifted this year but many items are subject to import surcharges.
Cuba.....	The state-owned Bank for Foreign Commerce of Cuba (BANEC) is sole importer of all commercial commodities. (U.S. export regulations prohibit commercial exports to Cuba, with exception of nonsubsidized foodstuffs for immediate consumption, medicines, and medical supplies.)	All payments are made by Government Bank for Foreign Commerce of Cuba.
Cyprus.....	Yes; except for specified items on the dollar liberalization list, which are authorized imports in any quantity under "open import license."	Yes, but routinely issued upon approval of import license and for imports under "open import license."
Czechoslovakia.....	Yes.....	Import license automatically provides for allocation of necessary, foreign exchange.
Dahomey.....	Yes.....	Yes; import license carries right to foreign exchange.
Denmark.....	Yes; but no license is required for dollar goods on extensive general free list.	Yes; copy of license or importer's declaration with customs certification of import takes place of exchange license.
Dominican Republic.....	Technically no; but submission and return of a "statistical form" which must be submitted prior to ordering abroad is utilized in such a manner as to constitute an import license. Special import permits are required for highway construction machinery, radio transmitting equipment, railroad spikes, firearms, milk and milk products, rice, fruits and vegetables, seeds, tubers, rendered pork fat, and confectionary and other edible products in which sugar or chocolate constitutes the principal ingredient.	No; but there are administrative controls since all applications for foreign exchange require Central Bank approval. Importer must show that his "statistical form" has been approved when applying for foreign exchange to pay for imports.
Ecuador.....	Yes, except for small shipments; one copy must be presented to obtain consular legalization of prescribed documents. Some items considered non-essential are prohibited. Import quotas are imposed on certain items to stimulate local production. An advance deposit is required on most items.	No; import license carries right to foreign exchange.
Egypt (United Arab Republic).....	Yes.....	Yes.
El Salvador.....	No, except for a few items such as chemical and pharmaceutical products, strong liquors, essences for making liquor, cotton, and sugar.	Yes.
Ethiopia.....	No.....	Yes. Certain commodities considered to be luxury items require prior deposit of Ethiopian dollars up to 100 percent of the value to be imported.
Finland.....	Yes; but an extensive list of goods may be imported without import license following action of Finland in placing imports from the United States and Canada on same basis as Western European countries participating in the multilateral trade and payments agreement. Commodities not on the import free list are subject, with certain exception, to a system of global quotas.	No separate permit required; import license carries right to foreign exchange.

Country	Is import license necessary?	Is exchange permit required?
France (including Algeria).....	Yes, but only for a limited number of products specifically enumerated which are subject to quantitative import restrictions. All other products may enter under a simplified procedure. Customs authorities will allow imports of such products upon presentation by the importer of an import certificate or import license, usually granted automatically, and visaed by his bank, supported by an invoice or commercial contract.	No.
French Caribbean departments...	No, except for a limited number of products specifically enumerated which are subject to quantitative import restrictions. These products include those listed for metropolitan France plus wood products and tractors. Beer is subject to license in Martinique and selected types of machinery in French Guiana.	No.
French overseas territories not elsewhere specified except French Somaliland.	Yes, except on items on dollar liberalization list.	No.
French Somaliland.....	No.....	No.
Gabon.....	Yes.....	Yes; import license carries right to foreign exchange.
Germany, Federal Republic of, including West Berlin.	No, except for a number of agricultural and some nonagricultural items which require an individually validated import license. Most industrial and a number of agricultural products may be imported freely under general license.	No.
Germany, Soviet zone, including Soviet sector of Berlin.	Yes; Government monopolies for foreign trade are the only importers.	Yes.
Greece.....	No, except for rice, coffee, sugar, motor vehicles, vehicular chassis and bodies, lumber, coal and coke, except anthracite, vehicular tires and tubes, iron and steel bars, shapes, sheets, etc., including tinplate, newsprint, specified machinery and spare parts, and a few luxury goods.	No; but applications for foreign exchange must be registered with the authorities. Bank of Greece approval is required for goods imported under Agency for International Development procurement authorization.
Ghana.....	Yes, except for single copies of books and periodicals, samples, personal or household effects, certain gifts and articles for reimportation.	No; but application for foreign exchange must have the approval of the Bank of Ghana or an authorized dealer.
Guatemala.....	No, except for maps of Guatemala, explosives, poultry, and wheat flour.	No.
Guinea, Republic of.....	Yes.....	Yes.
Haiti.....	No, except for wheat-quota imports, tobacco products, matches, rice, butter, and shoe polish.	No.
Honduras.....	No, except for firearms, gunpowder, munitions, explosives, alcohol, narcotics, pharmaceutical specialties, animals, plants, and plant and animal products.	No.
Hong Kong.....	Yes, or dutiable, strategic, or short-supply goods. Relatively few items affected.	No, except for few transactions financed at official rate of exchange.
Hungary.....	Yes.....	Yes.
Iceland.....	Yes, except for items on "special conditional free list" and a limited number of staples.	Yes, except for "special conditional free list" imports.
India.....	Yes, except for Government imports.....	Yes; foreign exchange is automatically released, however, upon presentation of validated import license to exchange bank.
Indonesia.....	Yes.....	No.
Iran.....	No, except for specific items such as cement, dynamite, tobacco, and insecticides.	No; but an exchange sale certificate issued to the importer when he purchases foreign exchange represents approval of foreign exchange transfers by authorized Iranian banks. This certificate and the shipping documents are required for clearance of imports through customs.
Iraq.....	Yes.....	Yes; permits are obtained through licensed dealers unless otherwise authorized by the Central Bank.

Country	Is import license necessary?	Is exchange permit required?
Ireland.....	No, except for a few products.....	No, except for importations exceeding \$5,000 in any 12-month period.
Israel.....	Yes.....	Yes: import license carries authority (exchange permit) to obtain foreign exchange.
Italy.....	No, except for a limited number of items listed on the Table "A Import", for which Foreign Trade Ministry license is required (items not included on this list are free of license).	No, except with advance or delayed payments for more than 180 days, and in a few other cases.
Ivory Coast.....	Yes.....	Yes: import license carries right to foreign exchange.
Japan.....	Yes.....	Some commodities, announced by Japanese Government from time to time, require allocation certificate; for others, import license carries right to foreign exchange.
Jordan.....	Yes, except for imports from Arab League States with which Jordan has agreements.	Yes, except Arab League States in some cases.
Korea, Republic of.....	Yes, Bank of Korea licenses more or less freely automatic approval items included in both the importable and the specific import item lists provided importer applies for a letter of credit and complies with the "checkprice" system established by the Ministry of Commerce and Industry. Other authorized imports require special license from MCI.	No. Items on Government's importable (essential) import list may be imported with foreign exchange deposited in an import account in the Bank of Korea, purchased from the Bank, or purchased at Government dollar sales. Items on the specific (less essential) list are importable only with exchange earned from exports.
Kuwait.....	No, except for firearms, munitions, poisonous substances, pork, pork products, and alcoholic beverages.	No.
Laos.....	No.....	No.
Lebanon.....	Yes, for certain specified products.....	No.
Liberia.....	No, except for arms, ammunition, used clothing, pharmaceuticals, and rice.	No.
Libya.....	Yes. Licenses for goods which fall under general import license classification (all but a limited list) are granted automatically.	Yes: exchange permit issued automatically if import license has been issued.
Luxembourg.....	No, except for specific items. Licenses usually freely granted, if still required.	No separate permit required.
Malaya, Federation of.....	No, except for a few items not importable under open general license for reasons of health, safety, and morals.	No.
Mali.....	Yes.....	Yes: import license carries right to foreign exchange.
Mauritania.....	Yes.....	Yes: import license carries right to foreign exchange.
Mexico.....	Yes, for an extensive list of articles.....	No.
Morocco.....	Yes. A deposit of 25 percent of value of import must be made in advance by importer.	Yes.
Nepal.....	Yes.....	Yes; but the import license authorizes purchase of foreign exchange.
Netherlands.....	No, except for a few items.....	No.
Netherlands Antilles.....	No, except for certain luxury items.....	No.
New Zealand.....	Yes, except for a few items such as sugar, sulfur, unmanufactured tobacco, and most petroleum products.	No.
Nicaragua.....	Yes.....	No: import permit authorizes purchase of exchange.
Niger.....	Yes.....	Yes: import license carries right to foreign exchange.
Nigeria.....	Yes, but about 95 percent of all goods are permitted under open general license.	No: import license generally assures release of foreign exchange.
Norway.....	No, except for a limited list of nonliberalized products.	No.
Pakistan.....	Yes, except for Government imports.....	Yes: foreign exchange is automatically released, however, upon presentation of validated import license to exchange bank.
Panama.....	No, except for arms, ammunition, wheat flour quota imports, salt, edible oils except olive oil, certain live animals, plants, flowers, soil, hay, straw, fertilizers, animal products except canned meats, certain tanned hides, toiletries, pharmaceuticals, and a limited number of agricultural commodities.	No.

Country	Is import license necessary?	Is exchange permit required?
Paraguay.....	No; most imports are subject to prior deposit in local currency before shipment.	No.
Peru.....	No, except for plants, roots, seeds, cuttings, animals, medicinal cigarettes, explosives, firearms and other weapons, alcoholic beverages, salt, tobacco, chemical and pharmaceutical products, matches, hatching eggs, and duplicating machines.	No.
Philippines.....	No permit as such; but most imports are subject to exchange controls.	No permit as such; but letter of credit opened against exchange allocation is considered as exchange license. Exchange allocated to importers quarterly for one or more of six classes of imports. A limited number of commodities designated "decontrolled" may be imported without quota limitations at the official or preferred rate. More essential commodities may also be imported by qualified importers in excess of their quotas at the more expensive free market rate.
Poland.....	Yes.	Yes.
Portugal, including the Azores and Madeira.	Yes, but granted automatically for most products.	Yes.
Portuguese Colonies.....	Yes.	Yes. In Angola, however, import license carries with it authorization to obtain foreign exchange needed for payment of goods to which license pertains.
Rhodesia and Nyasaland, Federation of.	Yes, but all goods are freely importable under open general license.	Yes; import license carries right to foreign exchange.
Rumania.....	Yes.	Yes.
Senegal.....	Yes.	Yes; import license carries right to foreign exchange.
Sierra Leone.....	Yes; but only commodities such as cattle, firearms, and explosives are not imported under an open general license.	No; but application for exchange requires clearance by "authorized dealers."
Singapore.....	No, except for a few items not importable under open general licenses, for reasons of health, safety, and morals.	No.
Somali Republic.....	Yes.	Yes.
South Africa, Republic of.....	Yes; except for goods on the free list and exempted list, most consumer goods are licensed on basis of exchange quotas established by the Government. Motor vehicles of f.o.b. value over 1,600 rande (1 rand=US\$1.40) are prohibited. Other goods, including capital goods and industrial raw materials, are licensed on basis of importers' current needs; policy is to grant license applications freely for "reasonable requirements." Licenses are valid for purchases in any country, including the United States.	No; import license carries right to foreign exchange from authorized banks to the amount indicated in the license.
Spain, including, Canary Islands, Spanish Africa.....	Yes, except for items on liberalized list.	Yes, except for items on liberalized list.
Sudan.....	Yes, except for an extensive list of commodities that may be imported under open general license from any source. All imports must be registered with the Ministry of Commerce, which may deny registration because of commercial policy or excessively high prices.	Yes; import license carries right to foreign exchange.
Surinam.....	Yes, except for certain goods paid for by a confirmed bank credit against documents valid for a term not greater than 6 months, or by documentary drafts to be collected through a bank with a term not greater than 90 days.	No. Exchange is automatically granted for all permitted imports.
Sweden.....	No, for all goods imported from United States except automobiles and certain agricultural products. Import licenses for automobiles are granted freely.	No; import license carries right to foreign exchange.
Switzerland.....	No, except for a few agricultural products and a limited number of industrial items such as special type trucks, etc.	No separate permit required. Foreign exchange, including dollar exchange, is automatically made available if import license specifies payment in such currency and if license is registered with a foreign exchange bank within 2 months after issuance.

Country	Is import license necessary?	Is exchange permit required?
Syria.....	Yes.....	Yes.
Taiwan (Formosa).....	Yes.....	Yes, automatically granted with issuance of import license.
Thailand.....	No, except for specified items.....	No; but a "certificate of payment" issued by Bank of Thailand or authorized bank or company is required.
Togo.....	Yes.....	Yes; import license carries right to foreign exchange.
Tunisia.....	Yes.....	Yes.
Turkey.....	Yes, for items on global quota list under provisions of the 7th Import regulations issued in July 1961. Import licenses for items on free list are issued routinely.	Yes; but one application suffices for both import license and exchange-control purposes.
United Arab Republic (Egypt).....	Yes.....	Yes.
United Kingdom.....	No, except for a limited list of products; for example, grapefruit and citrus juices, fresh apples and pears, commercial airplanes, pharmaceuticals, cigars.	Yes, but issued automatically.
Upper Volta.....	Yes.....	Yes; import license carries right to foreign exchange.
Uruguay.....	No. On Sept. 29, 1960, Uruguay abolished all commodity prohibitions. The new system establishes 4 classes of imports: Those free of surcharge and prior deposits; goods subject to a surcharge of 40 percent of the c.i.f. value; goods subject to a surcharge of 75 percent; and imports with a surcharge of 150 percent and a prior deposit of 100 percent. Prior deposits are repayable after 9 or 12 months, depending upon the product, from date of registration with the Bank of the Republic of the intention to import. Size of surcharge depends upon essentiality of the product.	No.
U.S.S.R.....	Yes; importing Government agencies are responsible for securing own permit.	Yes; all exchange is allocated by U.S.S.R. State Bank upon receipt of import license.
Venezuela.....	Yes, for an extensive list of articles.....	Required for transactions at the official rate. No permit needed for free market exchange.
Viet-Nam.....	Yes.....	Yes; import license carries right to foreign exchange.
Yugoslavia.....	No; but only licensed import firms are permitted to carry on import operations.	No; but Government maintains strict control over foreign exchange allocations.

¹ As most shipments to Afghanistan from the free world countries are shipped via Pakistan, shippers should take note that the border between Pakistan and Afghanistan is presently closed to all commercial imports and exports. U.S. exporters should keep in touch with their forwarding agents for current information.

² Includes Bahamas; Bermuda; The West Indies (Barbados, Jamaica, Trinidad, Leeward Islands, and Windward Islands); British East Africa; Gambia; British Guiana; British Honduras; and minor Colonies, Protectorates, and Trusteeship over Territories.

³ British Borneo (Brunei, North Borneo, and Sarawak) regulations are the same as Singapore's.

QUANTITATIVE RESTRICTIONS AGAINST U.S. EXPORTS, JANUARY 1962

COUNTRY SUMMARIES

Argentina

Argentina has no import or exchange licensing controls and exchange to pay for imports may be obtained in the free market.

There is, however, a prohibition on the importation of passenger automobiles weighing over 1,500 kilograms or with a factory cost of over \$2,000, and tractors of less than 85 horsepower. In addition, special ad valorem surcharges based on the c.i.f. value of imports are levied on a wide range of goods. The rates vary from 20 to 200 percent, depending on the essentiality of the product, and in some cases constitute a formidable obstacle to imports from the United States.

Exemptions from surcharges has been granted to certain goods, chiefly machinery officially approved for investment programs, to imports for certain vital industries (steel, petrochemical, cellulose, etc.); to imports into Patagonia and the underdeveloped northwest region of Argentina and to machinery and machine tools not manufactured in Argentina. Also, surcharge exemptions have been granted for imports from neighboring countries and Peru. These regional exemptions were superseded, however, by concessions granted by Argentina to other members of the Latin American Free Trade Area (LAFTA) in January 1962.

Australia

Australia ceased to apply import restrictions for balance-of-payments reasons in the first part of 1960. However, about 10 percent of total imports continue to be subject to import restrictions of several types. Global quotas are established for some goods remaining under control for which licenses are issued based on the applicant's imports during a designated base period. Individual applications for import licenses are required for other goods under control. These applications are considered on a case by case basis and, when approved, importation is authorized from any source. The Australian Government, which does not claim balance-of-payments justification for its remaining import restrictions, has announced that licensing of imports will be abolished as soon as practicable. Among restricted products of interest to U.S. suppliers are: roller and ball bearings, certain textile goods and wearing apparel, toys and spectacle frames.

Austria

During 1961, Austria became ineligible under the rules of the GATT and the IMF to apply import restrictions for balance-of-payments reasons. Late in the year the Austrian Government announced a modest liberalization action which removed controls on a number of products. While most U.S. goods can be imported without quantitative restrictions, a substantial number remain subject to individual licensing.

Restrictions are maintained on commodities which are not enumerated on so-called liberalized lists. One such list is applicable to the former OEEC countries; an almost identical list is applicable to the United States and Canada except that licenses (which are granted automatically) are required for the import of products on the latter list; a third and smaller list is applicable to products originating in the other GATT countries. The modest liberalization measures taken on January 1, 1962, apply to the United States and Canada without discrimination as members of the OECD.

Among the products which are still under restriction are: poultry, canned meat and offals, honey, many frozen fruits, wheat, rye, barley, oats, corn, cereal flours, lard, soybean and cottonseed oil, tomato juice, tobacco many chemicals, some pharmaceutical products, explosives, plastic materials and resins, cardboard, some paper and paper products, cotton and rayon yarns, transformers, microphones, radio and television receiving sets, insulators, tractors, some motorcycles, aircraft, geodetic instruments, some electric and electronic instruments and apparatus for measuring and testing purposes, and most musical instruments.

Importation of tobacco, tobacco products, salt, and spirits is carried out exclusively by state monopolies, primarily for revenue purposes. All grain imports are effected by the Grain Board, which is responsible for the implementation of the country's agricultural price stabilization policies.

Belgium-Luxembourg

Most goods may be imported into the Belgium-Luxembourg Economic Union (BLEU) without quantitative restrictions. There are, however, 164 classifications out of several thousand tariff positions and subpositions which are still wholly or partly subject to import licensing. These include items under the so-called Benelux global quotas and certain agricultural commodities for which temporary waivers have been obtained by Belgium and Luxembourg under the General Agreement on Tariffs and Trade (GATT).

In terms of commodity composition, two-thirds of the tariff positions still under control consist of agricultural and food items. The remainder is composed of items in the following categories: chemicals, penicillin, radioactive materials, soaps, fertilizers, solid fuels, mineral products, petroleum products, hides, textiles, glass, diamonds, precious metal alloys, automobiles, arms and ammunitions, and furniture.

Global quotas for the whole of Benelux (Belgium, the Netherlands, and Luxembourg) are maintained on a small number of the above items. These quotas are subdivided into two parts, one applying to imports from the other Common Market countries and the other to imports from third countries including the United States. The commodities on the latter quota list in 1961 were castor oil other than crude, certain fatty acids, penicillin and preparations, and new and used automobiles and chassis. The Benelux global quotas were relaxed during 1961 when methyl chloride, wooden packing cases and fish nets were dropped from the list and the size of remaining quotas increased.

As noted above, import quotas on some agricultural and food products are maintained by the BLEU countries individually under waivers granted in GATT.

On January 1, 1961, Belgium removed 32 items covered by its GATT waiver from quantitative import restriction and later scheduled another 12 for removal on January 1, 1962. Imports of vegetables and fruits for industry, which represent the greater part of imports in these sectors, had previously been liberalized. Products still controlled include foals and foal flesh, certain vegetables and fruits for the trade (subject to seasonal controls), sugarbeets, and hops.

Belgium assesses special import license fees when certain agricultural commodities are imported from any country except Luxembourg. Commodities involved include some animals, certain meats and meat products, a few dairy products, grains and milled products, and fodders. After having been successively increased over a period of years these licensing fees were lowered in several stages during the latter part of 1961.

As a member of the European Coal and Steel Community (ECSC), Belgium maintains separate quotas on imports of coal from Community and non-Community countries. Although the 1961 Belgian coal quota authorized by the ECSC of 620,000 metric tons, applicable to third countries, was increased for 1962 to 640,000 metric tons, access to Belgium for U.S. coal continues to be quite restricted.

Luxembourg employs quantitative import restrictions on a number of agricultural and food products under a GATT waiver including meat animals, meat and meat preparations, some dairy products, potatoes, apples, wheat and rye and their milled products, macaroni, spaghetti and other pastes, and ordinary bakers' products. Few, if any, of the items under the waiver have been liberalized although there have been indications of a willingness to liberalize eggs not in the shell, macaroni, spaghetti and other pastes and to consider removing restrictions on some other products. Luxembourg has, in general, taken the position that because of its size and its agricultural problems, it could only remove the restrictions upon the establishment of a common agricultural policy within the EEC.

**BELGIAN IMPORT RESTRICTIONS
AGRICULTURAL SECTOR**

Tariff Item No.	Description of products
ex 01.01	Foals for slaughter; foals other.
ex 02.01	Foal flesh, fresh or chilled.
ex 03.01	Certain fresh sea fish.
ex 06.03	Cut flowers and flower buds for bouquets or ornamental purposes, fresh.
ex 07.01	Various fresh vegetables.
ex 08.04	Fresh grapes.
ex 08.06A	Fresh apples from July 16 to Mar. 15.
ex 08.06B	Fresh pears from July 16 to Feb. 15.
ex 08.07B	Fresh peaches, including nectarines and free-stone peaches from Aug. 1 to Sept. 9.
ex 08.07C1	Fresh cherries and morello cherries from June 1 to July 15.
ex 08.07D1	Plums from July 16 to Sept. 15.
ex 08.08A1	Strawberries from June 1 to June 30.
10.01	Wheat and muslin.
ex 10.03	Barley.
ex 10.04	Oats.
ex 11.01	Wheat flour for human consumption, muslin flour.
ex 11.02	Cereal groats and cereal meal, semolina.
ex 12.04	Sugar beet, whole or sliced, fresh, dried or powdered.
12.05	Chicory roots, fresh or dried, whole or cut, unroasted.
12.06	Hops, cones and lupulin.
ex 15.01	Lard and other rendered pig fat, rendered poultry fat.
ex 15.03 ex b	Lard stearin, not emulsified.
ex 15.07	Castor oil, fluid or solid, crude, refined or purified.
ex 15.08	Castor oil, dehydrated.
ex 15.10	Fatty acids, excluding fatty acids from tall oil.
15.13	Margarine, imitation lard, and other prepared edible fats.
ex 16.05	Shrimp, cooked and prepared, but not preserved.
17.01	Beet sugar and cane sugar, solid.
ex 17.02	Syrups, liquid sugar sucrose.

INDUSTRIAL SECTOR¹

25.01	Coal and agglomerates of coal.
ex 28.44	Penicillin, salts, and preparations.
ex 30.13	Medicaments (including veterinary medicaments) containing penicillin and its salts.
31.02	Mineral or chemical fertilizers, nitrogenous.

¹ Quotas have been established for most of the above items, which are subject to quantitative import restrictions. Belgium has import licensing requirements for a number of additional products; licenses are issued automatically for these products and without quantitative restrictions.

Note: Liberalized to ECSC countries.

Brazil

Brazil carried out a major revision of its exchange control system during 1961, eliminating the former multiple-rate structure and establishing a free exchange market. However, in order to assure some uniformity of rate, the Bank of Brazil quotes a free market rate for the cruzero which other banks and exchange brokers are urged to use.

The two categories of commodities for exchange purposes, the general and the special, remain in effect. All imports require either a prior import license or, in the case of goods in the general category for which exchange has been obtained, a certificate of exchange cover.

Importers must make a 150-day prior deposit in Bank of Brazil notes bearing interest at 6 percent. These notes are often discounted but at rates between 30 and 40 percent. The amount of deposit required at the end of 1961 was 150 percent of the value of the merchandise, but this requirement is to be reduced in monthly stages of 10 percentage points beginning in January 1962 until completely eliminated in March 1962.

Imports in the special exchange category (luxury and other less essential imports) also require the purchase of a "promise of licence." These are offered in very limited amounts at public auction.

British Caribbean territories

Imports from the United States and other dollar countries into British territories in the Caribbean are largely free from import licensing restrictions as a result of liberalization steps taken during 1959 and 1960. Exchange approval is generally required by most of the territories for imports from outside the Commonwealth, but this is usually granted freely for goods not subject to licensing control. British Guiana's exchange controls cover transfers to all countries, including those within the Commonwealth. Bermuda and the Bahamas have no exchange controls.

Import licenses are required for only 30 commodity groupings in Trinidad and Tobago. Similarly, only 30 items remain on the controlled list of the British Guiana Commodity Board. Goods subject to licensing generally fall into two groups. Raw material imports are regulated in line with regional agreements aimed at prohibiting importation from outside the area except when local supplies are inadequate. Licenses are also generally required for manufactures having a high labor content, such as textiles and fabrics, metal wares, and furniture.

Many of the territories have a strong interest in developing their local industries. In pursuing this objective, however, they have largely avoided the use of licensing and exchange controls, relying instead on preferential tariff treatment of raw materials imports and concessions on income tax payments.

The Caribbean Islands are organized, as follows: Bermuda, the Bahamas, the British Virgin Islands, British Honduras, and British Guiana are nonfederated colonies; Antigua, St. Christopher-Nevis-Anguilla, Monserrate, Dominica, St. Lucia, St. Vincent, Grenada, and Jamaica comprise the Federation of the West Indies; and the Turks and Caicos Islands and the Cayman Islands are dependencies of Jamaica. The United Kingdom has accepted GATT obligations on behalf of all these territories with the exception of Jamaica and its dependencies.

Burma

Burma's import licensing policy continues to be highly restrictive to conserve scarce foreign exchange and to maximize imports of industrial development goods. Open general license imports account for only 5 to 10 percent of total import trade and cover only the most essential consumer goods. Imports of less essential goods are severely limited or prohibited. About 70 percent of total foreign exchange allocations for imports are reserved for the Government or for Government-affiliated agencies.

Although all formal discrimination against dollar goods has ended, the obstacles to expanding sales of American goods in Burma are many. One obstacle is the high percentage of Burmese imports, which are now restricted for procurement

under the Japanese reparations program. Another factor that will become increasingly important is the \$84 million loan extended by Communist China to Burma in 1961 for the procurement by Burma of industrial plants and technical assistance from that country. The recent requirement by the Burmese Government that Burmese firms be appointed as commission agents with respect to all but direct import transactions continues to present difficulties for some exporters. However, a workable solution has now been achieved in regard to the distribution of American films in Burma, one of the largest items of trade.

Cambodia

All commercial imports into Cambodia are subject to licensing and exchange controls. During 1961 Cambodia removed what amounted to discriminatory treatment of dollar imports in exchange allocation. Funds are now allocated semiannually for imports either from the French franc zone or the non-French franc zone, which includes both the dollar and sterling areas. Payments for imports from countries outside the franc area are paid for either in dollars or pounds sterling, depending on the wishes of the supplier. Imports from the French franc zone continue to be paid for in nonconvertible francs. Formerly, exchange allocations were tied by product categories and value to the French franc, sterling, and dollar zones, separated, and the bulk of the allocations were earmarked for imports from the French franc and sterling zones.

Imports financed through U.S. aid funds administered by the Agency for International Development (AID) represent a significant share of Cambodia's total export trade. Procurement is on a worldwide basis, except for the exclusion of 19 exporting countries under the new U.S. procurement rule.

Cambodia's imports are also based partly on bilateral trade and payments agreements concluded with a number of countries, including those in the Sino-Soviet bloc. Products which enter into the two-way trade are agreed upon by the two parties and are usually denominated in pound sterling. To a very limited extent, export-retention credits are also used to finance imports. Exporters are permitted to retain a portion of their export proceeds for use in importing goods on an approved list.

Canada

Most imports enter Canada without quantitative restrictions, and payments abroad may be made freely. Import controls remain on only a few items, mainly agricultural products. The Export and Import Permits Act, which was extended indefinitely in May 1960, calls for special permits to import butter, cheddar cheese, turkeys, dry skimmed milk, and butter fat. An annual import quota of 4 million pounds is set for turkeys.

Wheat, wheat flour, and wheat starch; oats, ground oats, crimped oats, crushed oats, rolled oats, and oat meal; and barley including ground, crimped, meal, and flour are controlled by licensing under the Canadian Wheat Board Act. The board is the Government pooled marketing agency for these grains produced in the Prairie Provinces.

The Customs Tariff Act prohibits the import of oleomargarine, butterine and other butter substitutes. This act also prohibits the importation of secondhand or used automobiles of all kinds manufactured prior to the year in which importation is sought. Secondhand aircraft imports regardless of the year of manufacture also are prohibited.

The importation of fissionable and radioactive materials and any equipment which may be used for the production, use, or application of atomic energy is controlled and requires an import permit under Canada's Atomic Energy Control Act.

The Provinces maintain monopolistic controls on the sale of alcoholic beverages. Licenses issued by the provincial authorities are required for their importation. Hotels and clubs may import for private stock but not all Provinces will carry U.S. products in Government-operated stores.

CANADA—IMPORT RESTRICTIONS
AGRICULTURAL SECTOR

Tariff No.	Commodity description
9 e.....	Turkeys.
ex 17.....	Cheddar cheese.
18.....	Butter.
ex 43 a.....	Dry skimmed milk.
45 (milk foods n.o.p.)..	Butterfat.
51.....	Barley ground or crimped, barley meal, and barley flour. ²
52.....	Barley. ²
56.....	Oats. ²
57.....	Oats ground, crimped, crushed, or rolled. ²
57.....	Oatmeal. ²
60.....	Wheat. ²
61.....	Wheat flour and wheat starch. ²
1204.....	Oleomargarine, butterine, or other similar substitutes for butter, and processed or renovated butter. ¹

¹ Applied under the terms of the General Agreement on Tariffs and Trade.

² Applied under the Canadian Wheat Board Act and Regulations.

INDUSTRIAL SECTOR

Certain used or second-hand automobiles and motor vehicles. Certain used or second-hand aircraft
 Certain used or second-hand automobiles and motor vehicles.
 Certain used or second-hand aircraft.
 Certain used or second-hand periodicals.
 Fissionable and radioactive materials.
 Alcoholic beverages (local import control).

Ceylon

Ceylon maintains a fairly restrictive import policy largely for balance-of-payments reasons but also for economic development purposes. The control system provides for the admittance of imports under open general license, general import license, individual import license, and state trading. General import licenses are issued only to registered Ceylonese traders and are, in effect, open general licenses for imports of specified commodities from those countries which have agreed to conduct their trade with Ceylon only through registered Ceylonese traders. Countries involved comprise mainly the Soviet bloc, plus West Germany, Japan, Formosa, and a few others.

Goods which may be imported only by the Government include rice, wheat, flour other than corn flour, refined sugar, and red onions. These items account for about 20-25 percent of the country's annual imports. The major discriminatory practice against imports from the dollar area takes the form of a requirement for individual license for some goods (freely granted for certain consumer items), which does not apply to imports of the same goods from other areas.

To cope with a continuing decline in its balance-of-payments positions, Ceylon adopted further import restrictions in 1961 to reduce imports of nonessential goods and to provide an incentive for the establishment of local manufacturing facilities. These restrictions include: Prohibition of imports of certain commodities; the addition of further items to the list of commodities requiring individual licenses; and the announcement of quotas ranging from 10 to 50 percent of average imports during 1958-60 for many restricted items.

Chile

The Government of Chile froze all foreign exchange transactions in December 1961 as a result of serious balance-of-payments difficulties. The temporary freeze was lifted on January 15, 1962, and a greatly modified import control system was established. Under this present system, an official list of permitted imports has been introduced which is much more restricted than that in effect prior to the freeze. Products on this list are subject, in addition to custom duties, to a prior deposit requirement and a special ad valorem surcharge.

The prior import deposit, which is returned to the importer within 90 days, ranges from 1 to 200 percent of c.i.f. (cost, insurance, and freight) value of the goods, depending upon the essentiality of the product concerned. The special surcharge also ranges from 1 to 200 percent of the c.i.f. value of the goods.

While the present system is quite restrictive, the Chilean Government expects increased imports of capital goods and raw materials as the country's 10-year (1961-70) economic development plan is implemented.

Cuba

The Cuban Government maintains comprehensive import licensing controls. The Government of the United States in late 1960 and early 1961 placed an embargo on exports to Cuba with the exception of ready-to-eat food-stuffs and medicines and medical and dental equipment and supplies. The Cuban Government had earlier made foreign trade a monopoly of the state and was following a policy of not buying from the United States except when alternate sources were not available. The result of these actions was that by the end of 1961 the U.S. export trade to Cuba had disappeared except for very small shipments of medicines and medical equipment and supplies.

Denmark

Following the lifting of quantitative import restrictions on a wide range of goods in March 1960, Denmark removed additional commodities from such controls in January and July 1961 in line with the timetable set up at that time for further liberalization. Principal goods involved were fresh apricots and peaches, tomato juice, olives, certain dried and canned fruits, rubber heels and soles, electric generators of more than 4,000-kilowatt capacity, transformers and converters, positive motion picture films with Danish text, sidecars, and parts for bicycles and motorcycles. In addition, for goods still subject to import licensing, global quotas were increased for imports from so-called free list countries.

Under Denmark's import control system, most goods may now be imported without an import license from free list countries, which include the dollar area, OEEC countries, and Finland. An import license is required for similar goods when imported from other sources, but treatment essentially as liberal as that extended to free list countries is applicable to goods from Israel, Brazil, Argentina, Chile, Colombia, and Uruguay. A list of other countries, including many in Africa and Asia, was added to this group in November 1961.

Other commodities are subject to licensing from all sources. Nondiscriminatory regional quotas are established for most goods in this category when imported from free list countries. A few commodities are subject to individual licensing, including those imported under bilateral trading agreements.

Dominican Republic

The Dominican Republic requires importers to submit a "statistical form" for all imports. An approved form is necessary to purchase foreign exchange and later to clear goods through customs at the time of importation. This requirement has at times operated as an informal licensing procedure, since delays in approving the form have been used to restrain imports. Formal import licenses are required, however, for rendered pork fat, lard, rice, sugar manufactures, and all other vegetable products.

Foreign exchange transfers abroad, which must be made through banks, require the administrative approval of the Central Bank.

El Salvador

El Salvador ordinarily does not impose quantitative restrictions on imports from any source. However, exchange controls were enacted, effective April 21, 1961, under which prior authorization from the Central Bank is required for purchase of merchandise abroad valued at over \$2,000. Permits are granted within 48 hours.

Finland

Under present Finnish regulations imports from the United States enjoy the same treatment as those from countries participating in a multilateral trade and payments agreement with Finland (most Western European countries), imports from virtually all non-Soviet bloc countries receive this multilateral treatment. Imports from Colombia, Greece, and Turkey, as well as from the bloc countries, are subject to licensing under quotas established in bilateral trade agreements.

Under the multilateral arrangements approximately 82 percent of Finland's imports from countries affected by the arrangement are free of licensing and exchange controls. Goods remaining subject to import licensing requirements are divided into two categories: (1) goods which are licensed under global quotas and (2) goods subject to individual licensing.

The most notable actions taken by Finland in 1961 to relax import restrictions were a 10-percent increase in global quotas at the beginning of the year

and a second 10-percent increase as of July 1, 1961. Global quotas for 1962 are expected to be equal to about \$125 million representing a 20-percent increase over the 1961 quotas.

France

Early in 1960 France notified the contracting parties to the GATT that it was no longer applying import restrictions for balance of payments reasons. Since then, remaining controls have been progressively dismantled.

During 1961 France made further progress in trade liberalization by virtually eliminating all quantitative import restrictions on dollar area industrial goods, although with respect to a few items of interest to the United States the liberalization will not become effective until October 1, 1962.

As a result of extensive liberalization measures decreed on January 1, and April 1, 1961, the proportion of industrial commodities freed from controls when imported from the dollar area rose to over 90 percent (based on 1953 imports) compared with about 95 percent liberalized by the end of 1960. In addition, all discrimination against the United States in the industrial sector has been removed. On December 31, 1961, the list of goods subject to quantitative import restrictions when imported from OECD countries, including the United States was further reduced. In the agricultural sector, U.S. representations under GATT procedures and those made through diplomatic channels contributed to elimination of some discrimination in favor of former OEEC countries which is presently limited to a few items such as eggs, pineapples, and certain vegetables. These items have been freed from quantitative restrictions to OEEC but not to the United States.

After October 1, 1962, quantitative import restrictions in the nonagricultural sector will continue to apply mainly to items in the following categories: energy sources, most of which are state traded, certain chemicals (lubricating preparation, antiknock preparations, artificial waxes), newsprint, aircraft, and ocean-going vessels.

Agricultural items still under restriction of particular interest to U.S. exporters are: Poultry meat; canned fruits; dried plums (prunes) packaged for retail sale; fresh and dried apples and pears; corn starch and potato starch; canned vegetables (especially asparagus); canned fruit and vegetable juices (particularly orange juice); pig and poultry fat, rendered; prepared animal feeds; and grain sorghums.

French Import Restrictions

AGRICULTURAL RESTRICTIONS

Tariff No.	Product description
01-02 EX.....	Live calves, cows, bulls, and oxen.
01-03 EX.....	Live pigs.
01-04 EX.....	Live sheep and goats.
01-05 EX.....	Live poultry, fowl, ducks, geese, turkeys, and guinea fowl.
01-06 EX.....	Other live animals, domestic rabbits and pigeons.
02-01 EX.....	Meat and edible offals; fresh, chilled or frozen.
2.....	Horse, donkey, mule.
3.....	Beef bones.
4.....	Beef, not boned.
5.....	Pork (hams).
6.....	Pork (other).
8.....	Sheep.
02-02 EX.....	Dead poultry, fowl, ducks, geese, turkeys, and guinea fowl, and edible offals thereof (except liver) fresh, chilled, or frozen.
02-05 EX.....	Unrendered pig fat free of lean meat and unrendered poultry fat, fresh, chilled, frozen, salted, in brine, dried, or smoked.
02-06 EX.....	Meat and edible offals, salted, in brine, dried, or smoked (except poultry liver).
03-01 EX.....	Fish, fresh (live or dead), chilled, or frozen.
1.....	Trout.
11.....	Sea perches, soles, turbot, and brills.
12.....	Others.
13.....	Fish filets.
Ex 03-02.....	Fish, salted, in brine, dried, or smoked.
12.....	Other fishes, in filets.
13.....	Other fishes otherwise.
04-02.....	Milk and cream, preserved, concentrated, or sweetened.
04-03.....	Butter.
04-04.....	Cheese and curd.

French Import Restrictions—Continued

AGRICULTURAL RESTRICTIONS—Continued

Tariff No.	Product description
04-05 EX 1	Bird's eggs and egg yolks, fresh, dried, or preserved.
1	Eggs for brooding.
2	Others.
13	Entire eggs, without shell
04-05-2 EX 1	Egg yolks, other than for industry, sweetened.
25	Animal products not elsewhere specified.
05-15 EX	Animal sperms.
32	Bulbs, tubers, tuber roots.
06-01 EX	In growth, flowered, or not.
11	Other live plants and roots.
06-02 EX	Wine plantations, grafted or rooted.
11	Hothouse plants, flowered or in buds.
43	Cut flowers and flowers buds.
06-03	Vegetables, fresh or chilled.
07-01 EX	Mushrooms, edible.
1	Truffles.
2	Olives and capers.
3	Tomatoes.
5	Onions.
31	Shallot.
32	Garlic.
33	Potatoes (from July 1 to end of February).
11	Potatoes (dating from previous year).
12	Potatoes (early products).
13	Potatoes and others.
14	Cauliflowers.
16	Brussels sprouts.
20	Turnips, salad, beet, salsifys, and other edible roots.
22	Beans.
23	Cucumbers and gherkin.
26	Aubergines, gourds, marrows, and same.
27	Artichokes.
28	Vegetables (whether or not cooked), preserved by freezing.
07-02	Vegetables provisionally preserved, olives, and capers.
07-03 EX	Dried dehydrated or evaporated vegetables.
07-04 EX	Potatoes.
11	Others, even mixed.
21	Dates, bananas, ananos, coconuts, brazilnuts.
08-01 EX	Dates.
1	Bananas, including dried bananas.
11	Dehydrated coconut pulps shown in packages of 60 kl. or less.
21	Dehydrated coconut pulps shown in packages of more than 60 kl.
22	Dehydrated coconut pulps, others (except for flowers).
23	Other nuts.
24	Ananas.
31	Orus fruit, fresh or dried.
08-02 EX	Oranges, shown between Mar. 15 and June 14
2	Orange export from the previous time.
8	Figs, fresh or dried.
08-03 EX	Figs, fresh or dried.
1	Fresh.
11	Dried, for human consumption.
12	Dried, denatured for industrial use.
08-04 EX	Grapes, fresh and dried.
4	Fresh from vintage.
5	Fresh, forced.
08-05 EX	Nuts, fresh or dried.
21	Common nuts; in shell.
22	Common nuts; without shells.
08-06 EX	Apples, pears, and quinces, fresh.
1	Table apples, presented between Feb. 15 to Mar. 31.
2	Table apples presented between Apr. 1 to May 31.
3	Table apples presented between June 1 to July 31.
4	Table apples, presented between apart from these periods.
08-06	Table pears, presented between Dec. 1 and June 30.
ex 11	Table pears presented apart from this period (July 1-Nov. 30).
12	Stone fruit, fresh.
08-07 EX	Apricots.
1	Peaches, not forced presented between May 1 and June 15.
11	Peaches, not forced presented between June 16 and Oct. 16.
12	Peaches apart from this period.
13	Prunes.
22	Others.
23	Barries fresh.
08-08	Other fruits, fresh.
08-09 EX	Melons and similars.
1	Fruit (whether or not cooked) preserved by freezing, not containing sugar.
08-10	Fruit provisionally preserved in brine or other solution, but not immediate consumption,
08-11 EX	except for cherries.

French Import Restrictions—Continued

AGRICULTURAL RESTRICTIONS—Continued

Tariff No.	Product description
08-12 EX.....	Fruit dried.
3.....	Fruits salad.
11.....	Apples and pears.
31.....	Peaches, including nectarines and prickly peaches.
41.....	Dried plums.
51.....	Others.
09-01.....	Coffee whether or not roasted.
	Coffee substitutes containing coffee in any proportion.
09-04 EX.....	Pepper.
1.....	Pepper crushed or ground.
09-10 EX.....	Thyme, saffron, bayleaves, other spices.
11.....	Mixtures including products of previous items.
10-01 (1) xx.....	Wheat or maslin.
10-02 (1) xx.....	Rye.
10-03 (1) xx.....	Barley.
10-04 (1).....	Oats.
10-05 (1) xx.....	Maize.
10-06 (1) xx.....	Rice.
10-07 (1) xx.....	Buckwheat, millet, canary seed and grain sorghum; other cereals.
11-01 xx.....	Cereal flours.
11-02.....	Cereal groats and cereal meal; other worked cereal grains.
11-05 EX.....	Flour, meat and flakes of potato.
11-08.....	Starches; inulin, flour for potato flour only.
11-09.....	Gluten and gluten flour, roasted or not.
12-01 EX.....	Oil seeds and oleaginous fruit, whole or broken.
1.....	Peanuts not roasted, in shells.
2.....	Peanuts, not roasted, without shells.
5.....	Soya beans.
9.....	Other seeds.
10.....	Seeds of colza, rape, camelina, and other cruciferous.
11.....	Turnsole.
12.....	Oil poppy.
13.....	Hemp seeds.
14.....	Cotton seeds.
15.....	Sesame seeds.
22.....	Other.
12-04.....	Sugarbeet, whole or sliced, fresh, dried or powdered, sugarcane.
12-05.....	Chicory roots, fresh or dried, whole or cut, unroasted.
12-06.....	Hop cones and lupulin.
13-03 EX.....	Vegetable saps and extracts, pectin agar-agar and other natural mucilages and thickeners.
17.....	From hop.
21.....	Pectic juice or extract.
22.....	Dried pectin.
15-01.....	Lard and other rendered pig fat, rendered poultry fat.
15-03 EX.....	Lard stearin, oleostearin, and tallow stearin.
1.....	Lard oil.
15-04 EX.....	Fats and oils of fish and marine mammals, whether or not refined.
22.....	Fats and oils of other varieties of fish, except unrefined oil other than herring liver oil and fish liver oil.
15-07 EX.....	Fixed vegetable oils, fluid or solid, crude refined or purified.
1.....	Linseed oil.
4.....	Soya oil.
5.....	Peanut oil.
15-076.....	Sesame oil.
7.....	Colza, rape, camelina, or other cruciferous oil.
8.....	Olive oil.
9.....	Castor oil.
10.....	Palm oil.
18.....	Other oils.
22.....	Peanut oil.
23.....	Olive oil.
24.....	Palm oil.
25.....	Soya oil.
26 others.....	
15-12 EX.....	Animal or vegetable oils and fats hydrogenated whether or not refined and not further prepared.
5.....	Fats and oils of sea mammals.
6.....	Others.
14.....	Fats and oils of sea mammals.
15.....	Others.
15-13.....	Margarine imitation lard and other prepared edible fats.
16-01.....	Sausages and the like, of meat, meat offal, or animal blood.
16-02.....	Other prepared or preserved meat offal.
16-04 EX.....	Prepared or preserved fish, including caviar and caviar substitutes.
12.....	Sardines.
16.....	Tuna fish.
xx 17-01.....	Beet sugar and cane sugar, solid.
17-02 EX.....	Other sugars, sugar syrups, artificial honey.
11.....	Glucose.
12.....	Sugar syrups
41.....	Sugars and caramel mollasses, coloring caramels included.
42.....	Others (substitutes for honey, etc.).

Footnote at end of table, p. 321.

French Import Restrictions—Continued

AGRICULTURAL RESTRICTIONS—Continued

Tariff No.	Product description
17 03.	Molasses, whether or not decolorized.
17-04.	Sugar confectionery, not containing cocoa.
17 05.	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion.
18 06	Chocolate and other food preparations containing cocoa.
19 03.	Macaroni, spaghetti, and similar products.
19 05.	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn, etc.).
19-07	Bread, chips' biscuits and other ordinary sugar, honey, eggs, fats, cheese, or fruits.
19 08	Pastry, biscuits, and other ordinary bakers' wares, not containing cocoa in any proportion.
20 21	Vegetables or fruit prepared or preserved by vinegar or acetic acid.
20 02 EX	Vegetables prepared or preserved otherwise than by vinegar or acetic acid.
1	Mushrooms (in sealed containers).
2	Less than 15 percent (in sealed containers).
4	From 15 to 30 percent (in sealed containers).
5	30 percent or more (in sealed containers).
6 ¹	Asparagus (in sealed containers).
7	Pickled cabbage (in sealed containers).
8	Olives and capers (in sealed containers).
9 ¹	Green peas (in sealed containers).
10 ¹	French beans (in sealed containers).
11 ¹	Others (in sealed containers).
12.	Do.
21.	Mushrooms (other containers).
22.	Tomatoes (other containers).
23.	Pickled cabbage (other containers).
27.	Olives (other containers).
28.	Capers (other containers).
25 ¹	Others (other containers).
26.	10 Kg. or less (other containers).
20 03	Fruit preserved by freezing containing added sugar.
20 04	Fruit, fruit-pool, and parts of plants, preserved by sugar.
20 05	Jams, fruit, jellies, marmalades, fruit puree, and fruit pastes, cooked whether or not containing sugar.
20 06 EX	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit.
12.	Without sugar or syrup.
13.	Pineapples.
14.	Others.
20 07 EX.	Fruit juices and vegetable juices, whether or not containing added sugar but unfermented and not containing spirit.
43	Without adding sugar.
44	With sugar.
45	Without adding sugar.
46	With sugar.
51	Of grapes must included.
52	Of tomato.
53	Of apple or pear.
54 ¹	Of apricots.
55 ¹	Of other fruits or vegetables.
20 01 EX	Roasted chicory and other roasted coffee substitutes (extracts, essences, and concentrates thereof).
1	Roasted chicory and other roasted coffee substitutes
21-02 EX	Extracts, essences, or concentrates of tea or coffee or mate or preparations with those extracts.
1	Liquids.
2	Others.
21 07 EX.	Food preparations not elsewhere specified.
12.	Of saccharine.
21	With sugar.
22	Others.
22 04	Grape must in fermentation otherwise than by addition of alcohol.
22-05 EX	Wine of fresh grapes; grape must with fermentation by addition of alcohol.
7	Wines (other than wines and similar and sparkling wines).
21	Other than those of controlled name of origin.*
22 ¹	Other than liqueur wines and the like, of certified origin.
22 08 EX.	1) Ethyl alcohol or neutral spirits, undenatured of a strength of 80° or higher, denatured spirits of any strength
22 10	Vinagar and substitutes.
23 02.	Bran, sharps, and other residues derived from sifting, milling, or working of cereals or of leguminous vegetables.
23 07 EX	Sweetened forage; other preparations of a kind used in animal feeding.
1	Condiments, except for "fish soluble".
12	With molasses or sweetened.
13	Without molasses or unsweetened.
24-01 xx	Unmanufactured tobacco, tobacco refuse.
24 02 xx	Manufactured tobacco; tobacco extracts and essences.

Footnote at end of table, p. 321.

French Import Restrictions—Continued

INDUSTRIAL RESTRICTIONS

Tariff No.	Product description
27-01 xx.....	Coal.
27-02 xx.....	Lignite.
27-04 EX.....	Coke and semicoke.
L/N.....	Other coke.
L/N.....	Lignite cokes.
27-05 xx.....	Coal gas.
27-07 xx.....	Petroleum essence; other products of coal for distillation.
27-09 xx.....	Petroleum and shale oils, crude.
27-10 xx.....	Petroleum oils, other than crude.
27-11 xx.....	Petroleum gases and other gaseous hydrocarbons.
27-12.....	Petroleum jelly.
27-13 xx.....	Paraffin wax, microcrystalline wax, ozokerite, lignite wax, peat wax, and other mineral wax, whether or not colored.
27-14 xx.....	Petroleum bitumen, petroleum coke, and other petroleum and shale oil residues.
27-16 EX.....	Bituminous mixtures.
27-17.....	Electric current.
34-03 EX.....	Lubricating preparations consisting of mixtures of oils or fats of any kind containing petroleum or shale oils.
34-04 EX.....	Artificial waxes.
38-14 EX.....	Antiknock preparations, oxidation inhibitors.
38-19 EX.....	Chemical products and preparations of the chemical or allied industries: mixed alkylenes and other catalysts.
4R 01 xx.....	Paper for newspaper.
85-15.....	Radiotelegraphic and radiotelephonic transmission and reception apparatus; receiving equipment assembling parts of radio.
85-21C EX.....	Cathode tubes.
F.....	Diodes, enstal triodes including transistors.
H.....	Parts and spare parts.
87-08 xx.....	Tanks and other armored fighting vehicles, motorized and parts of such vehicles.
88-02 xx.....	Flying machines, gliders, and kites; rotochutes.
88-03 EX xx.....	Aircraft parts.
89-01 EXA.....	Boats for maritime navigation.
EXB.....	Boats for interior navigation (lakes, rivers, canals) use for transportation of persons.
d.....	Engine boilers replacing articles, auxiliary equipment, furniture.
89-01 EX c.....	Boats for interior navigation.
d.....	Engine boilers.
h.....	Others, replacement articles auxiliary equipment furniture.
D.....	Warships.
89-07.....	Tugs.
90-01.....	Pocket watches, wrist watches, and other watches.
91-02.....	Clocks with watch movements.
91-03.....	Instrument panel clocks and clocks of a similar type, for vehicles, aircraft, or vessels.
91-04.....	Other clocks.
91-07.....	Watch movement (including stop watch movements) assembled.
91-08.....	Clock movements assembled.
91-09.....	Watch cases and parts of watch cases including blanks.
91-11.....	Other clocks and parts of watch suppliers and parts.

¹ Indicates those items which may be imported freely from OEEC countries but which are under quantitative restrictions when imported from the United States.

xx Indicates that restrictions are maintained in order to implement State trading regulations.

² Liberalization measures apply only to foreign liqueur wines assimilated to liqueur wines of certified origin under French regulations and accompanied by a certificate of origin recognized by French authorities.

French Caribbean territories

All the departments of the French Caribbean maintain virtually the same licensing requirements as metropolitan France, and, therefore, import liberalization in the French Caribbean closely followed France's pattern during 1961.

The only remaining restrictions in addition to those of metropolitan France are those imposed by Guadeloupe on wood, by Martinique on wood and beer and by French Guiana on wood and certain machinery.

Federal Republic of Germany

The Federal Republic is no longer entitled, under the rules of the GATT and the IMF, to apply trade and payments restrictions on imports for balance-of-payments reasons. However, in May 1959, a special GATT waiver was arranged permitting restrictions to be retained temporarily on certain products and providing a timetable for the removal of most remaining controls. A number of agricultural commodities are also still controlled in accordance with German marketing laws.

Progress in eliminating restrictions since the adoption of the waiver has been somewhat ahead of schedule. In addition, the German Government has agreed to license freely all unliberalized nonagricultural products in which the United States has a major export interest. As to some other commodities, in which the United States has a minor trade interest, the German Government has agreed to establish progressively more liberal quotas.

During 1961, import restrictions were removed from a number of products including frozen and certain canned fruit and vegetables, a few items in the textile sector, and toys. Also, in April 1961 the German Government began issuing import licenses for chickens, without quantitative limitation.

For 1961 and 1962, the annual duty-free quota allotted to the United States for coal was raised from 4,418,000 tons to 5,015,000 tons. Imports of coal in excess of the country quota are subject to a duty of 20 German marks (about \$5) a ton which has proved prohibitive.

Products still not liberalized, either de jure or de facto, include 249 commodity classifications in the agricultural sector, of which 160 are state traded. Special arrangements have been made for jute fabrics, imitation pearls and a number of neat leather items.

FEDERAL REPUBLIC OF GERMANY IMPORT RESTRICTIONS
A. AGRICULTURAL SECTOR

Foreign trade statistical commodity code No.	Description of commodity
0102 12	Calves, live.
15	Calves, for slaughter.
16	Young cattle, male, live.
17	Young cattle, female, live.
25	Young cattle, for slaughter.
35	Steers, for slaughter (bulls).
42	Cows, for general use.
45	Cows, for slaughter.
51	Oxen, for general use.
55	Oxen, for slaughter.
0103 10	Hogs, live, weighing 35 kilos or less per head.
95	Other hogs, for slaughter.
ex 0104 21	Lambs, for general use.
25	Lambs, for slaughter.
ex 31	Sheep other than lambs, for general use.
35	Sheep other than lambs, for slaughter.
0201 11	Hog sides, fresh or chilled.
12	Part of loin (for rib pork chop), fresh or chilled.
13	Unrendered pig fat, fresh or chilled.
ex 19	Other pork of domesticated hogs, fresh or chilled.
21	Hog sides, frozen.
22	Part of loin (for rib pork chop), frozen.
23	Unrendered pig fat, frozen.
ex 29	Other pork of domesticated hogs, frozen.
31	Veal, fresh or chilled.
32	Halves and quarters of cattle, fresh or chilled.
33	Loin cuts, fresh or chilled.
39	Other beef, fresh or chilled.
41	Veal, frozen.
42	Halves and quarters of cattle, frozen.
43	Loin cuts, frozen.
49	Other beef, frozen.
51	Mutton, fresh or chilled.
55	Mutton, frozen.
93	Edible offals of hogs, fresh, chilled, or frozen.
95	Edible offals of cattle, fresh, chilled, or frozen.
ex 99	Edible offals of sheep and lambs, fresh, chilled, or frozen.
ex 0202 50 1	Chicken, slaughtered.
0205	Unrendered pig fat, not containing lean meat.
11	Fresh or chilled.
13	Frozen.
15	Salted only.
17	In brine, dried or smoked.
30	Lard, neither pressed nor rendered.
ex 0206 11	Ham of domesticated hogs, salted, in brine, dried, or smoked.
13	Pig fat, containing lean meat, salted only.
ex 19	Pork, other than ham and bacon, of domesticated hogs, salted, in brine, dried, or smoked.
20	Beef and veal, salted, in brine, dried, or smoked.
ex 50	Mutton and lamb, salted, in brine, dried, or smoked.
ex 91	Edible offals of domesticated hogs, salted, in brine, dried, or smoked.
ex 99	Edible offals of cattle, calves, sheep, salted, in brine, dried, or smoked.
ex 0301 35	Carp, fresh or chilled.
ex 0302 19	Fillets of herring, only salted or in brine.
51	Herring, salted or in brine.
0401 10	Whole milk and skim milk, fresh.
20	Butter milk, whey, sour milk, etc., fresh.
50	Cream, fresh.
0402 11	Whole milk, powdered.
13	Skim milk, powdered.
19	Other milk, preserved, concentrated, or sweetened.
90	Other (e.g., condensed milk).
0403 10	Butter.
50	Butter oil.

A. AGRICULTURAL SECTOR—Continued

Foreign trade statistical commodity code No.	Description of commodity
0404 11	Hard cheese.
15 1	Other cheese for cutting.
60 1	Processed cheese and cheese preparations.
0515 10	Small fish, up to a length of 6 centimeters, de facto dried, inedible.
20	Crabs, dried, inedible.
ex 50 1	Animals, not live, inedible, other than dried small fish, crabs, and water fleas.
ex 90 1	Other products of animal origin, except formic eggs.
ex 0602 55	Azalea indica, with flowers or buds.
ex 57	Other azaleas, with flowers or buds.
0603 11	Carnations, fresh.
12	Rose, fresh.
13	Flowers from bulbs, fresh.
19	Other flowers, fresh.
0701 14	Tomatoes, fresh or chilled.
25	Potatoes for seed, fresh or chilled.
26	Potatoes for food.
ex 29	Potatoes for industrial purposes, except for the manufacture of starch or potato flakes under customs bond.
41	Cauliflower, fresh or chilled.
51	Head lettuce, fresh or chilled.
52	Endive salad, fresh or chilled.
71	Beans, fresh or chilled.
81	Small cucumbers, fresh or chilled.
85	Other types of cucumbers, fresh or chilled.
ex 0704 90	Potatoes, powdered, or otherwise chopped.
0705 11	Garden beans (phaseolus speciosus), for seed.
21	Other beans, for seed (vicia faba var. minor).
22	Other beans, for seed (vicia faba var. megalosperma).
0705 31	Peas, for seed.
41	Fodder peas, for seed.
0806 19	Apples, other than for must, fresh.
39	Pears, other than for must, fresh.
1001 12	Spring wheat for seed.
13	Winter wheat for seed.
19	Other wheat.
90	Mixed grain.
1002 01	Rye for seed.
09	Other rye.
1003 01	Barley for seed.
05	Barley for brewing purposes.
09	Other barley.
1004 01	Oats for seed.
09	Other oats.
1005 01	Corn for seed.
09	Other corn.
1006 10 1	Paddy.
51 1	Cargo rice.
55 1	Milled rice.
91 1	Broken rice, not polished.
95 1	Broken rice, polished.
1007 20 1	Buckwheat.
40	Millet of all varieties.
1101 10	Flour of wheat or mixed grain.
20	Flour of rye.
50	Flour of barley, oats, or corn.
60	Flour of rice.
90 1	Flour of other grain.
ex 1102	Grits (fine and coarse); grains, etc., of wheat or mixed grain.
10	of barley.
30	of oats.
40	of other grain, e.g., other grains of rye, corn, buckwheat, or millet.
ex 90 1	Flour, grits, and flakes of potatoes.
1105 00 1 4	Malt (de facto liberalized).
1107 00	Starch of wheat.
1108 10	Cornstarch, made up for retail sale.
21	Cornstarch, not made up for retail sale.
29	Seeds of sugar beets.
1203 11	Seeds of fodder beets.
19	Seeds of English Ray grass (lolium perenne).
1203 41	Seeds of Italian Ray grass (lolium multiflorum italicum).
42	Seeds of Brazil Ray grass (lolium multiflorum var. brasilianum).
45	Seeds of French Ray grass (arrhenatherum elatius).
46 1	Seeds of timothy grass (phleum pratense).
47	Seeds of grass (dactylis glomerata).
48 1	Seeds of grass (festuca pratensis).
53	Seeds of grass (festuca rubra).
54	Sugar beets, also chips, other than fresh.
1204 19	Alfalfa, dried and ground.
ex 1210 95 1	Lard, for human consumption.
1501 01	

See footnotes at end of table, p. 328.

A. AGRICULTURAL SECTOR—Continued

Foreign trade statistical commodity code No.	Description of commodity
ex 1502 10 ³	Tallow, unrendered, of cattle, sheep, and lambs.
21 ³	Tallow of cattle, sheep, and goats, rendered, premier jus, for human consumption.
31 ³	Other tallow, rendered, for human consumption.
1503 01 ³	Lardstearin, oleostearin, lardoil, oleomargarine, and tallow oil, neither emulsified, mixed, nor otherwise processed, for human consumption.
ex 1504 71 ³	Whale oil and whale fat, for human consumption, refined.
ex 91 ³	Other marine fats and oils, for human consumption, refined.
1507 03 ³	Cotton seed oil, processed, for human consumption.
07 ³	Oil of beechnut, corn, and poppy seed, processed, for human consumption.
13 ³	Peanut oil, processed, for human consumption.
23 ³	Coconut oil, processed, for human consumption.
1507 27 ³	Linseed oil, processed, for human consumption.
ex 31 ³	Olive oil, except sulfuric and "lampantes" olive oil, processed, for human consumption.
37 ³	Palmkernel oil, processed, for human consumption.
43 ³	Palm oil, processed, for human consumption.
1507 47 ³	Rape and colzar oil, processed, for human consumption.
53 ³	Safflower oil processed, for human consumption.
57 ³	Sesame oil, processed, for human consumption.
63 ³	Soya oil, processed, for human consumption.
67 ³	Sunflowerseed oil, processed, for human consumption.
97 ³	Other fatty vegetable oils, processed, for human consumption.
1512 11 ³	Whale oil, edible without further processing.
17 ³	Whale oil, for human consumption, hydrogenated, also refined.
21 ³	Fish oil, edible without further processing.
27 ³	Fish oil, for human consumption, hydrogenated, also refined.
51 ³	Other fats and oils, edible without further processing.
57 ³	Other fats and oils of animals, for human consumption, hydrogenated, also refined.
81 ³	Vegetable fats and oils, edible without further processing.
87 ³	Other vegetable fats and oils, for human consumption, hydrogenated, also refined.
1513 10 ³	Margarine.
90 ³	Shortened and other processed edible fats.
1601 ³	Sausages and the like of meat, offals or animal blood from cattle, hogs, sheep:
ex 19 ³	with liver;
ex 90 ³	without liver.
ex 1602 19 ¹	Meat and offals, otherwise prepared or preserved, of cattle, hogs, sheep; with liver.
ex 1602 ³	Meat and offals, otherwise prepared or preserved; without liver:
50 ³	of cattle.
61 ³	of hogs; ham.
69 ³	of hogs, other than ham.
ea 90 ¹	of sheep and lambs.
1603 00 ³	Meat extracts and meat juices.
1701 11 ³	Cane sugar, raw, solid.
15 ³	Beet sugar, raw, solid.
31 ³	Candy sugar, and brown sugar.
39 ³	Other sugar for human consumption.
1702 10 ³	Artificial honey, also mixed with natural honey.
91 ³	Juices and liquid residues from processing beet and cane sugar, syrups of beet and cane sugar.
ex 99 ³	Other sugar and syrup (maltose, invert sugar, etc.).
1703 00 ³	Molasses, also decolorized.
1705 10 ³	Vanille sugar.
ex 90 ³	Aromatic or colored sugar, syrup and molasses, other than vanille sugar, with a purity of more than 70 degrees.
1902 10 ³	Food preparations for infants based on flour or starch.
30 ³	Special types of flour for food preparations (Quellmehle).
50 ³	Powder for the preparation of pudding and the like, also containing cocoa.
91 ³	Other food preparations with sugar or cocoa added.
1902 99 ³	Other food preparations without sugar or cocoa.
1903 00 ³	Macaronis, noodles, and the like.
ex 2001 10 ³	Cucumbers, preserved in vinegar, canned.
ex 90 ³	Other vegetables preserved in vinegar, in airtight containers, except olives.
2002 ³	Vegetables and pot-herbs, preserved without vinegar, in containers weighing less than 5 kilos:
55 ³	Peas.
56 ³	Beans.
ex 59 ³	Other vegetables and pot-herbs, also mixed (except artichokes and spinach).
2004 ³	Fruits and plants, and parts thereof, preserved with sugar:
51 ³	Cherries.
59 ³	Other fruits, plants and parts thereof.
2005 10 ³	Applesauce.
ex 95 ³	Jams, jellies, marmalades, etc., with sugar or syrup, but other than of apples, plums, quinces, and bitter orange marmalade.
2006 ³	Fruits, prepared or preserved otherwise, also with sugar or alcohol, in containers weighing less than 5 kilos:
72 ³	Apricots.
74 ³	Peaches. ⁵
75 ³	Strawberries.
79 ³	Other fruits (than citrus and aforementioned fruits). ⁵

See footnotes at end of table, p. 328.

A. AGRICULTURAL SECTOR—Continued

Foreign trade statistical commodity code No.	Description of commodity
2007 13	Fruit juice concentrates of apples or pears, without sugar, also mixtures thereof.
23	Fruit juices of apples or pears, without sugar, also mixtures thereof.
ex 2105 10 ³	Preparations on the basis of meat or meat extracts of cattle, hogs, or sheep, for the production of soups and broths. ^a
ex 2107 00	Ice cream and ice cream powder.
2205 10	Champagne.
23	Wine for the production of champagne.
2205 51	Red wine in containers of more than 2 liters.
59	Red wine in containers up to 2 liters.
61	White wine in containers of more than 2 liters.
2205 69	White wine in containers up to 2 liters.
90	Wine, other than red and white wine (e.g., dessert wine).
2210 00	Vinegar for food.
2301 10 ^a	Fish meal, including fish liver meal, inedible.
20 ^a	Greaves and greave cake and similar residues from whale-oil boiling, inedible.
90 ^a	Other residues of fish, and meat meal, inedible.
2302 10 ^a	Rice meal for feed.
20	Bran.
90 ^a	Other residues from the processing of grains or pulses.
ex 2303 10	Beet pulps and other residues from the production of sugar.
ex 90 ^a	Residues from the production of starch, beer, and malt.
2304	Meals from extraction of oilseeds, also pressed in forms:
11 ^a	Of peanuts.
12 ^a	Of coconuts or copra.
13 ^a	Of linseed.
14 ^a	Of palm kernels.
15 ^a	Of sunflower kernels.
16 ^a	Of soybeans.
17 ^a	Of rapeseeds.
18 ^a	Of cottonseeds.
19 ^a	Of other oilseeds or oil-containing fruits.
	Oilcake, including expellers, also pressed in forms, except those for the production of oil; with a content of fat up to 8 percent.
ex 51 ^a	Of peanuts.
ex 52 ^a	Of coconuts or copra.
ex 53 ^a	Of linseed.
ex 54 ^a	Of palm kernels.
ex 55 ^a	Of sunflower kernels.
ex 56 ^a	Of soybeans.
ex 57 ^a	Of rapeseeds.
ex 58 ^a	Of cottonseeds.
ex 59 ^a	Of other oilseeds or oil-containing fruits.
ex 90 ^a	Other residues from the manufacture of vegetable oils, except those for the production of oil; containing fat up to 8 percent; and except mustard flower.
2307 10	Fodder, containing molasses or sugar.
30 ^a	Solubles.
ex 91 ^a	Other fodder, mainly of organic substances, except fodder yeast.
99	Fodder preparations, mainly of inorganic substances (e.g., mixtures of feed lime and mineral salts).
2913 10	Dextrose, chemically pure.
201	Lactose, chemically pure.
30	Levulose, maltose, chemically pure.
3501 11 ¹	Casein, not hardened, for food and feed.
3505 10 ¹	Dextrine, soluble or roasted starch.

B. INDUSTRIAL SECTOR

3706	Movie films consisting only of sound track, exposed and developed:
ex 41 ^a	Negatives and lavender copies for feature films screened in the Federal Republic.
ex 49 ^a	Positives for feature films as above.
3707	Other movie films, exposed and developed:
ex 41 ^a	Negatives of feature films screened in the Federal Republic.
ex 43 ^a	Colored positive films of feature films, as above.
ex 49 ^a	Other positive films of feature films, as above.
4102 31	Bottom leather of cattle, undressed.
39	Other leather of cattle, undressed.
51	Bottom leather of cattle, undressed.
52	Upper leather of cattle, undressed.
57	Dressed neat's leather.
59	Other leather of cattle, undressed.
5104	Fabrics of synthetic or artificial filament:
01	Tire cord fabrics.
05 ^a	Fabrics for furniture and interior decoration weighing more than 250 grams per square meter.
11	Fabrics for curtains or draperies of synthetic filaments.
	Other fabrics of synthetic filaments:
21 ^a	Gray or bleached.
25 ^a	Dyed.
26 ^a	Printed.
	Woven of dyed yarn—
28 ^a	In a width of more than 55 up to 75 centimeters;
29 ^a	Other widths.

See footnotes at end of table, p. 328.

B. INDUSTRIAL SECTOR—Continued

Foreign trade statistical commodity code No.	Description of commodity
5104 41 9	Fabrics other than crepe, of artificial filaments:
	Gray or bleached.
	Dyed, with a width—
51	Up to 55 cm.;
52 9	Exceeding 55 up to 75 cm.;
54 9	Exceeding 75 up to 115 cm., without design;
55 9	Exceeding 75 up to 115 cm., with design;
56 9	Exceeding 115 up to 135 cm.;
57 9	Exceeding 135 up to 145 cm.;
58 9	Exceeding 145 cm.
	Printed, with a width—
61 9	Up to 115 cm.;
65 9	Exceeding 115 cm.
	Woven of dyed yarn, with a width—
71	Up to 55 cm.;
72 9	Exceeding 55 up to 75 cm.;
74 9	Exceeding 75 up to 115 cm., without design;
75 9	Exceeding 75 up to 115 cm., with design;
76 9	Exceeding 115 up to 135 cm.;
77 9	Exceeding 135 up to 145 cm.;
78 9	Exceeding 145 cm.
5307	Worsted yarn of wool, not made up for retail sale:
	Unbleached:
ex 11 9	Single, other than hard worsted yarn.
ex 15 9	Double, other than hard worsted yarn.
ex 19 9	Triple or multiple, other than hard worsted yarn.
	Bleached, dyed, or printed:
51 9	Single.
55 9	Double.
59 9	Triple or multiple.
5310	Yarns of wool, fine or coarse animal or horse hair, made up for retail sale:
10 9	Hand-knitting and similar yarns of wool.
21 9	Worsted yarns of wool, in skeins, unbleached.
29 9	Other worsted yarns of wool.
5311	Fabrics of wool or fine animal hair:
01	For furniture and interior decoration, with a weight exceeding 250 grams per square meter.
	Fabrics with warp—
21 9	Of synthetic filaments;
25 10	Of artificial filaments.
	Other fabrics, with a weight per square meter—
50 10	Exceeding 700 grams;
60 10	Exceeding 500 up to 700 grams;
70 10	Exceeding 300 up to 500 grams;
80 10	Exceeding 200 up to 300 grams;
	200 grams or less—
91 10	Unbleached;
95 10	Bleached or dyed;
96 10	Printed;
97 10	Woven of dyed yarn.
5507 10	Cotton gauze for curtains or draperies.
90	Other cotton gauze.
5509	Other fabrics of cotton:
01 10	For furniture and interior decoration, with a weight per square meter exceeding 250 grams.
	Fabrics with warp—
10 10	Of synthetic filaments;
	Of artificial filaments;
21 10	Unbleached or bleached dye;
	Dyed, with a width—
24 10	Up to 115 cm.;
25 10	Exceeding 115 cm.
	Printed with a width—
26 9	Up to 115 cm.,
27 9	Exceeding 115 cm.
	Woven of dyed yarn, with a width—
28 9	Up to 115 cm.,
29 9	Exceeding 115 cm.
	Other fabrics containing flax or ramie:
40	Linings for outer garments (padding).
	Other:
	Unbleached, with a weight—
51 9	Up to 450 grams per square meter;
52 9	Exceeding 450 grams per square meter.
53 9	Bleached.
58 9	Dyed, printed, or woven of dyed yarn.
	Other fabrics not containing flax or ramie:

See footnotes at end of table, p. 328.

B. INDUSTRIAL SECTOR—Continued

Foreign trade statistical commodity code No.	Description of commodity
	Other fabrics of cotton:—Continued
	Other fabrics not containing flax or ramie:—Continued
5509 60	Linings for outer garments (padding).
	Other:
	Unbleached, with a weight—
71 9	Up to 450 grams per square meter;
72 9	Exceeding 450 grams per square meter.
73 9	Bleached.
75 9	Dyed.
76 9	Printed.
77 9	Woven of dyed yarn.
5507	Fabrics of synthetic or artificial textile filaments:
01 9	for furniture and interior decoration, with a weight exceeding 250 grams per square meter.
05	Linings for outer garments (padding).
	Other fabrics of synthetic fibers:
11 9	With warp of synthetic or artificial filaments.
15 9	Others of synthetic fibers.
	Other fabrics of artificial fibers:
	With warp:
18 9	Of synthetic filaments.
	Of artificial filaments:
21 9	Unbleached or bleached.
	Dyed, with a width:
24 9	Up to 115 cm.
25 9	Exceeding 115 cm.
	Printed, with a width:
26 9	Up to 115 cm.
27 9	Exceeding 115 cm.
	Woven of dyed yarn, with a width:
29 9	Up to 115 cm.
29 9	Exceeding 115 cm.
	Other fabrics of artificial fibers:
51 9	Unbleached or bleached.
55 9	Dyed.
56 9	printed.
57 9	woven of dyed yarn.
5710 00	Woven fabrics of jute.
5802 75 9	Rugs woven of coir fibers.
5804 05	Epinglé or Frisé of cotton, with a weight exceeding 400 grams per square meter.
	Other velvet and plush:
55 9	cotton cr. rd.
59 9	other velvet and plush of cotton.
5905 10 9	Fishing nets of synthetic textiles.
6004	Knitted underwear, neither elastic nor rubberized:
21	of synthetic textiles.
50	of cotton.
6005	Knitted bathing suits, neither elastic nor rubberized:
02	of synthetic textiles.
	Knitted outer garments, neither elastic nor rubberized:
21 9	of synthetic textiles.
23 9	of wool or fine animal hair.
6101	Outer garments for men and boys:
ex 05	of cotton terry towelling.
50 9	of cotton fabrics.
6102	Outer garments for women, girls, and infants:
ex 05	Of cotton terry towelling.
	Other garments for women, girls, and infants of:
21 10	Synthetic textiles, except kimonos;
25	Artificial filaments, except kimonos;
30 10	Wool or fine animal hair, except kimonos;
50 10	Cotton, except kimonos;
60 10	Artificial fibers, except kimonos;
6103 50 10	Underwear for men and boys, of cotton.
6104 50 10	Underwear for women, girls, and infants, of cotton.
6105 01	Handkerchiefs, wholly or partly of tulle, laces, or embroideries, etc.
02	Silk scarves and the like, nearly square shaped, with no side measuring more than 60 cm.
	Handkerchief:
51 10	Of cotton, containing flax or ramie.
55 10	Wholly of cotton, or mixed with textiles other than flax or ramie.
6106 10	Silk shawls, scarves, etc.
6202	Household linen:
01 10	Wholly or partly of tulle, laces, or embroideries;
ex 05 10	Of cotton terry towelling (e.g., bathing towels);
51 10	Of cotton, mixed with flax or ramie;
55 10	Wholly of cotton, or mixed with textiles, other than flax or ramie.
6'03 51	Sacks and bags of jute, new.
6909 51	Laboratory supply of porcelain or other ceramic materials.

See footnotes at end of table, p. 328.

B. INDUSTRIAL SECTOR—Continued

Foreign trade statistical commodity code No.	Description of commodity
6911	Tableware and kitchenware:
11 ^o	Plain white or of one color:
19 ^o	Restaurant, hotel, and hospital ware.
	Other.
51 ^o	Decorated:
59 ^o	Restaurant, hotel, and hospital ware.
	Other.
6912	Tableware, kitchenware, and toilet articles, of fine earthenware.
49	Tableware and kitchenware of other ceramic materials (e.g. stoneware, semiporcelain):
71 ^o	Plain white or of one color.
75 ^o	Decorated.
6913	Statuettes and other ornaments, fancy articles, articles of furniture, etc.:
70 ^o	Of fine earthenware.
90 ^o	Of porcelain.
	Of other ceramic materials.
6914	Patent stoppers for bottles with a metal wire mechanism and buttons thereto.
7019	Imitation pearls.
8441	Household sewing machines.
19	Special household sewing machines (e.g., zigzag, automatic sewing machines).
90	Parts thereof.
8525	Insulators of ceramics:
21 ^o	Without metal parts.
29 ^o	With metal parts, except insulators for appliances.
8526	Insulating fittings of ceramic materials (e.g., porcelain, steatit).
9005	Binoculars, for manual use, with prisms.
9703	Toys (other than weapons, projectors and musical toys), of base metals.
9810	Pocket lighters of base metals, neither gold- nor silver-plated.
59	Table lighters of base metals, neither gold- nor silver-plated.
90	Parts thereof.

¹ Liberalized to OEEC countries.

² Import restrictions relaxed April 1961.

³ De facto liberalized as of July 1, 1959.

⁴ Potato flakes only.

⁵ Canned peaches and canned fruit cocktail to be liberalized July 1, 1961.

⁶ De facto liberalized as of Apr. 20, 1961.

⁷ Only dog biscuits de facto liberalized.

⁸ De facto liberalized toward the United States since Mar. 7, 1960.

⁹ De facto liberalized toward the United States since May 31, 1960.

¹⁰ De facto liberalized toward the United States since May 31, 1961.

Ghana

Ghana established new import controls on December 1, 1961, placing virtually all imports under licensing. Since then, only a few commodities have been allowed to enter free of restriction. These include cocoa, confectionery and beverages, animal feeds, seeds, and live chicks. Selected items, such as live animals and certain agricultural products including rice, corn, and millet, may also be imported freely from West Africa territories.

In addition, a new National Trading Corporation was established during the latter part of 1961. At present, the corporation imports only nondurable consumer goods but its operations are expected to expand to include building materials, particularly cement. So far it has not exercised monopoly control over any commodities.

Greece

Although most goods may be imported into Greece without quantitative import restrictions, a number of products require import licenses or are subject to special regulations, various consumption taxes, and advance deposit requirements. The list of controlled products was extended somewhat during 1961.

Items requiring an import license are divided into two groups: List A includes commodities for which import licenses are issued, although not very liberally. Products falling into this group comprise rice, lumber, newsprint, coal, tires and tubes, motor vehicles. List B, which is more extensive, covers farm equipment, mechanical equipment and machinery, for which licenses are very seldom issued.

Another restraining influence on imports are Greek regulations requiring advance cash deposits. These measures are more severe for luxury items and less stringent for products considered necessary to the economy. Credit controls range from payment terms of 24 months for the purchase of machinery in excess of \$5,000 in value, to cash deposit requirements of 280 percent of the cost, insurance, and freight value of certain textiles.

High consumption taxes, with rates varying from 20 to 45 percent, based on the cost, insurance, and freight duty-paid value of imports also adversely affect imports.

In addition to the above-listed measures special regulations apply to imports of motion pictures, commercial shipments of wheat and flour, and on government monopoly items such as cigarette paper and kerosene. In some instances governmental efforts to dispose of agricultural surpluses through bilateral trade agreements have restricted market possibilities in Greece for third countries.

Haiti

Haiti maintains import licensing restrictions on a few products such as rice and shoe polish. In addition, tobacco, tobacco products, matches, soap, soap products, edible oils, cement, sugar, and some agricultural chemicals, although not requiring import licenses, are subject to state monopoly distribution. Also, a single private firm has been granted the exclusive right to import and sell television sets.

A Presidential decree of September 9, 1960, authorizes the establishment of an import quota system for the promotion and protection of domestic industry. However, no restrictions have been imposed to date under this authority.

Honduras

Honduras does not ordinarily impose quantitative restrictions on imports from any source.

Iceland

In June 1960, as part of an overall economic stabilization plan, Iceland freed from import licensing control commodities which represented approximately 60 percent of her total imports prior to the liberalization action. The goods affected may be imported from countries with which Iceland does not have bilateral trade and/or payments agreements; i.e., the United States and most non-Soviet bloc countries. In addition, 10-15 percent of imports (based on 1958 trade patterns) from these multilateral trade and payment sources are licensed under global quotas. These quotas cover commodities the greater part of which are obtained from the European Soviet bloc countries under bilateral trade and payments agreements. The quotas are mainly to provide for residual import needs or to facilitate importation of items which cannot be obtained satisfactorily from bilateral trading sources.

Commodities not falling under the categories mentioned above are, by and large, reserved for import from the Soviet bloc countries. This portion of Iceland's import trade is also subject to licensing requirements, mainly of a bookkeeping character, established to facilitate compliance with existing bilateral trade and payments commitments.

Effective September 15, 1961, new motor vehicles were freed from licensing requirements when imported from Iceland's multilateral trading partners. However, special taxes and fees levied according to vehicle weight and/or length place U.S.-produced vehicles at a competitive disadvantage since most U.S. exports fall into the heavier taxed weight and length categories.

Among commodities of interest to the United States which are still restricted are: pork, milk products, rye meal, hops, sausages, meat preparations, fruit and vegetable juices, coal and coke, petroleum and petroleum products, leather gloves and many articles of leather, tires and tubes, panels of fir and pine, cardboard containers, cotton carpets and floor mats, cotton hosiery and tablecloths, rubber footwear, iron and steel bars and sheets, iron and steel galvanized pipes, barbed wire, some automobiles, motorcycles, phonographs and parts, transformers, and electrical motors.

India

India's import policy continues to be highly restrictive, and quantitative import restrictions apply to all but a few commodities of limited commercial importance. This situation is attributable mainly to the adverse balance-of-payments position stemming from heavy external expenditures for economic development purposes.

Quota limitations are placed on a wide range of goods, and imports of less essential products or those produced in adequate quantity in India are severely limited or entirely prohibited. However, imports of plant and machinery of sub-

stantial value are permitted if covered by long-term foreign loans or investments, private or governmental; financed by the National Small Industries Corporation of India, a Government institution; or provided under a bilateral trade and payments agreement. A period of approximately 10 years is considered long term. Virtually all foreign aid granted bilaterally to India is tied to purchases in the donor country. Special payments agreements with Soviet bloc countries permit payment in rupees.

During 1961 there was a pronounced shift in import policy favoring actual user industrial units rather than established importers. Established importers now account for about 25 percent of India's import trade; the remaining 75 percent consists of imports of capital goods by actual users which are tied to foreign credits, iron and steel products licensed by the iron and steel controller, and food grains imported on Government account. To ease the supply situation of some scarce commodities and reduce procedural delays in issuance of import licenses, basic quota periods were extended and "repeat" licenses were again permitted for established importers. Raw materials needs of actual users were given priority consideration and special import licenses were granted for raw materials to be used in the manufacture of commodities for export.

Indonesia

Imports remain under strict control and may be effected only by officially recognized importers. All commercial imports require prior licenses from the Government's Commercial Foreign Exchange Bureau in the form of combined import-exchange permits. License applications must be accompanied by evidence that the required amount of prior deposit (currently 100 percent of the import's entrepôt cost and freight value) has been made to an authorized foreign exchange bank. The purposes of the controls are to permit the efficient utilization of foreign exchange and, to a lesser extent, to protect and promote domestic industries.

Indonesia's current system of controls does not provide for formal discrimination by currency areas. However, license applications are continuously subject to administrative screening with a view toward fulfilling bilateral trade agreement aims and budgeting the overall expenditure of foreign exchange.

A new series of financial measures, largely revising the country's exchange rate and import system, was announced in August 1960. The new measures effected a slight devaluation of the rupiah, simplified the multiple exchange rate structure and widened the spread in the selling rates. (Whereas previously there were in effect seven selling rates for foreign exchange ranging from 36 rupiah per dollar to 135 rupiah, under the new and current system the number of effective rates was reduced to five. Imports and invisible payments now are subject to the selling rates of 45, 56.25, 72, 90, and 200 rupiah per dollar.) The major effect of the change was a sharp depreciation for about one-third of the imports, mostly so-called less essential goods. Attention focused on the so-called free-list rate (200 rupiah) after the change since for the first time in several years importers were permitted to bring in a wide range of "luxury type" consumer articles.

The easing of import restrictions in 1960 caused a sharp increase in Indonesia's imports in 1961 in which the United States shared substantially as its major trading partner. On April 4, 1961, to reduce the rising volume of imports of less essential goods and check the worsening of its balance-of-payments position the Government shifted certain less essential commodities to more depreciated effective rates, raising the overall effective rate for imports. This reclassification and the accompanying movement of some commodities to a higher duty category were expected also to raise tax revenues. Subsequent tightening of import licensing in June still failed to reduce imports sufficiently and in November the Government stopped the licensing of all "free list" imports (at the 200 rupiah rate) and further reduced licensing of less essential imports.

The move toward increased state trading, which had picked up momentum in 1959, remains strong despite some disillusionment with the performance of the 10 state trading companies. These companies have monopoly responsibility for importing the country's most essential items, including rice, cloves, cambrics, fertilizer, raw cotton, weaving yarn and threads, textiles and textile machinery,

tinplate, paper and paper products (including newsprint), cement, concrete reinforcing rods, and wheat flour. Including other import commodities which are not reserved for them, it is estimated that state enterprises handle as much as 80 percent of the total import trade.

Ireland

Approximately 90 percent of Ireland's dollar imports is now free of import restrictions. An extensive list of raw materials and foodstuffs comprising a large percentage of Irish imports may be imported freely from the dollar area and all other areas without regard to exchange control restrictions. All other dollar goods may be imported up to a limit in value of \$14,000 for any one item in any 12-month period. Exchange permits are generally issued freely for goods in excess of this amount when such products are not available from domestic sources. About 16 industrial items require licensing, including electric light bulbs, motorcars, trucks, tires and tubes, and wearing apparel. Most grains and flours are also under licensing control. Many meat and poultry products may not be imported for hygienic reasons. There is no import discrimination except in the case of apples, tomatoes, seed wheat, and private motor cars of a cost, insurance, and freight value of not less than £1,300. The United Kingdom receives preferential treatment with respect to apples, tomatoes, and seed wheat. Imports of large motorcars are admitted free of quantitative restrictions from the United Kingdom and Canada, but are subject to global quotas when imported from other countries.

Israel

Israel requires an import license for all imports. The license is automatically granted for an estimated 60 percent of Israel's total imports, while the remaining 40 percent are licensed at the discretion of the licensing authorities based on such factors as the needs of importers, prices and quality, availability from local or alternative sources. Part of Israel's imports are linked to bilateral arrangements, which are restrictive with respect to specific imports such as sugar and certain types of lumber and wood.

Israeli restrictions on imports were eased in 1961 to free certain imports from quantitative limitations, including tobacco pipes, electric dishwashers and driers, and wax paper, but heavy levies have been imposed on these items to discourage imports. Also, quota limitations were removed from books, periodicals, and newspapers, but importers must finance these imports with freely acquired currency at a higher rate of exchange than the official rate.

The recent trend in Israel's import restrictions is toward higher purchase taxes, and surcharges rather than licensing controls. In some cases Israel has fostered domestic industry adjusting tariff rates commensurate with the domestic industry's ability to produce for local consumption. Most of Israel's restrictive trade measures have an across-the-board effect and do not discriminate against the United States.

Italy

Italy is no longer entitled under the rules of GATT and the IMF to apply import restrictions for balance-of-payments reasons and has made considerable progress in dismantling remaining controls.

At present, Italy maintains five separate systems of import restrictions: table A, applicable to dollar-area countries, including the United States; table B, applicable to former OEEC countries and a number of other countries; table C, applicable to the Sino-Soviet bloc and a few other countries; an individual list for Japan; and an individual list for Yugoslavia.

At the start of 1961, only 264 of the 6,785 statistical classifications in the Italian tariff remained under licensing restriction to the dollar area. In June, a liberalization move was made, mainly in agriculture products, reducing this number to 209. Thus, the percentage of classifications free from control is close to 97 percent at the present time.

Of these 209 classifications still restricted to the United States, almost half are agricultural products, including poultry, dairy products, honey, raisins, cereals and flour, lard, linseed and soya oil, sugar, vegetable juices, and some fruit

juices. The only two industrial items of importance are printing machinery and motor vehicles. Annual quotas, however, have been established for the bulk of these items and it is expected that in many cases these quotas will be gradually increased until complete liberalization is achieved.

There are 133 classifications on the table B list resulting in a certain amount of discriminatory treatment toward the United States vis-a-vis the former OEEC countries, but it is concentrated in agricultural products. The table C list and the individual lists for Japan and Yugoslavia are considerably longer than the table A and table B lists. Effective January 1, 1962, quotas on imports of industrial products from other Common Market countries were removed and replaced by a system of automatic licensing.

A new restriction has developed with respect to some livestock products whereby their importation is prohibited at less than minimum prices. Commodities presently affected include live slaughter cattle, beef, veal, bacon, and lard. These restrictions are applicable on a worldwide basis. Moreover, certain items have been put on the table A and table B lists on a temporary basis. Presently, live hogs and pork products are restricted in this way.

State trading represents another restrictive practice. The importation of bananas, tobacco and tobacco products, salt, and wheat, e.g., is handled exclusively by state monopolies. These control systems, however, do not contain features that discriminate against U.S. products. Italian imports of wheat from the United States, e.g., in 1960, were valued at approximately \$14.2 million and in the first 9 months of 1961, at approximately \$70 million.

ITALY IMPORT RESTRICTIONS
AGRICULTURAL SECTOR

Tariff item No.	Description of product
02.02 l.....	Dead poultry and edible offals thereof (except liver), fresh, chilled, or frozen.
04.01.....	Milk and cream, fresh.
04.02.....	Milk and cream, preserved, concentrated, or sweetened.
04.03.....	Butter.
04.04 l.....	Cheese and curd.
04.06 l.....	Natural honey.
08.01 b ex 1.....	Dates in packages of more than 500 grammes.
ex 08.03 b 2.....	Figs, dried, except those in packages weighing 500 grammes or more.
08.04 b 1.....	Fresh grapes, wine.
2.....	Dried grapes (raisins).
ex 10.02 l.....	Rye, other than that used for fodder.
ex 10.03 l.....	Barley, excluding two-row barley (liberalized Nov. 1-Apr. 30).
10.05 l.....	Maize (liberalized Jan. 1-June 30).
ex 10.07 l.....	Grain sorghum.
ex 11.01.....	Sorghum flour; rye flour not intended as cattle feed.
ex 11.02 a.....	Cereal meal and cereal groats.
12.04 a ex 2.....	Sugarbeet, whole or sliced, dried or powdered.
ex 12.08 a.....	Locust beans, whole, kibbled or ground.
15.01.....	Lard and other rendered pig fat; rendered fat of geese and other poultry.
15.07 a 1.....	Crude linseed oil
c.....	Soya oil.
15.09 l.....	Degras.
15.10 a.....	Acid oils from refining, etc.
15.17 a.....	Oil foots and dregs; decolorizing earths and carbons containing fats.
15.17 ex b.....	Soap stocks.
17.01.....	Beet sugar and cane sugar, solid.
17.02 a.....	Saccharose syrup.
ex 17.03.....	Molasses.
ex 17.05.....	
ex 19.02 a 3 beta.....	Preparation of flour of any kind and sugar.
19.03 l.....	Macaroni, spaghetti, and similar products.
ex 20.05.....	Date paste, paste of dried figs or raisins.
ex 20.07 l.....	Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit, except grapefruit and pineapple juice.
22.04.....	Grape must in fermentation, etc.
22.05.....	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol.

INDUSTRIAL SECTOR

Tariff No.	Commodity description
25.03 b.....	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur, and colloidal sulphur, other.
28.01 d 1.....	Iodine.
28.02.....	Sulphur, sublimed or precipitated; colloidal sulphur.
28.34 1.....	Iodides, oxyiodides, iodates, and periodates.
29.02 1 a (5)(6)(11)(12) b 3.....	Methyl iodides, etc.
29.16 a 4 (alpha and beta) 1.....	Citric acid and crude calcium citrate.
29.34 a.....	Tetraethyl lead.
33.01 a 1 and b 1.....	Essential oils, concrete or absolute, from citrus fruit.
ex 33.04 1.....	Mixtures of two or more odoriferous substances, with a basis of citrus essence.
ex 36.01 1.....	Propellent powders, excluding those used for hunting purposes.
36.02 1.....	Prepared explosives.
38.14 a.....	Antiknock preparations based on tetraethyl lead.
45.01 and 45.02.....	Natural cork, unworked, crushed, granulated or ground; waste cork; blocks, plates, sheets, etc.
58.08.....	Tulle and other net fabrics (but not including woven, knitted, or crocheted fabrics), plain.
58.09 a and b 1.....	Tulle, bobbin-net and knotted net fabrics, lace.
61.03 ex a; 61.04 b ex 1.....	Articles of tulle, bobbin-net and other net fabrics (but not including woven, knitted, or crocheted fabrics), figured or of mechanically made lace.
61.05 ex a; 61.06 ex a.....	
61.07 ex a; 61.08 ex a.....	
61.09 ex a; 61.10 ex a.....	
61.11 ex a; 62.01 ex a.....	
62.02 ex a; 62.05 ex a.....	
ex 71.12.....	
ex 71.13.....	
ex 71.14.....	
84.35 a, b, and d; ex 1; ex 2; ex f; ex g.....	Other printing machinery; machines for uses ancillary to printing.
84.40 f 2; ex h.....	Machinery for printing wallpaper and wrapping paper and parts of such machinery except cutting cylinders for engraving wallpapers and wrapping paper.
37.02* and 37.03*.....	Motor vehicles for passengers, etc. and special purpose motor lorries and vans, etc.
ex 87.04* and ex 87.05*.....	Chassis fitted with engines, and bodies (including cabs) for the motor vehicles falling within headings Nos. 87.02 and 87.03.
87.07* ex a and ex b.....	Trucks for the transport of goods driven by electric motors or by internal combustion engines and fitted with a device for lifting their load-carrying platform.
87.09 ex a; c 1.....	Motorcycles, sidecars, motor scooters, excluding motorcycles weighing more than 170 kgs. net each; sidecars for motorcycles.
87.12 a.....	Parts and accessories of motorcycles, sidecars and scooters.
93.07 1 b.....	Parts of projectiles and munitions.

* Liberalized to list B countries, but under restriction to list A countries, including the U.S. quotas were opened for these products for list A countries beginning 1961.

List A includes: Brazil, Canada, Chile, Cuba, Dominican Republic, Haiti, Nicaragua, Peru, United States, Uruguay, Republic of China, Colombia, Costa Rica, Ecuador, Lebanon, Mexico, Paraguay, El Salvador, and Syria.

List B includes: Austria, Benelux, Denmark, France, Germany, Greece, Norway, Sweden, Switzerland, Turkey, United Kingdom, Spain, Iceland, Portugal, Australia, Burma, Ceylon, Ghana, India, Indonesia, Federation of Malaya, New Zealand, Pakistan, Federation of Rhodesia and Nyasaland, South Africa, and Finland, Afghanistan, Iraq, Ireland, Morocco, Somali, Tunisia, Egypt, Vietnam, and Yemen.

* Automatic licensing in effect from Jan. 1, 1962.

Note: The following items are also subject to import license when used, rebuilt or reconditioned with obvious changes, or new but in poor condition: iron and steel containers for compressed or liquified gases, musical instruments, sound recordings and reproducing devices and related equipment: ball bearings; tractors; parts, spares, and accessories for motor vehicles; objects for parlor games, e.g., mechanical games, billiard tables, roulette tables, and the like; used machinery and apparatus in general.

ITALIAN CIRCULATION TAX ON AUTOMOBILES

The present formula for computing the circulation tax effectively penalizes automobiles imported from the United States, which have a cylinder displacement generally larger than that of automobiles produced in Italy. The disadvantage to American cars is compounded by the fact that the high tax continues undiminished for the life of the car while its resale value diminishes sharply. This makes it virtually impossible to develop a used car market for U.S. automobiles or, for that matter, for any automobiles of larger cylinder displacement.

Import quotas for U.S. automobiles were abolished January 1962 and replaced with a nondiscriminatory automatic licensing system. However, as is shown by the persistently low volume of imports, the circulation tax, in addition to the relatively high Italian tariff, is a serious obstacle to the sale of American automobiles in Italy. Of some 33,800 foreign automobiles imported and registered in Italy in 1961, only 583 were manufactured in the United States.

ITALIAN STATE TRADING

AGRICULTURAL PRODUCTS SUBJECT TO STATE TRADING

Wheat and Meslin.

Wheat flour.

Semolina and Groats.

Manufactured tobacco products and tobacco extracts and essence.

All types of salt and pure sodium chloride.

Sulphur.

Phosphorous (white, yellow, and red).

Sulphide of phosphorous (including phosphorous trisulphide).

Paraethoxyphenylurea (dulcin) and similar substances.

Orthobenzolsulphimide (saccharin).

Vegetable alkaloids of cinchona, natural or reproduced by synthesis and their salts, others, and esters.

Nicotine and its salts.

Watches.

Ferro-cerium and other pyrophoric alloys in all forms (includes films).

Cigarette paper.

Gold or gold alloys, unwrought.

Mechanical lighters and similar lighters, including chemical and electrical lighters, and parts thereof.

Japan

All imports into Japan are subject to licensing. The three basic systems of licensing, in the order of increasing restrictiveness, are: the automatic approval (AA) system, the automatic fund allocation (AFA) system, and the exchange fund allocation (EFA) system. A semiannual foreign exchange budget allocates exchange among the three systems.

Import licenses for commodities on the AA list are issued automatically to importers at any foreign exchange bank. The import of commodities on the AFA list requires application to the Ministry of International Trade and Industry (MITI) but licenses, although normally issued automatically, are under closer control of MITI and funds are much more limited than in the case of AA commodities. Under the EFA system, which is the most restrictive, MITI indicates through notices the items for which exchange is available as well as the opening and closing dates for the filing of applications. For the Japanese fiscal year 1961 (ending March 1962) more than half of the allocations were for commodities on the AA list.

Japan maintains a number of bilateral trade agreements with various countries. Those agreements deal with specific commodities which the Government regards as "target" arrangements, representing the enlargement of global quotas. The administrative discretion in the licensing system, particularly in the EFA system, however, raises the possibility of less favorable treatment against third countries as a consequence of efforts to fulfill bilateral "targets."

Considerable progress was made in 1961 in the relaxation of trade and exchange restrictions, although Japan continues to maintain a relatively high degree of control over imports. The foreign exchange budgets for imports have been enlarged and allocations for items under the EFA system have increased. The liberalization program announced by the Japanese in June 1960 for the relaxation of import restrictions by transferring items from the EFA system to either the AA or the AFA systems had made substantial progress. In April of 1960 commodities which represented about 40 percent of Japan's total imports in 1959 were unrestricted in that they could be imported under either the AA or AFA systems. Since then, restrictions have been removed on other items so that by the end of 1961 70 percent of Japan's trade had been liberalized. U.S. exports to Japan in 1961 reached the unprecedented value of over \$1.7 billion. Japan has committed itself to proceed with liberalization so that 90 percent of its trade will be free of restrictions by October 1962.

Despite the deterioration in Japan's balance of payments in 1961, Japan continues to liberalize its trade. The liberalization program, however, is being cushioned to some extent by tariff increases on a number of commodities as a

protection to domestic industries and by increased prior deposit rates on imports to discourage excessive or speculative imports. Although liberalization is of benefit to the United States, it has yet to be expanded to cover a significant portion of manufactured and consumer goods of American origin which have potential in the Japanese market.

Malaya

In July 1960, the Government of the Federation of Malaya and Singapore eliminated specific import licensing requirements for the importation of watches, radios, and automobiles from the dollar area, thereby completing the relaxation of restrictions which began in the previous year. Except for a few items which are restricted for health, morals, and security reasons, all products from the dollar area may now be imported under open general license.

Mexico

Mexico made additions to the list of products subject to quantitative import restrictions during 1961, further intensifying its restrictive system, which covers a wide range of goods. About one-half of annual imports are subject to import controls. A prior permit, issued by the Ministry of Industry and Commerce, is required before such goods may be imported. Moreover, all agricultural, livestock, and forestry products, whether or not requiring a license from the Ministry of Industry and Commerce, require a prior import license from the Ministry of Agriculture. These controls do not discriminate against imports from the United States.

The import restrictions have a dual purpose; namely, to channel available foreign exchange into purchases of goods deemed essential to the economy and to protect domestic industries. Accordingly, the criteria in passing on import applications are essentially of the product and whether or not satisfactory domestic substitutes are available. Import licensing is most restrictive on luxury goods and those which compete with domestic products.

Netherlands

The Netherlands undertook to further ease remaining import restrictions by eliminating quotas established for licensing methylchloride, wooden packing cases, and fishing nets imports. Similar steps were taken earlier in January and July 1960 respecting other goods subject to quota limitations.

Goods requiring an import license are now limited to slightly over 100 items, about evenly divided between agricultural and industrial products. Import licenses, where required, are usually granted liberally. Some of the products for which import licenses are required also are subject to quotas. For 38 tariff items, quotas are set for imports into the Netherlands from Belgium-Luxembourg and other EEC countries. For 18 tariff items, quotas are set for import into the Benelux area on a basis which differentiates between two source groupings; that is, the Common Market countries vis-a-vis all other countries, including the United States. In general, these quotas have not significantly impeded the flow of U.S. exports to the Netherlands.

The economic union of the Benelux countries came into existence on November 1, 1960, based on the Benelux Treaty signed in February 1948. With respect to import regulations, the three countries may be considered as a unit. Bilateral trade agreements between the Netherlands and other countries are being replaced upon their expiration by joint Benelux instruments establishing common commitments for the Benelux territory as a whole.

Wheat imports are regulated by mixing regulations, which specify the amount of domestic wheat to be used in the production of flour. Also, a special levy (monopoly fee) applied to flour imports serves to increase the price of the imported product.

Netherlands Antilles

Most imports from the United States do not require import licenses, although certain products, primarily high-priced luxury items, are still controlled. There were no changes in the Netherlands Antilles licensing policy in 1961.

New Zealand

All imports into New Zealand, except a small number of items specifically exempted, require import licenses. The licensing treatment for all imports is out-

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lined in the yearly import licensing schedules. The schedule for the licensing period 1961 covering calendar year 1961 and revised later to include in addition the first 6 months of 1962, provides for five main licensing categories: (1) items for which import licenses were allocated on a basis of previous import history of the applicant (basic allocation); (2) items for which applications are considered individually; (3) items for which licenses are granted freely for the full amounts applied for; (4) items which may be imported from any source without the requirement of an import license; and (5) items for which no allocations were made for licenses.

Except for motor vehicles, all licenses are issued on a global basis and are available for imports from all sources. For motor vehicles, licenses are issued separately for imports from dollar and nondollar sources and are nontransferable.

By a series of liberalization measures in 1958, 1959, and 1960, the New Zealand Government relaxed import controls and virtually eliminated discriminatory licensing treatment of all dollar goods except motor vehicles and parts. Although some moderate increase in imports was provided for in the 1961 import licensing schedule when it was issued in September 1960, the New Zealand Government later felt compelled to make some adjustments in view of a deterioration in its balance-of-payments position. The first move in April suspended the "replacement" scheme of licensing on approximately 200 import categories, and a little more than half of the items were shifted to individual licensing procedures while the remainder were removed from any further licensing consideration for the remainder of the year. The second step, only a month later, involved extending the validity period of the 1961 licensing schedule to cover the first 6 months of 1962, resulting in a saving of £50 million on the 1961 allocation.

New Zealand is taking a cautious approach in the relaxation of import controls. The Government has stated that the controls will be liberalized or removed when the balance-of-payments situation indicates that such action may be taken, and that needed protection for essential domestic industries will be provided through tariffs or other measures but not through import licensing controls.

Nicaragua

Licensing of imports into Nicaragua is required in connection with exchange control regulations. Under the licensing system, there are no quotas, nor is there discrimination against dollar imports. Import licenses are granted so long as importers meet deposit requirements.

Nicaragua classifies imports into three categories or lists: list 1, essentials; list 2, less essentials; and list 3 nonessentials. There is no deposit requirement for items in list 1. For lists 2 and 3, importers must deposit in a Nicaraguan bank 100 percent of the cost, insurance, and freight value of the proposed import in order to obtain necessary import permits. In the case of list 2 goods, licenses are issued within 48 hours after the deposit has been made; for list 3 items, licenses are issued 30 days after deposit is made.

During 1960, the importation of cotton ginning plants, industrial plants for pasturizing and sterilizing milk, equipment for the slaughter of cattle and hogs, and other slaughterhouse equipment was made subject to approval by the Minister of Economy. In addition, all footwear imports except boots were prohibited.

Nigeria

Nigeria has removed quantitative import restrictions on most imports, allowing their importation under open general license for most sources, including the dollar area. Goods requiring specific import licenses are now limited to coal, petroleum products, and secondhand clothing. Licenses are usually granted for petroleum products and (to importers who are Nigerian nationals) for second-hand clothing. All imports from certain countries, mainly those in the Sino-Soviet bloc, require an import license.

Norway

Norway ceased to apply import restrictions for balance-of-payments reasons in 1961 and the Government announced that practically all nonagricultural commodities would be freed from control by the beginning of 1963.

A large number of goods was liberalized on January 1, 1932. Somewhat less than 100 products still require import licenses but most of these commodities may be imported under global quotas. In some cases bilateral quotas are provided for countries with which Norway has bilateral trade arrangements. A few commodities are subject to discretionary licensing and a few goods are prohibited on medical or veterinary grounds.

No liberalization schedule has yet been announced for a number of commodities of interest to the United States, such as canned and other variety meats, prepared baby food, fresh apples and pears, canned pears and plums, cheese, beef liver, and other offals.

NORWAY IMPORT RESTRICTIONS
AGRICULTURAL SECTOR

Tariff No.	Commodity description
01.01.....	Horse, live.
01.02.....	Cattle, live.
01.03.....	Swine, live.
ex 01.06.....	Reindeer, live.
01.04.....	Sheep and goats, live.
01.05.....	Chickens, ducks, geese, turkeys, and guinea fowl, live.
02.01; ex 02.04 and ex 02.06.....	Meat and offals from horses, cattle, calves, swine, sheep, lambs and other domestic animals, fresh, cooled, frozen, dried, or smoked.
02.02, 02.03 and ex 02.06.....	Meat and offals, including liver, from poultry, fresh, cooled, salted, or frozen.
ex 02.04 and ex 02.06.....	Reindeer, fresh, cooled, frozen, salted, dried or smoked.
04.01.....	Milk and cream, fresh, dried, evaporated and sweetened, condensed.
04.03.....	Butter.
04.04.....	Cheese and curd.
04.05.....	Eggs and egg yolks.
04.06.....	Honey.
07.01 A.....	Potatoes.
ex 07.01.....	Vegetables, fresh.
ex 07.03, ex 20.02.....	Canned vegetables.
ex 08.04.....	Black currants and red currants.
ex 08.06.....	Apples and pears, fresh.
ex 08.07.....	Cherries, plums and peaches.
ex 08.08.....	Raspberries, gooseberries, and strawberries.
ex 08.09.....	Melons.
ex 08.11, ex 20.06.....	Canned fruits.
09.01.....	Coffee.
09.02.....	Tea.
09.02.....	Maté.
09.04.....	Pepper.
09.06.....	Cinnamon.
09.07.....	Cloves.
09.08.....	Nutmeg, mace, and cardamoms.
ex 09.10.....	Other spices.
10.06.....	Husked and broken rice.
ex 11.01.....	Wheat flour.
ex 11.05.....	Flour and grits of potatoes.
ex 11.06.....	Tapioca, manioc, arrowroot, milled.
ex 11.08.....	Potato starch.
11.09.....	Gluten and gluten flour.
12.07.....	Live plants and parts of live plants.
15.01.....	Leaf fat and lard.
ex 15.07.....	Vegetable oils, crude and refined (soya oil, cottonseed oil, groundnut oil, and coconut oil)
15.12.....	Animal or vegetable fats and oils, hydrogenated, whether or not refined, but not further prepared.
16.02 and 16.03.....	Preparations from meat and offal, including canned meat, extracts, etc.
17.01.....	Beet and cane sugar, solid.
ex 17.02.....	Glucose.
19.02.....	Preparations of flour, starch or malt extract, of a kind used as infant food or for dietetic or culinary purposes, containing less than 50 percent by weight of cocoa.
19.04.....	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches.
ex 19.07.....	Crisp bread.
19.08.....	Cakes, biscuits, and other fine bakers wares, also containing cocoa, irrespective of quantity.
ex 21.07.....	Ice cream, ice cream powder, pudding powder, and other food preparations.

INDUSTRIAL SECTOR

Tariff item No.	Description of products
3401 201 1	Soap powder.
3401 209 1	Do.
3402 210 1	Surface active preparations and washing and cleaning preparations:
3402 221 1	Containing surface active agents, but not containing soap.
3402 229 1	Perfumed, containing soap.
3502 100	Other, containing soap.
3809 100	Egg albumin.
3809 200	Wood tar.
4402	Wood tar oils; wood creosote.
4418 2	Wood and articles of wood; wood charcoal:
4423	Wood charcoal, agglomerated or not.
4423 300 1	Reconstituted wood, being wood shavings, wood chips, sawdust, wood flour or other
4814 200 1	ligneous waste, agglomerated with natural or artificial resins or other organic binding
5701 201	substances, in sheets, blocks or the like.
5703 002	Builders carpentry and joinery:
7338 910 2	Doors and door frames.
8415	Boxes, pouches, wallets, and writing compendiums, containing only an assortment of
8415 112 2	paper stationery.
8415 142 2	Oakum of true hemp (<i>cannabis sativa</i>).
8415 310 2	Oakum of jute.
8415 500 2	Enamel bathtubs other than cast bathtubs.
8415 600 2	Refrigerators and refrigerating equipment.
8515 981 2	Refrigerators (excluding freezers) incorporating a refrigerating unit, for domestic use, with
	a capacity of not more than 0.284 cubic metre.
	Do.
	Deep freezers, incorporating a refrigerating unit, for domestic use.
	Receiving apparatus for television.
	Receiving apparatus combined for radio broadcasting and television, including those in-
	corporating gramophones and/or tape recorders.
	Parts for radio-broadcasting and television reception apparatus, with a f.o.b. value over
	N.kr.100 ea.

¹ Will be liberalized on July 1, 1962.

² Will be liberalized on Jan. 1, 1963.

Pakistan

Although Pakistan maintains a fairly restrictive import control system for balance-of-payments reasons, with the notable exception of imports financed under foreign aid agreements, including those with the United States, the system is essentially nondiscriminatory.

The steady improvement of Pakistan's foreign exchange position in 1961 allowed the Government to continue the liberalization policy instituted in January 1960. In the January-June 1961 period, the automatic licensing list was expanded by 88 items, making a total of 62 items which were virtually freed from import quotas. The regular licensable list for the same period remained substantially the same, numbering 186 items which could be imported under an individual import license. In March 1961, the Government of Pakistan placed 13 items under "open general license" to encourage the entry of more Pakistani firms into the foreign trade field.

Pakistan's import policy for the second half of 1961 incorporated two significant policy changes affecting a large portion of the country's import trade. The most important was the provision to liberalize the import of raw materials and spare parts necessary for the full utilization of existing industrial capacity in 173 industries. The other notable change was the increase in the number of items importable under open general license from 18 to 49 items. In the case of the new items, however, all were restricted to newcomers outside of Karachi.

Paraguay

Paraguay maintains no licensing restrictions on imports. However, many goods are subject to advance deposit requirements and special exchange surcharges are also applied.

During 1961, the advance deposit requirement for goods in one of the three categories into which imports are classified for exchange purposes was eliminated and the 110- and 200-percent deposit requirements for the other two categories were reduced to 100 percent of the c.i.f. value of the goods. On the other hand, the exchange surcharge was raised from 20 to 24 percent of the c.i.f. value for goods from other than neighboring countries, and a tax of 20 percent was imposed on goods from the latter which were formerly exempt.

Peru

Apart from the prior authorization requirement on imports which could affect public health or safety and the ban on goods from the Soviet bloc, there are

virtually no nontariff restrictions on imports entering Peru. Prior authorization is required in order to import such items as pharmaceuticals, livestock, plants, seeds, firearms, explosives and similar items.

Portugal

All imports into Portugal require advance import registration certificates. However, most nonagricultural and some agricultural commodities are included in "liberalization lists" and certificates for commodities on these lists are issued automatically. The certificates have the effect of licenses in the case of items not included on the "liberalization lists."

In January 1960 the Portuguese removed most discriminations against the dollar area. However, there are still 19 tariff positions, covering chiefly agricultural goods such as cotton, edible oils, wheat, feed grains, rice, fresh citrus fruit, milk, and butter which are liberalized for the former OEEC countries but not for the United States. Among commodities which Portugal restricts from all sources are: bacon, meat offals, honey, canned and frozen fruits, some vegetable oils, some plastic materials and resins, some electrical apparatus and automobiles.

Federation of Rhodesia and Nyasaland

The Federation of Rhodesia and Nyasaland permits most goods to enter freely under open general licensing from all sources. Remaining restrictions affecting U.S. goods are those which apply to a few agricultural commodities. Licenses are granted for these on a nondiscriminatory basis when domestic production is not adequate to satisfy local needs.

Republic of South Africa

Except for goods on a "free list," imports from all countries into the Republic of South Africa are subject to the prior issuance of an import license. Such import licenses are valid for purchases in any country or currency area without distinction.

Licensed goods fall into two categories depending upon whether or not they are licensed on the basis of exchange allocations (quotas). Nonquota goods are licensed on the basis of the importer's reasonable requirements, and include such items as capital equipment, industrial raw materials and specified consumer goods. Quota goods are licensed on the basis of exchange allocations to registered importers and include mainly consumer goods and luxury items.

In 1961, lower import quotas were part of an effort on the part of the South African Government to reduce imports and improve its foreign reserve holdings which had been deteriorating since the beginning of 1960 due to persisting capital outflows. In May of 1961, further trade restrictions were imposed through additional licensing controls. For example, certain goods—i.e., woven and knitted piece goods, were removed from the free list and subjected to an import license. A restricted list reportedly including only nonessential and luxury goods was created, but the composition of the list would seem to indicate that protection for local industry was also a consideration involved. Among the items covered by this list are mining machinery, household refrigerators, electrical appliances, wood and wooden products and certain dairy products.

Spain

Commodities which represent about 40 percent of all Spanish imports have been liberalized and may be imported without restriction from most countries with which Spain has no bilateral payments agreement. The liberalized area includes OECD and about 18 other countries. Liberalized goods consist largely of raw materials, chemicals, and machinery. Two lists of goods were added to this group during 1961 and another was published early in 1962.

Other goods are imported under global quotas applicable to liberalized area countries, under bilateral trading arrangements or under state trading. The state traded list consists of about 33 items including grains, flours, tobacco, coffee, meats, milk, several other food items, certain types of coal, petroleum and derivatives, cotton, newsprint, sulfur, wool, hemp, and jute fibers. A number of items which were state traded in 1960 were transferred to the global quotas or liberalized lists in 1961. Additional transfers are expected when the 1962 lists are announced.

Surinam

Surinam maintains quotas for only a few articles of minor importance. No licenses are required for foreign exchange payments for imports made through banks either by a confirmed bank credit against documents, valid for a term not

greater than 6 months, or by documentary drafts with a term not greater than 90 days. An import license is required for importation of all goods payable under other terms, including those made on open account.

Sweden

Sweden ceased to apply import restrictions for balance-of-payments reasons in June 1960 and has now eliminated nearly all remaining controls.

Only three or four industrial items and about five agricultural items are under restriction when imported from all areas. Included in this list are some fish products and fresh apples and pears. An additional 11 agricultural items are liberalized when imported from the former OEEC countries and several less-developed countries, but are under restriction from all other areas, including the United States and Canada. In this latter category are pork, hog fat, poultry meat, eggs, ice cream powder, and sausage.

The importation of sugar, tobacco, alcoholic beverages, almanacs, and calendars is restricted to state-owned, state-controlled or state-authorized organizations or firms.

Switzerland

Almost all nonagricultural commodities may be imported into Switzerland without quantitative restrictions from all sources. Only motor buses and trucks require licenses for economic defense reasons. There is no indication that this restriction has been detrimental to U.S. trade.

Approximately 50 agricultural items require import licenses; however, many of these are licensed liberally. Commodities under control of interest to the United States include wheat, feed grains, edible oils, oilseeds, oilseed cake and meals, rice, poultry meat, certain canned fruit and vegetables, fresh and processed meat, lard, butter, dried whole milk, and fresh fruit.

SWITZERLAND IMPORT RESTRICTIONS AGRICULTURAL SECTOR

Tariff No.	Commodity description
	Cereals and feeding stuff:
10.01.....	Bread grains.
10.02.....	Wheat and meslin.
	Rye.
10.03.....	Coarse grains, feeding stuff, and seed grains.
10.04.....	Bariéy.
10.05.....	Oats.
11.01.....	Corn (maize).
12.03.20.....	Cereal flours.
	Other seeds for sowing.
	Animals and meat:
01.01.....	Cattle, horses and foals; pigs, goats, and lambs and meat of these animals.
01.02.....	Live horses and foals.
01.03.....	Live cattle.
01.04.....	Live swine.
02.01.....	Live sheep and goats.
16.01, 16.02, 16.03.....	Meat and edible offals of the above animals, fresh, chilled, or frozen.
	Canned meat and meat preparations of the above animals.
	Dairy products:
04.03.....	Butter.
ex 04.02.10.....	Fullmilk powder and casein.
	Eggs:
04.05.10.....	Fresh eggs.
	Vegetable and pulses (of kinds growing in Switzerland):
ex 07.01.....	Fresh vegetables.
07.01.40, 42.....	Potatoes, for food and for seed.
	Fruits and fruit preparations (of kinds growing in Switzerland):
08.06, 08.07, 08.08.....	Fresh apples and pears, stone fruits, strawberries, raspberries, blackberries, and currants.
ex 08, ex 13.03 (pectin), ex 20.07 (juice).....	Apples and pears for cider manufacture, juices of apples, and pears, fruit pectin.
	Wine and grape juices:
ex 22.05.....	Ordinary white wine, white wine, specialites and red wine in casks.
22.04.01.....	Wine must.
ex 20.07.....	Grape juices.
	Animals oils and fats:
15.01.10.....	Lard for food.
15.02.01.....	Tallow for food.
ex 06.03.....	Fresh cut flowers.
ex 06.02.....	Young plants of fruit trees and wine stock.

Note: Industrial sector: Except for restrictions on heavy trucks and buses, Switzerland applies no quantitative import restrictions to industrial imports. Import licenses are required for a few products; such licenses are issued automatically and without quantitative restrictions.

Tunisia

Foreign trade policies announced in 1959 continue to govern Tunisian foreign trade. U.S. products can be imported under three categories: Liberalized products, on which there are no quota restrictions and for which import licenses are granted automatically; nonliberalized products subject to global quotas; and nonliberalized products listed in annual dollar import quota programs.

In line with the Tunisian Government's policy of encouraging and protecting domestic industries, the importation of some goods, including certain aluminum and iron products, battery parts, and men's and children's socks and stockings, is prohibited. A few additional items such as leather, wood furniture, and shoes were added to the list in 1961.

At the end of 1961 Tunisia had bilateral trade agreements with 28 countries, mostly European and Soviet bloc.

Turkey

Under Turkey's current import control system, all imports are subject to licensing. However, a list of "liberalized" products has been issued for which licenses are granted freely on application. There is a further list of commodities for which global quotas are established. In addition, certain goods are imported under bilateral arrangements, principally from the Soviet bloc. This trade represents only a small percentage of total imports. Goods not in any of the above categories are not ordinarily imported. These include semiluxury products, such as refrigerators and household appliances, and state monopoly items, such as tobacco products. AID-financed goods are subject to the policy of limited worldwide procurement which favors U.S. suppliers.

Although Turkey's balance-of-payments position remains precarious, the import control system, while still restrictive, has undergone a marked liberalization and simplification since its inception in September 1958. The import programs issued during 1961 continued the trend toward administrative simplification and of emphasizing imports of essential productive goods such as construction, mining, and industrial equipment, while curtailing or banning those of nonessential or luxury items.

United Kingdom

The United Kingdom has removed controls on all but a very limited number of goods. During 1961 a number of additional products including canned fruit, other than apples and citrus; wine; beer; and gin were liberalized.

Only six categories of goods—large aircraft; rum; pharmaceuticals; cigars; fresh, chilled or frozen pork; and fruits of various kinds—remain under control when imported from the dollar area while being liberalized to former OEEC countries. Most of these commodities can be imported under quotas specifically provided for imports from the dollar area. An annual quota of over \$2 million is provided for grapefruit and orange juices, and canned grapefruit; a quota of 25,000 long tons for fresh, chilled, or frozen pork; a quota of \$560,000 for pharmaceuticals; and a quota of \$84,000 for cigars, other than Cuban.

In addition to controls applied specifically on imports from the dollar area, some 6 categories of goods are still subject to restrictions from most countries including the United States. These are: arms and ammunition; baskets and basketware; coal, coke and solid fuels manufactured from coal or coke; feathers of certain birds; fresh apples and pears; bottled or canned fruit; whole hams; fresh, frozen, evaporated, condensed, dried, or preserved milk and animal feeding stuffs containing milk solids; fresh potatoes; radioactive substances; clover and grass seeds; sugar; jute manufactures; cotton woven fabrics; watches and parts. Of these goods, global quotas are in effect for baskets and basketware, fresh apples and pears, canned and bottled apples, and inexpensive watches.

UNITED KINGDOM IMPORT RESTRICTIONS

AGRICULTURAL SECTOR

Canned grapefruit segments.¹
 Grapefruit and orange juice.¹
 Fresh winter grapefruit.¹
 Pork and preparations containing pork.^{1,2}
 Bananas.²

¹ Restricted to dollar area, including Canada.

² Imports prohibited from United States under sanitary regulations.

AGRICULTURAL SECTOR—CONTINUED

Fresh apples.²
 Fresh pears.²
 Canned and bottled apples.²
 Whole hams.²
 Milk and milk products.²
 Potatoes.
 Sugar.

INDUSTRIAL SECTOR

Airplanes over 4,500 pounds.¹
 Rum.¹
 Cigars.¹
 Coal, coke, and solid fuels manufactured from coal or coke.²
 Dyestuffs.¹
 Certain arms and ammunition.
 Certain feathers of birds and articles of feathers.
 Radioactive substances.
 Certain jute manufacturers.
 Watches and parts thereof (with certain exceptions).

Uruguay

Aside from the customs tariff, Uruguay regulates imports through a system of surcharges and prior deposit requirements according to the essentiality of the product. Four classes of imports are established: (1) Those free of surcharges and prior deposits; (2) those subject to a 40-percent surcharge based on the c.i.f. value; (3) those subject to a 75-percent surcharge; and (4) those subject to a 150-percent surcharge and a prior deposit of 100 percent. The Government has indicated its intention of dispensing with the application of surcharges and prior deposits as soon as the balance-of-payments position of the country improves sufficiently to warrant such action.

Venezuela

Venezuela placed further restrictions on imports during 1961 for balance-of-payments reasons and in some cases to protect domestic industries, continuing the trend in evidence since July 1959. Commodities added to the list requiring a prior import license included canned meats and meat preparations, textile machinery, selected bathroom fixtures, fumigants in compressed form, soups in many forms, and building materials of refractory earth.

In addition, the exchange rate for financing selected imports were changed during the year. A list was issued on March 20 of approximately 2,000 essential consumer goods; raw materials, machinery, and related items for which unlimited dollars would be available at the controlled rate of exchange. This rate is the more favorable of two rates at which imports are financed. However, a subsequent list issued on June 15 eliminated a considerable number of items eligible for importation at this rate.

All imports at the controlled rate of 3.35 Venezuelan bolívares to the dollar require both an import and an exchange license. All other imports are financed at the controlled "free" rate which has been quoted at 4.58 Venezuelan bolívares per U.S. dollar since June 1961. Imports at this less favorable rate may require licenses, at the discretion of the Central Bank. Certain goods are either prohibited or may be imported only by the Government.

EUROPEAN RESTRICTIONS ON U.S. COAL

Among the major European countries, only Italy admits American coal without restrictions.

Import restrictions against imported coal from all sources are maintained by the United Kingdom and Belgium. The Netherlands admits coal freely from the ECSC, but restricts the entry of coal from the United States and other third countries. The Federal Republic of Germany admits coal freely from ECSC countries, but maintains a strict tariff quota against imports from the United States, the United Kingdom, Poland, and other third countries.

¹ Restricted to dollar area, including Canada.

² Imports prohibited from United States under sanitary regulations.

³ Restricted from nonsterling area.

Germany has a 2-year tariff quota system under which some 12 million metric tons are admitted free of duty over the 2-year period, but all imports from non-ECSC countries outside of the tariff quota are subject to a prohibitive duty of about \$5 a ton. The United States receives about 10 of the 12 million ton tariff quota. However, the Federal Government has stated it may deduct from the commercial quota for future years the amount of coal brought in from the United States under U.S. military procurement.

Belgium has been given permission by the High Authority to restrict the entry of coal both from the ECSC and third countries. Out of an approximate annual quota of 620,000 metric tons established for non-ECSC countries, the United States receives about 400,000 tons.

The restrictions maintained by the United Kingdom, the Netherlands, and Belgium are not considered to be consistent with the GATT obligations of the countries concerned.

Coal is subject to state trading in France and Luxembourg. Coal is imported duty free.

OTHER RESTRICTIONS AFFECTING U.S. EXPORTS

In addition to tariffs and quantitative import restrictions, U.S. exports may, on occasion, be hindered by technical, fiscal, and administrative obstacles to trade. Exports may be hindered, or even barred, from markets by regulations concerning health and sanitary requirements, customs valuation, marks of origin, grading standards, minimum quality, and fees and formalities connected with imports. Internal taxes may be nominally nondiscriminatory, but bear particularly heavily on imports.

Such technical and fiscal regulations affecting trade are common to all countries, including the United States. Because of the wide diversity of regulations, and the opportunity for administrative interpretation of such regulations, the U.S. Government must rely heavily on information supplied by U.S. exporters in treating with such obstacles to trade. The listing below of nontariff, nonquota restrictions is, therefore, no more than illustrative.

Benelux

The Benelux countries follow the policy of most Western European countries by not admitting items for the reasons of health, morals, or national security. Examples are absinthes, narcotics (except for medicinal use), pornographic literature, and abortive devices. The Benelux countries have employed variable levies on designated products to equalize prices of imports with domestic production. Such levies have only been applied on items where the duties have not been bound in tariff schedules or applied within the limits specified in the schedules. The Benelux countries also apply a levy transmission or sales tax, both on domestic transactions as well as on imports.

Franco

France prohibits the import of only those nonagricultural goods considered potentially injurious to public health or morals. These are specifically certain wines and liquors of exceptionally high alcoholic content, parathyoxyphenylurea, absinthe extract, pinball games, slot machines, pornographic material, publications for youth deemed to glorify immorality, and contraceptives. The French tax automobiles by European classifications of horsepower, and this tax bears heavily on U.S. automobiles.

The Federal Republic of Germany

Germany bans the importation of firearms and munitions, explosives, nuclear and radioactive material, narcotics, certain matches, paper used in the manufacture of banknotes, obscene written and graphic matter, written and graphic material which are politically subversive, and publications of products endangering the security of the Allied armed forces. Germany also applies health and sanitary regulations against certain imports of fruits with the result that imports from the United States are adversely affected. Exports of U.S. lemons have suffered particularly, and other products may be affected.

Italy

Italy applies safety, sanitary, and marking regulations to numerous items in commodity sectors such as munitions, drugs, etc. In general, such regulations are comparable to those in force in other trading countries, including the United States. The present formula for computing the circulation tax on automobiles

effectively penalizes automobiles imported from the United States which have a cylinder displacement generally larger than that of automobiles produced in Europe. The disadvantage to American cars is compounded by the fact that the high tax continues undiminished for the life of the car while its resale value diminishes sharply.

[From the Foreign Commerce Weekly, Nov. 9, 1959]

TRADE LIBERALIZATION PATTERN MAINTAINED

The pattern of dollar liberalization established in the first 6 months of the year was maintained in the third quarter as countries of the British Commonwealth and Western Europe continued to reduce discrimination against dollar imports.

The move to convertibility of major European currencies in December 1958 dramatically emphasized the improved foreign exchange position of European nations, and with the rationale for dollar discrimination eliminated, liberalization has proceeded at a rapid rate. Today many U.S. products can be sold in markets which had been restricted or closed since World War II. Further improvement is anticipated.

In countries of Latin America, Asia, and Africa, foreign Government actions have tended to be a mixture of liberalizing and restrictive moves, though without discrimination against the dollar. No clear trend or pattern is apparent except that members of the sterling area are following the examples of the United Kingdom in eliminating discriminatory restrictions.

OEEC DOLLAR MARKET EXPANDS

Western Europe in the third quarter improved as a market for American goods as France, Turkey, Spain and the United Kingdom removed discriminatory restrictions and France, Norway, and the Netherlands simplified import procedures.

France, on September 26 continued liberalization of dollar imports by freeing from quantity limitations a wide variety of products. These include certain plums, dried apricots, passenger automobiles of a cylinder capacity of 3,000 cubic centimeters or over (the \$3 million 1959 quota remains in effect for smaller U.S. automobiles), outboard motors, carbon black (tunnel process), monosodium glutamate, terramycin, sensitized plates and film, rolling mills, electric junction boxes, some cinematographic films, products of polymerization of styrene without added material and polymerized chloroacete. In addition, the Government has announced that quantitative restrictions will be removed on January 1, on edible offals, medicines and vaccines for human and veterinary use, and synthetic rubber.

This latest move brings the French level of dollar trade liberalization up to about 80 percent, based on 1953 private trade, and follows the liberalization of certain industrial products at the end of July. France also introduced a simplified procedure for importation of liberalized products.

One of the most important developments in the quarter was the inclusion of Spain in the Organization for Economic Cooperation. In joining OEEC, Spain accepted a stabilization program agreed to by other OEEC members and the International Monetary Fund. Although special charges and duties on imports were generally increased, the 25-percent ad valorem exchange tax was abolished and the Spanish Government liberalized about 50 percent of 1950 private imports both from OEEC and the dollar area. Spain on August 7, announced its first nondiscriminatory global quotas to a total of \$75 million.

The United Kingdom in August freed import of butter from the dollar area. The freeing of butter was hastened by a decline in U.K. production as a result of dry weather and poor pasture conditions. Import of other dollar dairy products were freed in June.

Turkey on August 8, removed from quota control an additional 110 groups of items, mostly raw materials for the chemical and drug industry. Demand for these goods was officially estimated at US\$25 million. The newly freed items, together with items freed from quota controls in the second global list issued in mid-May—raw materials, machinery, spare parts—make a total of 270 groups of items now liberalized for import into Turkey from the dollar area.

Norway on July 1 removed from import-licensing control cement, organic chemicals, plastics, air-conditioning equipment, packing machinery, coin-operated dispensers, machinery for the food industry, and phonograph records and tapes. These items had previously been licensed liberally.

The Netherlands, in July, simplified its import procedures by eliminating licensing for most imports from all sources as well as the requirement that permits be obtained for the foreign exchange for current payment transactions between the Netherlands and most other countries, including the United States.

Also, Finland expanded its list of imports freed from quantitative restrictions in April by adding roasted and unroasted coffee from the dollar area.

COMMONWEALTH AREAS RELAX CONTROLS

Sterling convertibility has permitted many British Commonwealth areas to follow the United Kingdom's lead in reducing dollar discrimination. Australia, the Federation of Rhodesia and Nyasaland, Malaya, Singapore, British West Indies, Ghana, Sierra Leone, Cyprus, Ceylon and British East Africa, relaxed discrimination in the third quarter.

Australia, effective August 1, increased its authorization for annual imports from A£800 to A£850 and further removed dollar restrictions so that 90 percent of Australian imports will now be licensed without discrimination. Most imports remaining subject to discriminatory licensing are made up of motor vehicles and timber. This move will permit importation of U.S. goods not imported into Australia for many years.

The Federation of Rhodesia and Nyasaland announced on September 11 further liberalization of dollar imports. Among the newly decontrolled items are aircraft, refrigerators, stoves, heating appliances, washing machines, firearms, hardware, lamps, playing cards, hairclippers and scissors, quilts, cocoa and drinking chocolate, carbon and blotting paper, and military band instruments. In addition, the quota established in August of \$28,000 for ladies' silk and nylon stockings was increased to \$58,000. The newly decontrolled items are significant in that American trade possibilities appear promising even with a comparatively high rate of duty for some items.

NONTARIFF TRADE BARRIERS OF THE UNITED STATES¹

(By Noel Hemmendinger, Counsel, United States-Japan Trade Council)

INTRODUCTION

As the United States and its trading partners prepare for the Kennedy round of negotiations on tariffs, the subject of non-tariff trade barriers looms large. It has been agreed that steps to reduce and eliminate such barriers are an important part of the negotiations now to take place. It is not easy to elaborate principles to govern this negotiation. There is, however, a very considerable measure of agreement among the leading trading nations: first, that non-tariff trade obstacles are very important; second, that they should be reduced or abolished; and third, that the other fellow's obstacles are much more serious than one's own.

Despite some excellent studies, most recently that of the Canadian-American Committee, the subject is obscured by legal technicalities and remains nearly impenetrable to the general public. This paper is an attempt to explain U.S. barriers, with emphasis upon the vexations, uncertainties, and additional costs that they entail. It is focused upon the barriers of the United States not because they are necessarily greater or more odious than those of other nations but because they are here. If something is going to be done about them, it must be done by the United States Government; and the American public must understand the need. While general in nature, the paper emphasizes trade with Japan because that is the special concern of the United States-Japan Trade Council.

¹ Study submitted as part of the presentation of the United States-Japan Trade Council before the Trade Information Committee established pursuant to the Trade Expansion Act of 1962 in connection with its hearings on non-tariff trade barriers.

It should be recognized at the outset that we are discussing mainly governmental trade barriers. There are many other barriers of geography, language, history, and culture that place foreign suppliers at an inherent disadvantage compared with domestic sources. While not removable by government decree, these natural, political, and anthropological factors remain an important facet of the problem. They sometimes represent an advantage for the import—as in the case of Scotch whiskey and French perfume; but for most imported goods in the American market, they represent a built-in, invisible tariff that is just as real as a customs duty. Quality for quality, there must exist a definite price differential to overcome buyer resistance to a foreign source as compared with a domestic source of supply. The reasons for the domestic preference vary widely; but most of it is explained by greater difficulties in communication, delivery, and service where imported goods are involved.

Governmental barriers are many and varied in character, from sanitary regulations to internal taxes. This paper treats at length five that appear the most important in the United States: quantitative restrictions, Buy-American policies, marking requirements, antidumping legislation, and customs practices.

ADMINISTRATIVE SWORDS OF DAMOCLES

It is necessary to observe that, apart from the particular restrictions that may be put into effect, there are statutory provisions for the upward revision of tariffs or the imposition of restrictions on the complaint of an affected American industry whose very existence has an inhibiting influence upon trade. These administrative swords of Damocles are: the escape clause, the national security clause, equalization of cost of production (Section 336 of the Tariff Act of 1930), and embargo for unfair acts (Section 337 of the Tariff Act of 1930).

Section 336 and Section 337 are obsolete and should be repealed. Recent cases have shown that they retain considerable nuisance power. The national security clause has actually been invoked by the President, only in the case of oil imports, but the threat of its use is always there.

The obstacles to trade which have resulted from application of the escape clause are perhaps less significant than the discouragement of potential trade that results from the fear that it may be invoked. The possibility of abuse of the escape clause has been somewhat diminished by the Trade Expansion Act of 1962, since it is now explicit that, for the clause to be invoked, any increased imports must be found to have a direct causal connection with previous tariff concessions. Moreover, by providing alternative remedies of a domestic character in the form of adjustment assistance, the 1962 Act has gone a long way toward recognition of the fact that some domestic readjustments from a general reduction of tariffs must be accepted. It is to be hoped that adjustment assistance will eventually supersede import restrictions as the normal remedy for injury that can be traced to tariff concessions.

NOTES

At the GATT meeting of May 21, 1963, the Ministers agreed that the trade negotiations to start May 4, 1964, should "deal not only with tariffs but also with non-tariff barriers." The Trade Negotiations Committee charged with elaborating the trade negotiation plan was instructed to consider:

"The rules to govern and the methods to be employed in the treatment of non-tariff barriers, including inter alia discriminatory treatment applied to products of certain countries and the means of assuring that the value of tariff reductions will not be impaired or nullified by non-tariff barriers." (GATT Press Release No. 794, May 29, 1963).

The classic study of U.S. barriers is Percy Bidwell's *THE INVISIBLE TARIFF BARRIERS BETWEEN CANADA AND THE UNITED STATES* (1963) by Francis Masson and H. Edward English, for the *Canadian-American Committee*, sponsored by the *National Planning Association (U.S.A.)* and the *Private Planning Association of Canada*. That study contains valuable background and statistics on applications of the U.S. escape clause, arbitrary valuation, antidumping act, and marking requirements. It is long on facts but tries not to draw policy conclusions. The present paper is not so inhibited.

The escape clause is now embodied in Sections 301(b) and 351 of the Trade Expansion Act of 1962, 19 U.S.C.A. §§ 1901, 1951 (Supp. 1964); the national security clause in Section 232 of the Trade Expansion Act of 1962, 19 U.S.C.A. § 1862 (Supp. 1964). Sections 336 and 337 of the Tariff Act of 1930, as amended, 19 U.S.C.A. §§ 1336, 1337 (1960), are not changed by the 1962 Act.

Section 336 is obsolete because it embodies the theory that tariffs should equalize costs of production at home and abroad, which would stifle all trade in competitive products. It has been inapplicable for twenty-nine years to articles that are the subject of trade agreement concessions. (Section 2(a) of Act of June 12, 1934; 19 U.S.C.A. § 1352 (1960), as amended 19 U.S.C.A. § 1352 (Supp. 1964) and therefore can be applied to very few products. However, in the case of *Brooms Made of Broomcorn, Invest. No. 336-121*, January 17, 1962, the Tariff Commission found that the present duty does not equalize the differences in costs of production and that, to do so to the fullest extent permissible under

Section 336, it is necessary to apply the duty on the basis of the selling price of American-made brooms. The President refused to do so, without further explanation, on the ground that the Commission's report did not show need for the duty to be so applied. White House announcement of February 15, 1963.

Section 337 is obsolete because it has been applied almost exclusively in patent cases, for which it is peculiarly unsuitable, since the Tariff Commission cannot adjudicate the validity of the patent or the issue of infringement. The Tariff Commission has repeatedly requested repeal; and in 1962, the Supreme Court handed down a decision that casts considerable doubt upon its constitutionality. Section 337 provides that the importer may appeal on questions of law from the Tariff Commission to the Court of Customs and Patent Appeals and that the matter then goes to the President for decision. *Gildden v. Zdanok*, 370 U.S. 530 (1962), indicates that the Court of Customs and Patent Appeals may not constitutionally render such an advisory opinion. Nevertheless, the Tariff Commission considered another case in 1963: *Folding Doors, Investigation No. 337-22*, June 7, 1963 (dismissed).

The first seven petitions, five by workers and two by firms, under the Trade Readjustment provisions of the Trade Expansion Act of 1962, were turned down by the Tariff Commission on various grounds, principally the lack of a causal connection between increased imports and trade agreement concessions.

QUANTITATIVE RESTRICTIONS

The United States has never imposed quantitative limitations upon imports in order to protect its balance of payments—the most common reason for such restrictions in the post-war world. Rather, it has used import quotas as adjuncts to agricultural policies and for protectionist reasons. They fall into four categories: absolute quotas, tariff quotas, quotas established by international agreement, and foreign, so-called "voluntary" quotas on exports to the United States.

The GATT forbids quantitative restrictions as a general principle but contains elaborate exceptions for agricultural products under domestic controls, for conservation of natural resources, and for restrictions imposed to safeguard the balance of payments.

The inherent vice of all quotas, of course, is that they distort the normal patterns of trade and do not permit market forces to operate freely. In this respect, they are worse than customs duties. A limit on the quantity of any particular commodity that may come in either creates a chaotic struggle for priority—distorting normal business decisions in the interest of participation in the limited supply—or, like a cartel, involves some mechanism for allocation of the quota among exporters or importers or both. The disturbance to trade resulting from such restrictions can hardly be exaggerated. Because of them, importers have been unable to gain access to a source of supply, have had to pay premiums for quotas assigned to others, or have made their purchases when they were able to get the goods at the additional cost of higher prices or storage charges to keep them until needed. These handicaps to importers have been reflected in damage to consumers, in terms either of higher prices or limited supply or both.

U.S. absolute quotas

Absolute quotas are presently in effect by virtue of agricultural legislation designed to set a high domestic price level for the following farm products and to protect that price by limiting the quantity of imports: raw cotton and cotton wastes, wheat and rye, cheese, butter substitutes, dried milk and cream, and peanuts. In addition, under the Sugar Act, there is a quota on sugar imports.

By virtue of the national security clause and a Presidential finding that imports of residual oil threaten the security of the United States, there are quotas on petroleum and products; and under the escape clause, there are quotas on lead and zinc.

A recent study by the United States-Japan Trade Council indicates that in the years 1959-1961 these various quotas (including cotton textiles, discussed below) affected approximately 14 per cent of all U.S. imports.

U.S. tariff quotas

Tariff quotas are higher tariffs on imports, which come into effect only after a certain quantity has been reached. Like absolute quotas, they may be global or country by country. They have aspects of both tariffs and quotas. If the post "break-point" duty is prohibitive, they operate exactly like absolute quotas; if the higher duty is one that can be surmounted, then they seriously distort the patterns of trade and invite cartel-like controls.

U.S. tariff quotas are in effect on tuna canned in brine, ground fish fillets (fresh or frozen), cattle, potatoes, fresh butter, milk and cream, walnuts, and stainless steel flatware.

International agreements and voluntary quotas

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

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

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

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

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

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

Citations to the national security clause and escape clause are in notes to Introduction. Some U.S. tariff quotas are negotiated duties under the Trade Agreements Act of 1934, as amended, 19 U.S.C.A. § 1351 (1960).

An unpublished study of the U.S.-Japan Trade Council of May 21, 1963, calculates the percentage of actual U.S. imports which were subject to quantitative restrictions. In 1961, 14.8 per cent were under absolute quotas, 0.5 per cent under tariff quotas, and 1.5 per cent under the Geneva cotton textile quotas. Of course, these figures do not reveal the restrictive effect.

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

BUY-AMERICAN POLICIES

Federal

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

policies pursued by Federal, state, and local governments with respect to procurement for their own use. Governmental Buy-American policies are based in part upon chauvinistic preferences, in part upon obsolete economic theory, in part upon special concessions to favored industries, and in part upon genuine balance of payments problems.

The Federal Buy-American Act became law during the last days of the Hoover Administration. It was adopted during the depression as a means of assisting depressed domestic industries and also, apparently, as a means of minimizing potential German competition on Hoover Dam contracts for heavy electrical equipment. Its usefulness as an anti-depression measure proved to be illusory; and the theory on which it was based (that we should have high tariffs to protect and stimulate our own industries (has been overwhelmingly rejected, most recently in the Trade Expansion Act of 1962).

The Buy-American Act applies to Government procurement of articles, materials, and supplies for public use within the United States and to contracts growing out of appropriated funds for the construction, alteration, or repair of public buildings or works within the United States. Since the Buy-American statute itself is either vague or silent on practical questions which a procurement officer must ask, it has been implemented through administratively developed percentage preferences and definitions of country of origin. The basic Executive Order now in effect under this Act provides that a foreign bid can be accepted only if 6 per cent below the lowest domestic bid. By administrative practice, another 6 per cent is added if the American supplier obtains his materials in an area of labor surplus. The basic Executive Order also requires that some procurement be reserved for U.S. small businesses. Finally, the Executive Order defines items as foreign in origin when 50 per cent of the cost of their constituent materials is foreign in origin.

By its terms, the Executive Order in question applies to "all executive departments, independent establishments, and other instrumentalities of the executive branch of the government". However, for balance of payments reasons, the Department of Defense and the military services have virtually stopped buying foreign-made goods in significant amounts. The Executive Order's percentage requirements have been abandoned through exercise of "administrative discretion" provisions of the Order.

The Buy-American Act does not apply to procurement of items or to construction for use overseas. However, for balance of payments reasons, procurement for such use overseas in the world market has been sharply curtailed since 1960 under presidential directives. For overseas use, the Department of Defense usually applies a 50 per cent preference. The Agency for International Development requires that its loans be used to buy American-made goods. A.I.D. grant money can be used for procurement outside the United States provided that the items are bought in one of the nations receiving assistance and not in the principal industrial countries of the world.

In deference, in part, to the existence of the American law, the General Agreement on Tariffs and Trade recognizes that governments may grant preferences to domestic products in their purchases for governmental purposes. It is manifest, however, that Buy-American governmental policies are simply a variety of protectionism and are as unjustified as other varieties of protectionism. Governmental purchases loom extremely large today in the United States: for roads, for schools, for defense, for postal communications, for research and countless other things. In many other free countries, these governmental expenditures extend to railroads, airlines, telephone, and telegraph systems and, in France, England and Germany, for instance, to certain government-owned industries. Governmental purchases are thus an important part of the world's commerce, and there is no reason in principle to except them from non-discriminatory trading policies.

Buy-American laws are simply a special type of protectionism which is justifiable only when applied with restraint in the interest of the nation's balance of payments or security. The spurious, protectionist grounds are difficult to exclude from policy-making and tend to lead to a much greater rigidity in the application of Buy-American principles than is called for. Offshore procurement apart, the dollar savings from the Federal Buy-American policies have been estimated at less than \$40 million a year, perhaps 1 per cent of the U.S. procurement involved. Such savings must be weighed against the losses—the weakening of the U.S. bargaining position in trade matters vis-a-vis the rest of the world; the absence of the spur of foreign competition to domestic quality and price; the

distortion (particularly in foreign aid) of normal trade patterns; and of course, the fact that the available funds can accomplish less. When these factors are fully considered, no increase of the 6 to 12 per cent differential appears justified for domestic U.S. procurement; and it is unlikely that the much larger differentials for offshore procurement can be justified.

State and local

Apart from the Federal Government, there is a vast, scarcely charted area of Buy-American laws, regulations, and undeclared policies in the states and local governments. There has never been a thorough study of the limitations on purchase of foreign goods that prevail in this area. It seems clear that the relevant policy consideration should be at most the same as apply to the Federal Government. As a matter of law, a state may be constitutionally able to give preference in its purchases to the domestic industries of that state. But, when it comes to legislation and practices giving preference to American-made products as distinguished from imports, then the state is invading the area of regulation of foreign commerce which is reserved by the Constitution to the Government of the United States. There is no occasion for the states to enter this field; and if national interests require, the Federal Government should take steps, legislatively or administratively, to insure that state measures are compatible with the policy of the Federal Government. Since most state programs of any magnitude involve substantial Federal contributions, notably those for roads, this is not a difficult thing to accomplish. Indeed, such an order was formulated by the Bureau of Public Roads of the Department of Commerce several years ago but has never been put into effect. It is time this order was revived and state policies made conformable to the national policy.

Non-governmental

Non-government Buy-American policies—for instance, of large companies—represent an even larger uncharted area than the policies of states and local governments. Perhaps it can be assumed that the great American corporations, which on the whole have supported a liberal U.S. trade policy in recent years, apply the same liberal trade policy in their own purchase—but this is by no means clear. Manufacturing companies frequently use foreign-made components, but other purchasing areas appear to be relatively untouched by foreign competition—for instance, basic equipment of power companies and office supplies. There is need for study as to how far such purchasing decisions reflect well-considered corporate policies.

NOTES

The Buy-American Act is the Act of March 3, 1933, 41 U.S.C.A. § 10a-d (1957). Differentials and definitions are set forth in Executive Order No. 10582, 19 Fed. Reg. 8728 (1954). For the Department of Defense's practices, see *Hearings on the Impact of Military Supply and Service Activities on the Economy Before the Subcommittees on Defense Procurement of the Joint Economic Committee, 88th Cong., 1st Sess., 356-60 (1963)*. For offshore procurement under the Foreign Assistance Act of 1961, see Section 604(a), 22 U.S.C.A. § 2354(a) (Supp. 1963), and Presidential Memorandum of October 18, 1961, 26 Fed. Reg. 10543, and Presidential Memorandum of August 1, 1962, 27 Fed. Reg. 7603. For DOD Regulations on procurement of supplies, see 32 CFR Sec. 6.100-105 (1961); special provisions excepting Canadian goods are set out at 32 CFR Sec. 6.103-5 and Sec. 6.103-5 (1961) (Supp. 1963); for DOD regulations on construction, see 32 CFR Sec. 6.200-206 (1961). For the General Services Administration Buy-American regulations on supplies, see 41 CFR Sec. 7.101-14, 9-7.5004-16 (1963); on construction, 41 CFR Secs. 1-6.200-206, 9-7.5004-17 (1963).

Various pieces of miscellaneous legislation supplement the Buy-American Act. Thus, Federal funds made available to state, county, municipal, or other agencies for low rent housing are subject to the Buy-American Act's restrictions, 42 U.S.C.A. § 1406(c) (1957). The Berry Amendment, an annual rider to the Department of Defense's Appropriation Acts, directs the armed services to buy "no articles of food, clothing, cotton, woven silk or woven silk blends, spun silk yarn for cartridge cloth, or wool" unless the item is grown, reprocessed, reused, or produced in the United States, subject to certain exceptions. Eg. Sec. 523 of the Department of Defense's Appropriations Act, 1963, 76 Stat. 818, 332 (1962); 32 CFR Sec. 6.300-305 (1961). Several pieces of legislation establish Buy-American restrictions on shipping of Government or military supplies, and the shipment of U.S. agricultural or other products by an instrumentality of the Government, 15 U.S.C.A. § 616a (1963) (shipments of agricultural products financed by Government on United States vessels); 46 U.S.C.A. § 1241(a) (1958) (transportation of U.S. Government personnel on American vessels); 46 U.S.C.A. § 1241(b) (Supp. 1963) (provisions with respect to shipment of cargoes procured, furnished, or financed by the United States Government; 10 U.S.C.A. § 2631 (1959) (preference for United States vessels in transportation by sea if supplies bought for Army, Navy, Air Force or Marine Corps). Since 1844, American goods have been preferred in purchases for the Senate and House of Representatives, 2 U.S.C.A. § 109 (1927). The Buy-American Act applies to purchases of strategic and critical materials for stockpile purposes, 50 U.S.C.A. § 93b (a) (1951). The Buy-American restriction, however, does not apply to purchase of stockpile materials with funds raised under the Agricultural Trade Development and Assistance Act, 7 U.S.C.A. § 1704(b) (Supp. 1963).

The War and Navy Departments and the U.S. Maritime Commission were exempted from the provisions of the Buy-American Act shortly after the declaration of the Second World War. Executive Order 9001, 6 Fed. Reg. 6787 (1941). The President is empowered by law to authorize any department or agency exercising functions connected with the national defense to dispense with other provisions of law (eg., the Buy-American Act) when he deems that such action would assist the national defense. National Defense Contracts Act, 50 U.S.C.A. § 1431 (Supp. 1963).

For a general review of procurement under the Federal Buy-American Act, see Van Cleave, *The Use of Federal Procurement to Achieve National Goals*, 1961 WIS. L. REV. 566, 577-92; Knapp, *Buy-American Act: A Review and Assessment*, 61 COLUM. L. REV. 430 (1961); Gantt and Speck, *Domestic v. Foreign Trade Problems in Federal Government Contracting: Buy-American Act and Executive Order*, J. PUB. L. 378 (1958). See also Note, *National Power to Control State Discrimination Against Foreign Goods and Persons: A Study in Federalism*, 12 STAN. L. REV. 355 (1960).

A 1959 survey by the Council of State Governments reveals that fifteen states—including California, Indiana, Massachusetts, Maryland, Ohio and Pennsylvania—had restrictions against purchase of foreign-made goods by public agencies. A 1961 survey by the Bureau of Business and Economic Research at the University of Utah showed that nineteen states had established preferences for goods originating in the state.

The Attorney General of California has ruled that California Buy-American laws are inapplicable to the purchase of Swiss turbine generator units by the city of Los Angeles because such exclusion of foreign goods is contrary to the National Treatment Clause of the Trade Agreement with Switzerland read in the light of GATT. The GATT provision making the national treatment clause inapplicable to governmental purchases (GATT, Pt. II, Art. III, Paras. 6, 8(a)) was found to be inapplicable because this purchase was for "use in the production of goods for sale." Calif. Atty. Gen. Op. No. 59/164 (1959); Calif. Atty. Gen. Op. No. 60/141 (1960). The California Superior Court for the City of San Francisco held that the California Buy-American Act cannot be applied in connection with power equipment procurement by the city of San Francisco because of the National Treatment Clause of GATT and because of the National Treatment Provision in the Treaty of Friendship, Commerce and Navigation with Japan, *Baldwin-Lima-Hamilton Corp. v. Superior Court*, 203 Cal. Ap. 2nd 803, 25 Cal. Rep. 798 (1962).

The Texas Supreme Court has held an order of the Texas Highway Commission requiring use of U.S. made steel in the construction and maintenance of the Texas highway system to be contrary to the Texas Competitive Bidding Law and without legal justification. *Texas Association of Steel Importers v. Texas Highway Commission*, Docket No. A-9515, Supreme Court of Texas, November 6, 1963, rehearing denied, December 11, 1963.

COUNTRY-OF-ORIGIN MARKING

At the individual level, the right to indulge a whim or prejudice—for or against the import—ought to be protected. But there is an important question as to how far importers or distributors should be required by law to insure that the purchaser cannot overlook the country of origin, thus encouraging whatever prejudices he may harbor. Under the U.S. customs laws, the country of origin of imported goods must be legibly marked, where this is practical. The fact that, for some products and some markets, obtrusive marking is a serious commercial handicap makes the marking requirement a definite trade obstacle. Cases may be cited where an importer has abandoned a line of goods because the prominence demanded by customs for the country-of-origin mark made them unsaleable.

After customs has been satisfied, the importer or distributor can still run afoul of the Federal Trade Commission, which has construed its mandate to pursue deceptive practices as requiring it practically to insure that the purchaser knows the goods are imported. This is based on the unchanging assumption that there is a preference for domestic goods—which, of course, may or may not be true in a given situation—and that, unless otherwise noted, the customer will assume all goods to be of American origin.

That the customer should know the truth appears at first blush unchallengeably right and good; but there is an important distinction to be made between *legible* and *obtrusive*. The distinction is illustrated by the ingredients of candy as stated on the wrapper, which is there for those who look, and the label "poison" which is too prominent to overlook. There is no national policy requiring that the customer know the national origin before he buys; there is simply a public interest that the facts be available if he cares. Questions of public health apart, the basic premise of laws protecting the consumer's right to choose is that he *cares* to choose. Public policy favors unfettered international trade, but there lurk in the background passions and prejudices which often influence actions without rising to the level of considered decisions.

History shows—most recently in the case of the vetoed Canadian lumber-marking bill—that country-of-origin marking can be a potent tool for protectionism. This is not always true, of course. For many products and many consumers, it is helpful. However, the marking problem, by definition, arises only in those few market sectors where the country of origin is regarded in the trade as a bad sign. If the distributor thinks it is good or neutral, he is glad to feature it. In addition to questions of consumer attitudes, the actual marking required is frequently onerous and expensive.

Where the problem arises, it is important that country-of-origin marking be narrowly confined to the genuine public policy that is served.

NOTES

The basic country-of-origin marking law is Section 304 of the Tariff Act of 1930 as amended, 19 U.S.C.A. § 1304 (1960):

"... every article of foreign origin . . . imported into the United States shall be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the article (or container) will permit in such manner as to indicate to ultimate purchaser in the United States the English name of the country of origin of the article. . . ."

The Secretary of the Treasury is given wide powers to determine the precise marking and to grant exceptions. There are specific statutory requirements for timekeeping mechanisms. The regulations and exceptions are summarized in a pamphlet published by the Bureau of Customs, *Exporting to the United States*, at pages 33-37. Marking requirements and decisions of the Customs Bureau are collected in another Customs publication, *CIB 1600/59 Digest of Decisions for the Marking of Imports*.

Acting under Section 5, the Federal Trade Commission Act, 15 U.S. Code, Section 45, the Federal Trade Commission has required country-of-origin marking in cases where Customs did not so require and has even required that it be shown on display cards as well as the merchandise itself. In *the Matter of Baldwin Bracelet Corp.*, Docket 8316 (1962), appeal pending.

By virtue of a 1933 trade agreement with Canada, TD 40690, lumber is unmarked. On December 31, 1963, President Johnson announced that he was vetoing H.R. 2513, a bill urged by the U.S. lumber industry, which among other things would have required that lumber be stamped with the country of origin.

ANTIDUMPING LEGISLATION

United States law, in common with that of many other trading countries and in common with the General Agreement on Tariffs and Trade, forbids the sale of imported goods in the American market at prices lower, after appropriate adjustments, than the prices in the domestic markets of the supplying country, where the effect is to injure an American industry. There exists a wide consensus that such practices are undesirable; but beneath this apparent simplicity, there lurk many difficult questions, both conceptually and administratively. There arises, in fact, a serious conflict between a justifiable objective and the accomplishment of that objective without undue interference with normal commerce.

The law actually refers to sales at less than fair value, which is interpreted to mean at prices lower than prices in the domestic market or, if such sales are insubstantial, than prices for third country sales or, failing such data, than cost of production. This determination was once characterized as purely a matter of arithmetic; but elaborate regulations have been developed for the determination of what adjustments are to be allowed and what are not to be allowed. The determination of whether sales are below fair value has, therefore, become a complex exercise involving many questions of judgment.

It has always been recognized that different prices for one market as against another are not necessarily to be condemned and that there may well be good economic and business reasons for them. Hence, the United States, along with GATT and most trading nations, applies some further test of injury; and this requires an examination of what actually happens in the market place and the reasons for it. This determination of injury was formerly made by the Treasury Department along with the determination of fair value; but since 1954, the question of injury has been passed upon by the Tariff Commission if the Treasury Department has found sales below fair value.

The cases decided by the Tariff Commission have been without elaborate discussion and have defied any rationalization. They may all be consistent with one another, but it is difficult to tell from the facts and reasons given. Recently, in the case of Titanium Dioxide from France, a step has been taken toward a consistent exposition of a doctrine of injury. This decision held that the injury contemplated by the Act must be material. It also indicated that the intent must be predatory: "unfair competition" in the sense of the Federal Trade Commission Act. What this means in concrete situations remains to be developed as the cases arise. It would appear, however, that a defense would be allowed that a lower price was necessary to meet competition—a defense which is permissible in domestic price-determination cases under the United States Robinson-Patman Act. It is hoped that the Tariff Commission will reexamine, if it should become necessary, its decisions in some earlier cases finding injury to an entire United States industry because of a purely regional impact on a few producers.

In the period January 1, 1955, to November 1, 1963, Treasury acted on 282 dumping complaints. In six cases, dumping duties were assessed. Of the other 276, sixty-two were terminated because the supplier voluntarily adjusted his prices; in 187, absence of price discrimination was found; and 27 cases, there was absence of injury. Thus, there were results favorable to complainants in 68 cases out of 282—or about one-fourth—although the price adjustments did not all result from the dumping complaints. However, appraisal was withheld in many more than a quarter of the cases, with considerable injury to the imports.

In fact, the great threat to the import trade from the Antidumping Act comes not so much from findings of injury and the consequent imposition of dumping duties since these actions have actually been infrequent, as from the withholding of appraisal when Treasury finds a suspicion of dumping. Withholding of appraisal means simply that the importers cannot know for an indefinite period what duties will be assessed and have great difficulty in completing their sales and entering into new contracts without undue risks. There are times when it simply puts a stop to all business. The evil is compounded by the fact that under the law the dumping duty, when assessed, is retroactive to entries 120 days prior to the date of the complaint. In actual fact, the Treasury Department has in recent years usually required more than a faint suspicion of dumping before withholding appraisal. Nevertheless, the record shows that in the great majority of cases where appraisal is withheld, in the end there is no assessment of dumping duties. The withholding of appraisal is itself a severe sanction that should be imposed only where the evidence strongly indicates sales at less than the home market price and that, under the principles and precedents laid down by the Tariff Commission, injury to an American industry is resulting.

Legislation is pending in the Congress, at the instance of United States steel, cement, and other industries, that would put a highly protectionist stamp on the Antidumping Act. Presented in the guise of plausible measures to improve procedures and close loopholes, the proposed amendments would give the United States industry access to the confidential data of the foreign supplier and give it virtually unlimited opportunities for harassment and delay, through withholding of appraisals and court proceedings. Fortunately, the Federal executive agencies are opposed to the bills and hearings, if held, will disclose the bias of the proposed changes.

If changes are to be made in the Antidumping Act, they should be in the other direction. For instance, the retroactive provision, found in the laws of only one other country, applying dumping duties to entries within one hundred twenty days before the complaint should be abolished; and the President should be given the right to veto or modify dumping findings in the United States national interest. Other desirable steps can probably be effected by the Treasury Department and the Tariff Commission through changes in regulations or practice: permit the exporter to reimburse the importer for the dumping duty; permit inclusion of deductions for selling and advertising costs in determining home market expenses; define the United States industry affected as nationwide, at least so long as dumping duties are nationwide.

NOTES

The U.S. law is the Antidumping Act of 1921 as amended, 19 U.S.C.A. §§ 160-173 (1960). The GATT provision is Article VI, which recognizes that imports at "less than the normal value" are to be condemned if they cause or threaten "material injury" or materially retard the establishment of a domestic industry and which defines normal value in terms of the home market price.

The fullest statement of actual practice under the Antidumping Act is in *Background Material for Remarks To Be Made at Georgetown University Law Center Forum, November 8, 1963, on the Antidumping Act*, by James Pomeroy Hendrick, Deputy Assistant Secretary of the Treasury. See also Masson and English, *Supra*, at 44; legislative history of the 1921 Act and 1954 and 1958 amendments; Viner, *Dumping: A Problem in International Trade* (1923); Ehrenhaft, *Protection Against International Price Discrimination*, 58 COLUM. L. REV. 44 (1953); Kohn, *The Antidumping Act*, 60 MICH. L. REV. 407 (1962); Hendrick, *The Future of the Antidumping Act*, address before the National Council of American Importers, May 22, 1963.

The case of *Titanium Dioxide from France* is T. C. Publication 100, September 24, 1963. The California soil pipe decision was *Cast Iron Soil Pipe from the United Kingdom*, October 26, 1965; see T.D. 53934.

The pending amendments referred to are contained in the Humphrey-Scott bill (S. 1318), Walter bill (H.R. 5692), and similar bills, sponsored at this writing by twenty-seven Senators and forty-eight Congressmen. A number of these bills, H.R. 6033, 6116, 6214, and 6517, would grant relief not only if an industry was injured but also if "the sales of a product of a member of such industry" were injured. The Humphrey-Walter bills would not affect the definitions of "injury" and "industry", but S. 2241, (Senators Allott and Dominick) would provide a conclusive presumption of injury if the imports complained of,

were more than 10 per cent and less than 90 per cent of domestic production. The Pillion bill (H.R. 7362) is unique. It would make labor a party before the Tariff Commission and shift the burden of proof to the importer.

The United States-Japan Trade Council distributed a critical analysis, dated July 9, 1963, of S. 1318, H.R. 5602, and similar bills. Copies are available upon request.

On January 23, 1964 the Treasury Department conducted hearings to hear proposals for changes in the regulations under the Antidumping Act.

CUSTOMS PRACTICES

Suppose that, in the internal trade of the United States, rail freight rates were rarely known for certain in advance of shipment and that many months later shippers were met with demands for payments greatly exceeding deposits made in good faith at the time of shipment. Were this the case, there would be an obviously intolerable burden on commerce.

Nevertheless, this is a fair description of the kind of burden that international commerce has to bear. A tremendous uncertainty hangs over the amount of customs duties that must be paid on goods imported into the United States, despite the Customs Simplification Acts of 1938, 1953, 1954, and 1956 and many additional steps taken by the Customs Service itself to improve matters. A survey of possible improvements is being made by the Bureau right now.

A substantial part of the problem lies in the unnecessary complexity of the system and the administrative steps that are required to clear goods through customs and resolve doubtful questions. A few illustrations will suffice. Most of the U.S. duties are *ad valorem* and have two parts: the rate and the valuation. Applying one to the other yields the duty. Selecting the applicable rate of duty is called classification. The key man in the determination of duties is the examiner at the port, who, under the supervision of the appraiser, makes an advisory classification and determines value. But, if the importer wishes to challenge the value, he has one set of procedures prior to "liquidation", the word used for the final determination of the duty by the Collector. If he wishes to challenge classification he has a different set of procedures, after liquidation. The collector and the appraiser are independent officials with separate staffs and, in New York, the principal port of entry, are in buildings two miles apart.

Legally, the collectors and appraisers at the various ports are also quite independent of the Customs Bureau in Washington. Practically, however, steps have been taken to try to make this archaic system work; and there is an elaborate network of communications and advice flowing between the ports and the Bureau and among the ports themselves. This actual system is not fully described in the regulations or any document available to the general public.

The people who understand how this system works have become so used to it that they scarcely notice how outlandish it is. It is high time that collectors and appraisers at the various ports were merged, under centralized control of the Bureau, and review procedures combined into a single method of challenging a duty, whatever the reason.

Problems of classification have been somewhat eased by the entry into force on August 30, 1963, of the revised Tariff Schedules of the United States, prepared by the Tariff Commission pursuant to the mandate of the Customs Simplification Act of 1954. The new schedules eliminate many anomalies (such as the charging of duty on synthetic rubber automobile tires as articles in part of carbon because they contain more than 2 per cent carbon) and introduce a greater certainty and ease in the determination of the applicable rates. Temporarily, of course, there are many new questions of interpretation and some untoward results that call for legislative authority to correct.

While the new schedules represent a big accomplishment, they have only scratched the surface of simplification of the U.S. tariff schedules, which remain an incredible thicket. There is still no sense whatever to the proliferation of commodity descriptions and rates. There are reasons, of course, how they got the way they are, but few if any of those reasons are valid reasons today, if they ever were. Protectionists and liberal traders alike have to take responsibility for the present maze—almost every item and rate represents a victory for one or the other in some historic battle or forgotten skirmish. The tariff paragraphs as enacted (most recently in 1930) reflect the notorious log-rolling of the tariff acts, creating a hodge-podge of product descriptions and rates. The 1930 Act is simplicity itself, however, compared with the descriptions and rates that result from a series of presidential proclamations—some under the flexible tariff, escape clause etc., but mostly implementing duty reductions on specific commodities under the trade agreements acts.

In the 1963 revision the Tariff Commission was greatly limited by the Congressional injunction not to change rates of duty. What is needed is a thorough revision that does change rates of duty where this is necessary to drastically reduce the number of categories. To take just one example, there should be one rate for footwear instead of the 20 items found in the new schedules, which is a reduction of only 4 from the old.

The Trade Expansion Act of 1962 represents an important break away from product-by-product negotiations of tariff reductions, but it does not establish the means for further simplification of the schedules. For this, a new legislative approach is required, inspired by the bold thinking of the Trade Expansion Act of 1962 rather than the timidity of the 1954 Act that authorized the new schedules. Perhaps reciprocal reductions through international negotiations can be combined with further reduction of dutiable categories. In any case it is necessary to recognize that we reduce and simplify tariffs mainly because of the U.S. national interest in an unrestricted flow of imports. The process of simplification of schedules should not be shackled by fear of changing existing rates, nor the process of rate reductions by failure to obtain exactly equal concessions from other countries.

Many of the uncertainties and vexations in the process of customs administration reside in valuation. In the long run, of course, the best cure is the enlargement of the list of articles that enter free of duty through the exercise of the bargaining authority granted in the Trade Expansion Act of 1962. In the short run, attention must be given to improvements of procedure and the introduction of certain overdue substantive reforms.

These are: (1) the elimination of the American Selling Price (ASP) basis for valuation of certain products and (2) the elimination of the so-called "final list" of products to which the new valuation procedures of the Customs Simplification Act of 1956 do not apply. The first reform was recommended to the Congress by the Administration in 1950 but was thereafter abandoned because of protectionist opposition. The need for the second arises from a compromise made in Congress when the Customs Simplification Act of 1956 was finally enacted after many years of deliberation—a compromise which, instead of simplifying valuation, saddled the trade with two parallel systems.

American selling price valuation

A favorite objective of American protectionists for many years was the establishment as a basis for valuation not the value of the imported articles themselves but the value of like or similar domestic products. Since imports are normally cheaper, the "American valuation" would normally be higher. By increasing the valuation, protection could be achieved just as effectively as by increasing the rate of duty and much less obviously. So-called "American valuation" was decisively rejected by the Congress in 1922 after an elaborate investigation of how it would actually work. However, pieces of the system were adopted at that time in consequence of the concern over competition that might come from the revived German chemical industry.

American selling price valuation was incorporated in two provisions of law. The selling prices of competitive American-made articles were made the basis for valuation in the case of coal tar chemicals; and authority was given to the Tariff Commission and the President to put American selling price valuation into effect under certain circumstances under the so-called flexible tariff. The flexible tariff was first enacted in 1922 and is presently found in the virtually obsolete Section 336 of the Tariff Act of 1930 which empowers the Tariff Commission to investigate costs of production at home and abroad and to recommend to the President rates of duty designed to equalize such costs. If an increase in the rate by 50 percent will not accomplish such equalization, then the President is to establish the American selling price as the basis for valuation rather than the normal value.

This American selling price provision was invoked five times under the 1922 Act; but these special valuations were abolished when the Tariff Act of 1930 was adopted. There have been three cases under Section 336 of the Tariff Act of 1930; these ASP bases for valuation remain in effect. They apply to rubber footwear, canned clams, and certain wool knit gloves of an obsolete value bracket. There are significant imports of canned clams, and the rubber footwear has become quite important. The amount of rubber footwear and of coal tar chemicals to which American selling price valuation has been applied are about equal—around \$20-25 million each; but of course, this does not indicate the quantities excluded.

In recent years, the vexations for the customs service and the trade attendant upon the enforcement of the American selling price valuation have probably equalled those caused by any other single problem in tariff administration.

To grasp the inequity of this method of valuation, it is necessary to go back to first principles. The only reasonable basis for valuing imports is their actual transaction value, which is normally reflected in the invoice. This is the only true value that the importer knows, and it is the only realistic value. The Customs Service of the United States has long recognized this, and the vast majority of all import valuations are actually based on the invoices. It has been thought necessary, however, to have some kind of theoretical value which will give the appraiser the right to reject an entered value that seems out of line without having to prove that it was not the actual transaction value. This is the reason that actual transaction value is not used in principle in customs administration, although the method adopted permits the customs service to use actual transaction value most of the time.

However, when resort is had, not to the value of the imported article, but to the value of some American-made product that is "like", "similar", or "competitive" of which the importer has no knowledge, then the results are highly arbitrary and unfair. In many cases, the duty is increased by five or six times over what it would be on the transaction value; and moreover, great uncertainties are introduced. It is even possible for the basis of valuation to change between the time the order is placed and the time of shipment, through circumstances of which the importer has no knowledge or control. This method of valuation is contrary to basic principle as set forth in the General Agreement on Tariffs and Trade, which provides that the value of imported merchandise for customs purposes should be based on the actual value of the imported merchandise on which duty is assessed and not on the value of merchandise of national origin or on arbitrary or fictitious values.

It is high time the American selling price method of valuation was removed from U.S. customs practice and products subject thereto valued on the same basis as other items in the schedules. This can be done by legislation or through trade negotiations under the Trade Expansion Act of 1962.

The final list

One of the cardinal reforms of the Customs Simplification Act of 1956, originally proposed by the Administration in 1950, was the abolition of "foreign value" and the establishment of "export value" as the first and principal basis for customs valuation. Foreign value is the value of such or similar goods sold in the home market. Export value is the value of such or similar goods sold for export to the United States. The same law made important changes in the value definitions to permit Customs to select realistic prices at which most goods were actually moving in commerce. The basic language—"freely offered to all purchasers in the usual wholesale quantities in the usual course of trade"—had become so restricted by court decisions that it often required the selection of transactions at which few goods moved.

Under protectionist pressures, the Senate Finance Committee balked at adopting the new standards until Treasury came up with a compromise to except articles whose duties would be affected by 5 per cent or more. The bill aimed at customs simplification thus ended up by producing two parallel systems of valuation (Section 402 and 402a of the Tariff Act of 1930, as amended). The Treasury proposal was intended to be temporary; but somehow in the shuffle of legislation, the final list of articles not subject to the new standards became firmly imbedded where only another act of Congress is likely to dislodge it.

It is estimated that less than 15 per cent of dutiable imports fall within the "final list"; and of these, many are actually valued upon the invoices, whether denominated foreign value or export value. However, the new definitions, which cannot be applied to articles on the "final list", are of critical importance. Interestingly, these definitions are important for many of the articles subject to American selling price valuation. It was the opposition of the American chemical industry that caused the Congress to create exceptions in approving the Customs Simplification Act of 1956; and this opposition was based largely upon the new definition of "freely sold" as applied to the American selling prices of coal tar chemicals. The inequity of ASP valuation is thus compounded by the inability of the Customs Service, as it construes the law, to select the most realistic American transactions as the basis for valuation.

Examination of the actual workings of the final list will certainly reveal that it gives very little protection to American industry except where it leads to unconscionably unrealistic valuations. The basic concept adopted by the Congress, in refusing to apply the Customs Simplification Act of 1958 where it would lead to lower duties by more than 5 per cent, was erroneous because it assumed that American industry was somehow entitled to the precise level of protection that was then in effect. The protection actually afforded came about accidentally rather than by design. If there is any basis to the claim for such protection, then it is the rate itself that should be adjusted and defended.

Both ASP valuation and the "final list" are under attack by America's trading partners. The impending negotiations offer a splendid opportunity to rectify these arbitrary methods of valuation not only in the interest of successful negotiation but also in the interest of U.S. import trade.

CONCLUSION

Problems in international trade are inevitable as long as we have separate economies, languages, legal systems, currencies, balance of payments problems—in short, separate sovereignties. But trade is the life blood through which greater freedom and well-being can be achieved for all peoples. The barriers are being broken down through a multitude of efforts and international arrangements. It is hoped that this paper may make a contribution to an understanding of some of the U.S. barriers that require attention.

NOTES

The valuation provisions of the Tariff Act are §§ 402 and 402a, 19 U.S. Code §§ 1401a and 1402. They are conveniently reprinted with explanations in a pamphlet published by the National Council of American Importers, *United States Customs Valuation Procedure*, which also contains the "Final List" (T.D. 54521). Valuation invoicing etc. are explained in the Customs publication, *Exporting to the United States*, cited above, and the Final List is set forth here also. For historical background, prior to 1958, see R. Elberton Smith, *Customs Valuation in the United States* (1948).

The legislative history of American selling price valuation and other details are set forth at length in an address by Noel Hemmendinger before the National Council of American Importers, *The Need for a New Customs Simplification Act*, February 7, 1963. Copies are available from the United States-Japan Trade Council.

The elimination of American selling price duties by converting to the equivalent duties on the usual valuation basis was proposed by the Administration in H.R. 1535, 82nd Cong., 1st Sess., See Ways & Means Committee Hearings, Simplification of Customs Administration, August-September 1951.

It is believed that the President is authorized to negotiate the elimination of ASP valuation and perhaps also the "Final List" under the Trade Expansion Act of 1962. The relevant sections are 201(a)(2), authorizing modification of "any existing duty or other import restriction"; Section 405(2) defining "duty or other import restriction" to include "(A) the rate and form of an import duty, and (B) a limitation, prohibition, charge, and exaction other than duty, imposed on importation or imposed for the regulation of imports," and Section 405(6) providing: "The term 'modification', as applied to any duty or other import restriction, includes the elimination of any duty." Without question, the President would have power to convert the present duties to specific duties in the course of trade negotiations, staying within the limitation that rates not be reduced below 50 per cent of the July 1, 1962 rate. Presumably, this would require as an initial step the conversion of present duties to average specific equivalents.

Imports of coal tar chemicals that actually were assessed on the American selling price of competitive American products had a foreign value of about \$18 million in 1962. *Imports of Coal-tar Products, 1962*, U.S. Tariff Commission Publication 98.

FOB values of imports of rubber footwear in 1962 paying ASP duties are estimated by the writer at about \$25 million (based on U.S. Census Bureau, FT 110, Nos. 2031010, and 2032100). Many other items of footwear have not actually incurred ASP duties, largely because there is no like or similar American product. Imports of canned clams paying ASP were valued in 1962 at about \$860,000 (FT 110, No. 0031600).

A sampling by the Customs Bureau in 1960 showed about 17 per cent of import shipments to be "final list" items (see Masson and English, p. 7); but the Bureau advises that this contained an unusually high number of automotive parts paying duty on the basis of foreign value. ASP items were statistically negligible. This shows the limitations of statistics for determining problem areas.

(The following was included at the request of Chairman Boggs:)

NATIONAL CHAMBER CALLS FOR NEW FLEXIBILITY TO "MOST-FAVORED-NATION" WORLD TRADE PRINCIPLE

WASHINGTON, July 9.—The Chamber of Commerce of the United States today called for continued adherence to the "most-favored-nation" principle in world trade, but said there should be added the element of flexibility to permit limited departures from the principle "in the interest of developing more world trade."

The position was outlined in a major statement on post-Kennedy Round U.S. foreign trade policy approved by the National Chamber Board of Directors.

Specifically, the Chamber statement said that "in certain circumstances trade may be promoted more effectively through limited departures such as temporary tariff preferences sanctioned in connection with the establishment of common markets . . . or extended by industrialized nations to the exports of developing countries."

The statement endorsed expansion of developing countries' exports, careful consideration of qualified extension of trade preferences by the industrialized countries to the exports of developing nations, and the integration of national economies into nonprotectionist regional markets.

At the same time, the Chamber called for increased protection and stability for private foreign investment in the less-developed countries.

The statement urged a two-year extension of the unused "residual" (post-Kennedy Round) authority of the 1962 Trade Expansion Act, without additional authority to further reduce tariffs. It endorsed continuation of the escape-clause provision of the present law, and liberalization of trade adjustment assistance to firms injured by imports. The statement recommended a high-level joint business-government study of long-range U.S. foreign trade policy.

The Chamber Board also approved a study to identify and propose ways to eliminate nontariff barriers to trade (special taxes, quotas, licenses and other restrictions on imports).

FOREIGN TRADE POLICY STATEMENT, CHAMBER OF COMMERCE OF THE UNITED STATES, JUNE 30, 1967

1. PROSPECTIVE FOREIGN TRADE POLICY LEGISLATION

Principles

That adherence to the most-favored-nation principle continue to be the basic tenet of international trading relationship, allowing support of the concept of regional economic integration, consistent with continued efforts to develop and expand the world economy; but the adherence to the most-favored-nation principle of nondiscrimination be flexible to the extent that departures from the principle may be permitted in the interest of developing more world trade.

Proposals

1. That residual authority of the Trade Expansion Act be extended for a period of two years with the extension to include the following essential provisions:

(a) That no major round of tariff negotiating be undertaken during this period and that prior to additional negotiating authority there shall occur an interim study of the results of the Kennedy Round negotiations, an examination of appropriate negotiating techniques, and an assessment of remaining trade barriers—both tariff and nontariff.

(b) That Congress authorize appointment of a high-level joint U.S. Government-Business Commission to study long-range U.S. foreign trade policy in an international context.

(c) Continue the Trade Adjustment Assistance and Escape Clause provisions of the Trade Expansion Act, liberalizing the criteria for Trade Adjustment Assistance to firms and workers to make them consistent with similar authority under the Canada-U.S. Automotive Products Trade Act of 1965.

2. That these recommendations be adopted with the greatest urgency possible so that work may go forward by all appropriate bodies in ascertaining the most desirable foreign trade policy for the United States in an ever-increasingly interdependent world economy.

2. TRADE WITH LESS-DEVELOPED COUNTRIES

While it continues to be advisable to advance most-favored-nation tariff treatment as a general principle of United States foreign trade policy, in certain circumstances trade may be promoted more effectively through limited departures such as temporary tariff preferences sanctioned in connection with the establishment of common markets or other economic groupings of states or extended by industrialized nations to the exports of developing countries,

As a means of advancing trade with the developing countries and thereby promoting their economic development, the National Chamber favors:

1. The encouragement, by all reasonable means, of the expansion of developing countries' exports to enable them to take their place among the trading nations of the world.

2. The integration of national economies, through arrangements which will promote trade both among the participating nations and with other nations as it becomes economically advantageous. These arrangements should avoid perpetuating protection of noncompetitive enterprises and should seek the maximum degree of unrestricted trade.

3. Careful consideration and analysis of proposals for the extension of temporary tariff preferences to exports of developing countries. Such extension by the United States should be in concert with other industrialized nations, whereby such nations would share in granting preferences on a basis of equality to developing countries. Such preferences should be periodically reviewed to determine their continuance. These preferences would be most effective in collaboration with increased foreign private investment. The preferences should be in connection with understandings and agreements, participated in by the developing countries to provide protection and stability for such investment under principles of international law. These understandings and agreements should include the usual stipulations as to performance of contractual obligations relating to foreign investment.

8. NONTARIFF BARRIERS

Calls for the "greatest possible relaxation of discriminatory and restrictive trade and investment practices which reduce the flow of goods and services and the volume of international payments, and which obstruct production, distribution, and economic growth, such as: exchange controls, quotas, preferential or discriminatory treatment, monopolies, subsidies, bilateral trade and exchange agreements, or other devices. * * *" This policy also states that the Chamber "supports a trade agreements program which provides the government with adequate authority exercised through the proper agencies for negotiation and administration to make effective agreements for the selective adjustment of tariffs and the orderly and gradual reduction of other barriers to world trade. Such adjustments should be accompanied by comparable or appropriate tariff reductions and the elimination of trade restrictions, whether in the form of quotas, exchange controls, or otherwise, on the part of foreign nations. * * *"

Nontariff barriers are frequently more significant impediments to trade than are tariffs; and as tariffs become less restrictive, nontariff barriers tend to be greater restraints on trade. These restraints are thorny and difficult to negotiate.

Nontariff barriers, for the most part, were left intact at the conclusion of the Kennedy Round. They must not be long neglected.

No meaningful or definitive effort appears to have been made in or out of government to develop the required information.

It is recommended, therefore, that the National Chamber, in cooperation with its organization and business members, undertake immediately a study to identify, catalog, and propose effective ways to eliminate nontariff barriers which inhibit the access of goods to foreign markets and which significantly otherwise impair the healthy expansion of trade.

**PROGRAMME FOR THE LIBERALIZATION AND EXPANSION OF TRADE
IN MANUFACTURES AND SEMI-MANUFACTURES OF INTEREST TO
DEVELOPING COUNTRIES***

**REPORT ON ITEMS OF EXPORT INTEREST TO THE DEVELOPING COUNTRIES
NOTE BY THE UNCTAD SECRETARIAT**

1. At its resumed first session, the Committee on Manufactures noted the secretariat documents TD/B/C.2/8 and Corr. 1 and TD/B/C.2/9 as progress reports on items of export interest to the developing countries and describing some of the barriers hampering their exports to the developed countries. It was noted that further information would be made available by the developing countries in order that this basic information might be completed. In addition, it was suggested that in compiling the next report, the secretariat of UNCTAD should take into account relevant information already supplied to the GATT secretariat, and that the information to be presented should be tabulated in a more detailed form and not only up to the three-digit level of the SITC.¹

2. Accordingly, the Secretary-General in his letter of 31 May 1966 requested member States which had not supplied information, and also those which wished to revise the material already supplied to provide by 31 July 1966 the supplementary information required. Replies have been received from the following States: Argentina, Brazil, Costa Rica, Cuba, Cyprus, Greece, Guatemala, India, Israel, Madagascar, Malta, Mexico, New Zealand, Niger, Peru, Philippines, Portugal, Turkey, Western Samoa, Yugoslavia.

3. In preparing the tables in Annex A to this document the secretariat has, in accordance with the Committee's request, taken into account not only the replies received from the member States mentioned above, but also the relevant information supplied to the GATT secretariat as recorded in GATT document COM.TD/23 and addenda. Furthermore, as requested by the Committee the tables have, in general been prepared according to four-digit or five-digit classification (SITC).

4. The secretariat of UNCTAD has used, in compiling these tables, the definition of semi-manufactures and manufactures given in document TD/B/C.2/3 of 2 July 1965; that document had been prepared jointly by the United Nations Statistical Office and the UNCTAD secretariat at the request of the Special Committee on Preferences. A further explanation in respect of the definition used was provided in document TD/B/C.2/L.10 which was before the Committee at its resumed first session.

5. Annex B to this document gives particulars of the tariff rates in force in the European Economic Community (EEC), the United Kingdom, the United States of America and Japan in respect of the selected semi-manufactured and manufactured products of export interest to the developing countries. This selection was made primarily on the basis of there being actual exports from the developing countries. The tariff rates have been obtained from the national tariff schedules of the developed countries mentioned above, as well as from the GATT secretariat document COM.TD/7.

6. Since the SITC items, especially at the three-digit and four-digit level, do not correspond precisely with the Brussels Tariff Nomenclature (BTN), the rates given in Annex B can only be considered as approximate. The rates have been shown, however, in order to illustrate the likely magnitude of the tariff barriers in the major developed countries in respect of particular items of export interest to the developing countries.

7. For the United Kingdom, the British preferential tariff has been indicated along with the most-favoured-nation (MFN) tariff. In the case of the EEC, the preferential tariff for associated countries is similar to the preferential rates applied in respect of the trade of the countries members of EEC with each other. The rates will, therefore, be zero when the duties on trade among these

*United Nations Conference on Trade and Development, Trade and Development Board, Committee on Manufactures, Second Session, Geneva, 4 July 1967, Item 5 of proposed revised provisional agenda.

¹ See report of the Committee on Manufactures on its resumed first session (TD/B/69-TD/B/C.2/14), para. 26.

countries are abolished, and this abolition is planned for 1968. In the United States, the present preferential tariff in respect of imports from the Philippines is generally 40 per cent of the MFN rate indicated. The preferential rates will be 60 per cent of the MFN rates for the calendar years 1968 through 1970, 80 per cent of the MFN rates for the calendar years 1971 through 1973 and terminated thereafter.

8. Non-tariff barriers, applied in the developed countries in respect of these items of export interest to the developing countries, are not dealt with in this paper, since a more detailed analysis of these barriers is made in document TD/B/C.2/26.

ANNEX A

List of manufactured and semi-manufactured articles of export interest to developing countries

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ANNEX A

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES

SEC. 0—FOOD MANUFACTURES

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
012.1.....	02.06A	Bacon, ham, and other pig meat.....	ARG, CHL, COS, ETI, NIR, TAL, YUG.
013.3.....	16.03	Meat extracts and meat juices.....	ARG, BRZ, COS, IND, NIR, URU.
013.4.....	16.01	Sausages and the like, of meat, meat offal, or animal blood.....	ARG, CHD, DR, ETI, MAG, NIR, TUR, UGA, URU.
013.8.....	16.02	Other prepared or preserved meat or meat offal.....	ARG, BRZ, CHD, COS, ETI, IND, NIC, NIR, TUR, UGA, URU, YUG.
032.01.....	16.04	Prepared or preserved fish.....	ARG, CHD, CHL, CHN, COS, CUB, ETI, GUA, MAG, MEX, MTN, NIC, PAK, PER, PHL, PRT, SPN, TUR, UAR, URU, YUG.
032.02.....	16.05	Crustaceans and mollusks, prepared or preserved.....	BRZ, CHL, CHN, CUB, DR, ETI, IND, PAK, PRT, SPN, TUN, UAR, YUG.
046.01.....	11.01A	Wheat or meslin flours.....	ETI, NEP, NGA, NIR, UGA, URU.
046.02.....	11.02A	Meal and groats of wheat or meslin.....	BRZ, ETI, NEP, NIR, UGA.
047.01.....	11.01B	Other cereal flours.....	DR, ETI, NIC, NIR, TAL, TUR, UGA.
047.02.....	11.02B	Cereal groats and meal, other than of wheat or meslin.....	ETI, NIC, NIR, TAL, TUR, UGA.
	11	Unspecified products of the milling industry, malt and starches, gluten, inulin.....	ARG, GUA.
048.12.....	19.05	Puffed rice, corn flakes, and similar products.....	ARG, CHL.
048.2.....	11.07	Malt.....	CHL, UAR.
048.3.....	19.03	Macaroni, spaghetti, and similar products.....	ARG, DR, ETI, GUA, MLT, NIR, PRT, TUR
048.41.....	19.07	Bread, ships biscuits, and other ordinary bakery wares.....	CEY, COS, ETI, GUA, MEX, UGA.
048.42.....	19.08	Biscuits, etc.....	ARG, CEY, CUB, ETI, GUA, KEN, NGA, PRT, UAR, UGA.
048.82.....	19.02	Preparation of flour, starch, or malt extract.....	ARG, ETI, MEX, NEP, NIR.
052.01.....	08.011	Tropical dried fruit.....	CHD, DR, ETI, IND, JAM, MEX, MTN, NGA, NIC, SPN, TT, UGA.
052.02.....	08.03	Figs, dried.....	TUR.
052.03.....	08.04	Grapes, dried.....	TUR.
052.9.....	08.12	Fruit, dried, not elsewhere specified.....	ARG, CHL, CHA, NIC, SPN, TUR, YUG.
053.2.....	20.04	Fruit, fruit peel, and parts of plants, preserved by sugar.....	CEY, CHL, CHN, CUB, DR, ETI, IND, NIC, PAK, SPN, TAZ, TUN.
053.3.....	20.05	Jams, fruit jellies, marmalades, fruit puree, and fruit paste.....	ARG, CEY, COS, DR, IND, TUR.
053.5.....	20.07	Fruit juices and vegetable juices.....	ARG, BRZ, CHL, CHN, COS, CUB, CYP, DR, ETI, GHA, GRC, IND, ISR, MEX, SPN, TUR, UAR, URU.
053.61.....	08.10	Fruit preserved by freezing.....	ARG, CHN, ETI, GHA, NGA.
053.62.....	20.03	Fruit preserved by freezing, containing added sugar.....	CEY, CHL, CHN, ETI, NIC, UAR.
053.63.....	08.11	Fruit provisionally preserved.....	ARG, CHL, CHN, DR, ETI, GHA, NGA, NIC, PHL.
053.64.....	08.13	Peel of melons and citrus fruit.....	ARG, CHN, DR, SPN.
053.9.....	20.06	Fruit otherwise prepared or preserved.....	ARG, BRZ, CEY, CHL, CHN, ETI, GRC, ISR, MEX, MLS, NIC, PER, PRT, SPN, TUR, UAR, URU, YUG.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. 0—FOOD MANUFACTURES—Continued

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
055.1	07.04	Dried, dehydrated, or evaporated.....	ARG, CHL, CHN, ETI, MWI, NIC, NIR, PAK, RHD, SPN, TAL, TUR, UAR, YUG.
055.41	11.03	Flours of the leguminous vegetables.....	CHL, CHN, ETI, NIR.
055.43	11.05	Flours, meal, and flakes of potato.....	CHL.
055.44	11.06	Flour and meal of sage and of manioc, tapioca, cassava, etc.	BRZ, CHN, ETI, IND, TUR, UGA.
055.45	ex 19.04	Tapioca and tapioca substitutes obtained from potato starch.	ARG, BRZ, CHN, DR, ETI, IDN, MAG.
055.51	20.01	Vegetables and fruit, prepared or preserved by vinegar or acetic acid.	CEY, CHL, CHN, CYP, ETI, IND, ISR, JAM, PER, RHD, SPN, TAZ, TUN, TUR, UAR, YUG.
055.52	20.02	Vegetables prepared or preserved otherwise than by vinegar or acetic acid.	ARG, BRZ, CHL, CHN, CYP, DR, ETI, IND, ISR, MLS, MLT, MWI, NIR, PAK, PER, RHD, SPN, TAZ, TUN, UAR, YUG.
	20	Unspecified preparations of vegetables, fruit, or other.	ARG, BRZ, COS, CUB, GHA, GRC, GUA, MAG, NIC, PAK, TAL, TAZ, TT, UAR, YUG.
062.01	17.04	Sugar confectionery.....	ARG, CEY, CHD, CHL, COS, CUB, CYP, DR, MAG, NIC, PAK, TAL, TAZ, TT, TUR, UAR, UGA.
062.02	17.05	Flavored or colored sugars, syrups, and molasses.	CYP, ETI, NEP, NGA, NIC.
071.3	21.02A	Instant coffee, coffee extracts, essences, concentrates, and similar preparations of coffee.	ETI, GUA, IND, ISR, NIC, PER.
072.2	18.05	Cocoa powder.....	BRZ, COS, CUB, DR, GHA, JAM, NGA, NIC.
072.31	18.03	Cocoa paste.....	DR, GHA, JAM, NGA.
072.32	18.04	Cocoa butter.....	BRZ, COS, DR, GHA, JAM, NGA, NIC.
073.0	ex 18.06	Chocolata.....	COS, DR, GUA, NGA.
091.3	15.01	Lard and other rendered pig fat; rendered poultry fat.	ARG, COS, PAK.
091.4	15.13	Margarine, imitation lard, etc.	ARG, COS, GUA, MEX, NGA, NIR, UGA.
099.01	21.01	Roasted coffee substitutes, etc.	TUR.
099.02	21.02B	Instant tea.....	BRZ, CEY, ETI, IND, MAL, UGA.
099.04	21.04	Sauces, mixed condiments, and mixed seasonings.	ARG, CHL, ETI, IND, JAM, TUR.
099.05	21.05	Soups and broths.....	ARG, CHL, ETI.
099.07	ex 22.10	Vinegar.....	CHL, GUA.
099.09	21.07	Food, preparations, not elsewhere specified.	ARG, CHL, ETI, MLT, NEP.

SEC. 1—BEVERAGES AND TOBACCO

111.02	22.02	Beverages, nonalcoholic.....	CHD, ETI, TUR, UGA.
112.12	22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol.	ARG, CHL, CYP, ETI, GRC, ISR, MEX, MLT, NEP, SPN, TUR, UAR, YUG.
112.13	22.06	Vermouths, etc.....	ARG, CYP, ETI, MEX, NEP, SPN, TUR.
112.2	22.07	Cider, perry, mead, etc.....	AGR, CYP, ETI, MEX, NEP, SPN, TUR.
112.3	22.03	Beer.....	CEY, GRC, GUA, MLT, NGA, PRT.
112.4	22.09	Spirits, liquors, etc.....	ARG, CUB, CYP, DR, GRC, GUA, JAM, MAG, MEX, NIC, PER, SPN, TT, TUR.
122.1	24.02A	Cigars and cheroots.....	ARG, BRZ, CHD, CUB, CYP, DR, ETI, GUA, IND, JAM, MEX, NIC, UGU.
122.2	24.02B	Cigarettes.....	ARG, CHD, CUB, CYP, DR, ETI, GRC, GUA, IND, MAG, PRT, TT, TUR, UAR, UGA.

SEC. II—CRUDE MATERIALS, EXCEPT FUELS

231.2	ex 40.02	Elastomer.....	BRZ.
231.4	ex 40.04	Synthetic rubber moldings.....	MLT, NGA.
243.1	44.07	Railway or tramway sleepers of wood.....	BRZ, CHL, CHN, DR, NEP, TAL, TUR.
243.21	44.05A	Wood sawn lengthwise, sliced or peeled.....	CHL, CHN, COS, GAB, GHA, GUA, NEP, NGA, NIC, TAL, UGA.
243.22	44.13A	Wood planed, tongued, grooved, rebated, etc.	BRZ, CHL, CHN, GUA, NEP, NIC, TAL, TUR.
243.31	44.05B	Woodsawn lengthwise, sliced or peeled.....	CHL, CHA, COS, GAB, GHN, GUA, NEP, NIC, TAL, UGA.
243.32	44.13B	Wood planed, tongued, grooved, rebated etc.	BRZ, CHL, GUN, NEP, NIC, TAL, TUR.
244.02	45.02	Natural cork in blocks, plates, sheets and strips.	SPN, TUN.
251	47.01	Pulp.....	BRZ, CHD, CHL, CHN, COS, CUB, DR, GUA, NEP, PRT, TUN.
266.23	} ex 56.04	Synthetic fibers (discontinuous or waste), carded, combed, or otherwise prepared for spinning manmade fiber tops.	CEY, GUA, IND, MLT.
266.33			
267.02	ex 63.02	Old hemp rope cuttings, jute cord-lies.....	IND, TUR.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. III—PETROLEUM PRODUCTS

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
331.02.....	ex 27.10A	Petroleum, other than crude.....	BRZ, IND, NGA, PRT, TAL, TT, TUR.
332.1.....	ex 27.10B	Petrol.....	TUR.
332.4.....	27.10E	Residual fuel oil.....	TUR.
332.62.....	ex 27.13	Paraffin wax.....	CHN, IND, TAL, TT.
332.92.....	27.08A	Pitch obtained from coal or mineral tars..	MEX, TUR.

SEC. V—CHEMICALS

512.....	29	Organic chemicals.....	CHN, GUA
512.12.....	ex 29.01B	Benzene, excluding chemically pure butylene.	BRZ, MEX, IND.
512.13.....	ex 29.02	Bromides, polybromides, and insecticides.	ISR.
512.14.....	ex 29.03	Dimethyl-dichlorovinyl phosphate.....	MEX.
512.23.....	ex 29.05	Menthol.....	BRZ.
512.24.....	22.08	Ethyl alcohol or neutral spirits.....	ARG, BRZ, CUB, GHA, GRC, NGA, PER, UAR.
512.26.....	15.11	Glycerol and glycerol lyes.....	ARG, BRZ, CEY, CUB, PHL, TAL, UAR, URU.
512.32.....	ex 29.09	Ethylene oxide.....	MEX.
512.51.....	ex 29.14	Vinyl acetate.....	BRZ.
512.52.....	ex 29.15	Oxalic acid.....	BRZ.
512.53.....	ex 29.16	Oxygen-function acids and derivatives.....	MEX, SPN.
512.74.....	ex 29.25	Urea, polyamides.....	CHL, MEX.
512.85.....	ex 29.35	Heterocyclic compounds.....	COS, DIR, GUA, ISR.
512.91.....	es 29.40	Pepsin.....	UGA.
513.....	28	Inorganic chemicals.....	CHN.
513.21.....	ex 28.01	Iodine, bromine, chlorine.....	CEY, CHL, GUI, ISR, PER.
513.22.....	ex 28.04D	Silicon.....	UAR.
513.24.....	ex 28.05A	Mercury.....	CHL, TUR.
513.25.....	28.03	Carbon black.....	MEX.
513.27.....	ex 28.08	Sulfuric acid.....	IND, PER, TAZ, UGA.
513.33.....	ex 28.10	Phosphoric acid.....	ISR.
513.35.....	28.11	Arsenic trioxide.....	MEX.
513.36.....	ex 28.12	Boric acid.....	ARG.
513.37.....	ex 28.13	Inorganic acids and oxygen compounds.....	ISR, TUR.
513.39.....	ex 28.22	Manganese dioxide.....	MEX.
513.52.....	ex 28.23	Iron oxides.....	IND, MEX, TUR.
513.53.....	ex 28.27	Lead oxide.....	MEX.
513.56.....	28.16	Ammonia.....	CHL, TT.
513.61.....	ex 28.17A	Sodium hydroxide (caustic soda).....	CEY, GUI, TAZ.
513.62.....	ex 28.20A	Aluminium oxide and hydroxide.....	CHA, JAM.
513.65.....	ex 28.30	Cerium chloride.....	BRZ.
514.12.....	28.33	Bromides and bromine compounds.....	ISR.
514.15.....	ex 28.38	Manganese sulfate.....	IND.
514.24.....	ex 28.39	Sodium nitrate, containing more than 16.3 percent by weight of nitrogen.	GHL.
514.25.....	28.40	Phosphites.....	ISR, MEX.
514.26.....	ex 28.42B	Lithium carbonate, cerium carbonate.....	BRZ, TUR.
514.29.....	ex 28.45	Sodium silicate.....	UGA.
514.32.....	ex 28.47	Sodium dichromate.....	BRZ, IND.
514.35.....	28.56A	Calcium carbide.....	GUI, TUR.
514.94.....	27.07	Oils and other products of the distillation of coal tar.	TUR.
521.4.....	32.05	Synthetic organic dyestuffs and natural indigo.	TUR.
531.01.....	ex 32.04	Dyeing extracts (vegetable and animal).....	JAM, NIR, TUR.
532.1.....	32.01	Tanning extracts of vegetable origin.....	ARG, BRZ, IND, NIC, NIR, TUR.
532.4.....	32.02	Tannings.....	BRZ.
532.5.....	ex 32.08	Prepared pigments, enamels, etc.....	GUA, GUI, JAM, TT, TUR, UAR.
533.31.....	ex 32.09	Varnishes and lacquers.....	IND, ISR.
533.32.....	32.10	Dyes for retail sale.....	PER, PRT, TUR.
533.33.....	32.10	Pharmaceutical products.....	COS, GRC, PAK, TAL, UAR.
541.....	ex 29.38	Vitamin B ₁₂	BRZ.
541.1.....	29.44	Antibiotics (penicillin in bulk).....	BRZ, ISR.
541.3.....	ex 29.42	Caffeine; opium alkaloids, cocaine, etc. of quinoline sulfate and other quinoline preparations; alkaloids other than opium and onchicine groups.	BRZ, GUI, IND, ISR.
541.4.....	ex 29.39	Hormones (testosterous, progesterone folliculin, etc.).	BRZ, MEX.
541.5.....	ex 29.41	Saponin.....	CHL.
541.61.....	ex 30.01	Organo-therapeutic glands or other organs extracts.	BRZ, PAK, URU.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. V—CHEMICALS—Continued

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
541.63	30.02	Anticora, vaccines and ferments.....	BRZ, MGA, PAK.
541.7	30.03	Medicaments.....	ARG, BRZ, COS, GUA, ISR, NGA, PAK, TUR.
551.1	33.01	Essential oils, etc.....	ARG, BRZ, CEY, COS, CUB, DR, GRC, GUI, IDN, IND, ISR, MAG, MEX, NIC, PHL, SPN, TUR, UAR, UGA.
553.0	33.06	Perfumery (talcum powder) (bay rum)....	GHD, COS, CYP, GRC, GUA, IND, JAM, NGA, PER, PHL, SPN, TAL, TT.
554.1	34.01	Soap.....	ARG, CYE, CHD, COS, CYP, GRC, GUA, GUI, IND, NEP, NGA, PAK, SPN, TAL, TAZ, TOG, TT, TUR, UAR, UGA.
554.2	ex 34.02	Oil of marine animals, sulfonated or sulfited, detergent powder.	CHL, CYP, GUA, MLT.
561.29	ex 31.03B	Superphosphatos and hyperphosphates....	COS, GRC, GUI, IND, MEX, TAZ, TUN, UAR, UGA.
561.3	ex 31.04B	Potassium chloride and sulfate.....	ISR.
561.9	31.05	Ammonium sulfate, urea.....	TT.
571.12	ex 36.02	Gelignite.....	ARG.
571.4	ex 93.07A	Shooting cartridges.....	UAR.
581	39	Artificial resins and plastic materials, cellulose esters, and others; articles thereof.	CHN, COS, IND.
581.1	ex 39.01	Alkyls.....	BRZ, TUR.
581.2	ex 39.02	Vinyl resins (vinilite), polyethylene and polypropylen from natural gas, expanded polystyrene.	BRZ, GRC, MEX, MLT, TUR.
581.32	ex 39.03B	Cellophane, cellulose acetate.....	CHL.
581.92	39.05	Modified natural resins, ester gums, etc....	TUR.
581.99	ex 39.06	Sodium alginate.....	CHL.
599.51	ex 11.08	Starches.....	BRZ, CHL, DR, GHA, GRC, MAG, NGA, NIC, NIR, TUR, UAR, YUG.
599.52	ex 11.09	Gluten.....	ARG, IND, NIR.
599.53	35.01	Casein and casein derivatives; casein glues.	ARG, NIC, NIR, URU.
599.54	ex 35.02	Albumins.....	BRZ, NIR.
599.55	35.03	Gelatin, glues.....	ARG, NIR, URU.
599.56	35.04	Peptones and other protein substances.....	NIR.
599.57	ex 35.05	Dextrins and starch glues.....	NIR, TUR.
599.59	35.06	Prepared glues, not elsewhere specified....	ARG.
599.63	ex 38.07	Spirits of turpentine (gum, wood, and sul- fate), etc.	IND, MEX, NIC.
599.64	ex 38.08	Resin and resin acids.....	NIC, SPN, TUR.

SEC. VI—BASIC MANUFACTURES

611.2	41.10	Reconstituted and artificial leather contain- ing leather.	ETI, GRC, TUR.
611.3	41.02	Calf leather, bovine cattle leather, and equine leather.	ARC, BRZ, CHD, DR, ETI, GUA, GUI, IND, MAG, NIC, NIR, PAK, TUR, UGA, URU.
611.4	41.03	Sheep and lamb skin leather.....	ARG, DR, ETI, IND, MAG, NGA, NIC, NIR, PAK, SPN, TUR, UGA, URU.
611.91	41.04	Goat and kid skin leather.....	ARG, DR, ETI, IND, NGA, NIC, NIR, PAK, TUR, UGA, URU.
611.93	41.06	Chamois-dressed leather.....	CHD, DR, ETI, IND, URU.
611.94	41.07	Parchment-dressed leather.....	ETI, URU.
611.95	41.08	Patent leather and metalized leather.....	CHD, ETI, URU.
611.99	41.05	Other kinds of leather.....	ARG, BRZ, ETI, IND, NGA, NIC, NIR, PAK, UAR, UGA, URU.
612		Unspecified articles of leather, etc.....	CEY, CHD, COS, MAG, PAK, SPN, TAL, UAR, UGA.
612.1	42.04	Articles of leather used in machinery, etc..	DR, ETI.
612.2	42.01	Saddlery and harness.....	ETI, GUA, IND, NIR.
612.3	64.05	Parts of footwear.....	COS, ETI, GUA, IND, NIR.
612.9	42.05	Other articles of leather.....	ETI, GUA, IND, NIR.
613.0	49.02	Furskins, tanned or dressed.....	ARG, CHD, IND, NIR, SPN, TUR, UGA.
621.01	40.05	Plates, sheets and strip, of unvulcanized rubber.	MLS, NGA, PER.
621.02	ex 40.06	Unvulcanized natural rubber and articles thereof.	MLS, NGA.
621.03	40.07	Rubber articles.....	COS, GUA, NGA, PER, UAR.
621.05	ex 40.09	Rubber hoses.....	GUA, TUR.
629.1	ex 40.11	Rubber tires and tubes for vehicles.....	BRZ, CEY, GHA, GUA, IDN, IND, ISR, NGA, PER, TUR, UAR, UGA.
629.4	ex 40.10	Conveyor or elevator belts.....	IND.
629.98	ex 40.14	Articles of sponge rubber, and foam rubber.	CEY, GHA, CUA, IND, MLT, NGA, UAR.
631.1	44.14	Veneer sheets and sheets for plywood.....	BRZ, CHL, CHN, COS, GAB, IND, NEP, NGA, NIC, TAL, TUR, UGA, YUG.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. VI—BASIC MANUFACTURES—Continued

(See key to abbreviations at end of table)

SITC	BTN	Products	Notifying Countries
631.21.....	44.15	Plywood, blockboard, laminboard, battenboard, and veneer panels.	BRZ, CHL, CHN, COS, ETI, GAB, GUA, IDN, IND, ISR, KRR, MEX, NEP, NGA, NIC, PHL, PRT, SPN, TAL, TAZ, TUR, UAR, UGA, YUG.
631.22.....	44.16	Hollow or cellular panels of wood.....	CHL, CHN, NEP, YUG.
631.41.....	44.17	"Improved" wood in sheets, blocks, or the like.	BRZ, CHL, CHN, NEP, NIR, TUR, YUG.
631.42.....	44.18	Reconstituted wood.....	CUB, MEX.
631.83.....	44.09	Hoopwood, split poles, piles, etc.....	ETI, GUA.
631.87.....	44.19	Wooden beadings and moldings.....	CHL, CHN, IND, MEX, NEP.
632.1.....	44.21	Complete wooden packing cases, boxes, crates, drums.	BRZ, ETI, GUA, NGA, NIC.
632.2.....	44.22	Casks, barrels, vats, tubs, buckets.....	QUA, NIC.
632.4.....	44.23	Bulldozers' carpentry and joinery.....	BRZ, CHL, DR, GUA, YUG.
632.71.....	44.20	Wooden picture frames, photograph frames, mirror frames, and the like.	BRZ, GUA, NGA.
632.72.....	44.24	Household utensils of wood.....	CHL, DR, GRC, GUA, IND, NIC, UAR, YUG.
632.73.....	44.27	Lamps of wood, articles of furniture of wood not falling within 94, fancy articles.	COS, DR, GUA, IND, NGA, NIC, SPN, UGA, VIR, YUG.
632.81.....	44.25	Wooden tools, tool and handles, broom and brush bodies and handles, boot and shoe lasts and trees.	BRZ, NGA, NIC, YUG.
632.89.....	44.28	Other articles of wood.....	CHL, COS, NIC, SPN, YUG.
633.01.....	45.03	Articles of natural cork.....	SPN, TUN.
633.02.....	45.04	Agglomerated cork and articles thereof.....	SPN, TUN.
	48.01	Paper and paperboard.....	CHN, GRC, IND, NGA, PAK.
641.1.....	48.01A	Newsprint.....	CHL, PAK.
641.21.....	48.01B	Printing and writing paper.....	CHL, UAR, YUG.
641.3.....	48.01C	Draft paper and draft paperboard.....	CHL, UAR, YUG.
641.6.....	48.09	Building board of wood pulp or vegetable fiber.	TUR.
641.7.....	48.02	Handmade paper and paperboard.....	CHN, IND, YUG.
642.11.....	ex 48.16	Boxes and cartons of corrugated paperboard.	COS, GUA, ISR, IND, UGA.
642.2.....	48.14	Writing blocks, envelopes, postcards, etc.....	TUR.
642.92.....	ex 48.13	Carbon paper.....	GUA, TUR.
642.93.....	ex 48.15	Toilet paper.....	GUA, MLT, PRT.
642.99.....	48.21	Other articles of paper pulp, paper, paperboard or cellulose wadding (papier mache, etc.).	GOS, GUA, IND, NIC.
651.11.....	50.04	Silk yarns.....	IND, KRR, UAR.
651.12.....	50.05		
651.13.....	50.06		
651.14.....	50.07		
651.21.....	53.06		
651.22.....	53.07		
651.23.....	53.08		
651.25.....	ex 53.10	Woolen yarn for weaving (put up for retail sale).	ARG.
651.3.....	55.05	Cotton yarn, not put up for retail sale.....	BRA, CHN, GRC, GUA, IND, ISR, MEX, MLT, NIR, PAK, PER, TUR, UAR.
651.41.....			GRC, MEX, PER.
651.42.....	55.06	Cotton yarn put up for retail sale.....	CHL, NIC, UAR.
651.51.....	54.03	Flax and ramie yarn.....	CHL, NIC, UAR.
651.52.....	ex 54.04	Flax yarn, put up for retail sale.....	IND.
651.53.....	57.05	Yarn of true hemp.....	IND, MLT, YUG.
651.61.....	51.01A	Yarns of synthetic fibers, not put up for retail sale.	
651.64.....	ex 56.06A	Nylon or perlon yarn.....	CHN, CUB, GUA, ISR, YUG.
651.71.....	ex 51.01B	Rayon yarn and monofil.....	CHL, MEX, UAR.
651.72.....	ex 51.02Bdo.....	CHL, MEX, UAR.
651.73.....	ex 51.03Bdo.....	CHL, MEX, UAR.
651.74.....	ex 56.05B	Yarn of synthetic fiber.....	CHN, GUA, ISR, MEX, YUG.
651.91.....	52.01	Metalized yarn.....	IND.
651.92.....	57.06	Yarn of jute.....	IND, NIC, PAK, PER.
651.93.....	ex 57.07	Yarn of sisal and coir.....	DR, CEY, MAG, MEX, NIR.
652.11.....	55.07A	Cotton gauze, unbleached.....	ETI, NIR, PER, TUR.
652.12.....	55.08A	Terry fabrics of cotton, unbleached.....	TUR.
652.13.....	55.09	Other woven fabrics of cotton.....	BRZ, CHD, CHL, COS, ETI, GRC, GUA, IND, KRR, MAL, MEX, MLS, NIR, PAK, PER, PRT, TUR, UAR, UGU, YUG.
652.29.....			
653.11.....	50.09	Woven fabrics of silk or of waste silk other than noil.	IND, KRR, TUR.
653.12.....	50.10	Woven fabrics of noil silk.....	
653.21.....	ex 53.11	Woven fabrics of sheep's or lamb's wool cashmere fabrics.	ARG, CHL, GRC, GUA, IND, KRR, PAK, TUR, URU.
653.31.....	ex 54.05	Woven fabrics of flax.....	CHL, IND, UAR.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. VI—BASIC MANUFACTURES—Continued

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries	
653.4	57.10	Woven fabrics of jute	BRZ, IND, JAM, NEP, PAK, PER.	
653.51	ex 51.04A	Woven fabrics of manmade fibres for tyres	ISR.	
653.52	ex 56.07	Rayon woven fabrics. Fabrics of synthetic	CUB, GUA, IND, KRR, TUR, UGA.	
653.62	ex 51.04B	Ribbers and spun glass.		
653.61		Piece goods entirely of art silk	KRR, UAR, YUG.	
653.7	60.01	Fabric	IND.	
653.91	ex 52.02	Fabrics, containing gold and silver thread and imitation of both (hand loom) silk saris with jarl border; saris embroidered with gold and silver thread.	IND.	
653.94	ex 57.11	Woven fabrics of sisal or coirs	DR, KRR, MAG, MEX, NEP, NIR.	
654.01	ex 58.05	Webbing of jute	ETI, IND.	
654.03	ex 58.07	Cotton loops, fringes, and other trimming wares, nonelastic.	BRZ.	
654.04	58.08	Tulle and other net fabrics	IND, KRR, MLT, PRT.	
654.05	58.09			
654.06	58.10			
655.1	ex 59.02	Embroidery, in the piece, in strips or in motifs.	GYP, IND, MLT.	
655.42	59.07	Namdah	IND.	
655.43	ex 59.08	Textile fabrics, coated for artistic canvas	IND.	
655.44	ex 59.09	Artificial leather	TUR.	
655.61	ex 59.04	Packing cloth	TUR.	
655.62	ex 59.05	Twine, cordage, ropes, and cables of coir, juté and flax.	BRZ, IND, NIC, PAK, PER, PRT, UAR.	
656.1	62.03	Cotton nets, excluding fishing nets, sisal mats, fishing nets.	BRZ, DR, KRR, UAR, UGA.	
656.2	62.04	Sacks and bags	BRZ, CEY, COS, IND, PAK, PRT, TUR.	
656.61	62.01	Tarpaulins, sails, tents, etc.	CEY, IND, TUR, UAR.	
656.62		Traveling rugs and blankets	ARG, CEY, CHL, COS, IND, NGA, NIR, TUR.	
656.69		62.02	Linen, curtains, and other furnishing articles.	CEY, CHL, COS, CYP, IND, KER, PRT, TUR, UAR.
656.91			Other made-up textile articles	CEY, CHL, TAL, TUR.
656.92	62.05	Linoleum	IND, TUR, UAR.	
657.42	ex 59.10	Unspecified knitted and crocheted goods	CHN, GRC, GUA, IND, TAL, UAR.	
657.5	58.01	Carpets, carpeting and rugs, knotted	AGR, CEY, GRC, GUA, IND, PAK, TUR, UAR, YUG.	
657.6	58.02	Other carpets, carpeting, rugs, mats and matting.	ARG, CEY, CHD, ETI, IND, PAK, TUR, UAR, YUG.	
657.8	ex 46.02	Products suitable for making or ornamenting bonnets, hats, or hoods.	NIC.	
661.1	25.22	Lime	DR, ETI, GUI, NEP, NGA.	
661.2	25.23	Cement	ARG, COS, DR, ETI, GRC, GUI, ISR, JAM, KRR, NEP, NGA, PRT, TT, TUR, UAR, UGA.	
661.32	ex 68.02	Worked monumental or building stone; granite.	BRZ, CUB, GUA.	
661.83	ex 68.12	Articles of asbestos-cement	CEY, GUA, ISR, NGA, PERT, TUR, UGA.	
662.32	69.02	Refractory bricks, etc.	BRA, IND, TUR, YUG.	
662.42	69.05	Roofing tiles, chimney pots, etc.	ETI, NEP, UGA.	
662.43	69.06	Ceramic piping, conduits, and guttering	DR.	
662.44	ex 69.07	Ceramic tiles	DR, GUA, MEX, PRT, SPN, TUR, UGA.	
662.45	ex 69.08			
663.11	68.04			
663.2	68.06	Grinding etc., wheels and stones for machines.	MEX.	
663.4	68.15	Abrasive cloths and papers	MEX.	
663.62	ex 68.11	Worked mica and articles of mica	BRZ, GUA, IND.	
663.7	69.03	Cement pipes, reinforcing concrete bars	GUA, NGA, UGA, UAR.	
663.81	68.13	Other refractory goods	MLT.	
663.82	68.14	Fabricated asbestos and articles thereof	CEY, GUA, IND, ISR, NGA, TAL, TUR, UAR, UGA, YUG.	
663.92	69.14	Brake lining	ISR.	
664.1-664.3	70	Other articles of ceramic materials not elsewhere specified.	CHD, TUR, UGA, VIR.	
664.4	70.01-70.05	Glass and glassware	BRZ, CHN, GRC, GUA, IND, TAZ, UAR.	
664.6	70.06	Unworked drawn or blown glass in rectangles.	BRZ, ISR, MEX, SPN, TUR.	
664.6	70.16	Cast, rolled, drawn or blown glass, in rectangles, surface ground or polished.	MEX, SPN.	
664.91	70.07	Bricks, tiles, slabs, etc.	GUA, MEX, TUR.	
664.92	70.11	Cast, rolled, drawn, or blown glass in rectangles, surface ground or polished.	MEX, SPN.	
665.11	70.10	Glass envelopes for electric lamps or the like.	TUR.	
		Carboys, bottles, jars, pots, etc. of glass	CHN, ETI, IND, PRT, SPN, TAZ, TUR, UAR, YUG.	

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. VI—BASIC MANUFACTURES—Continued

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
665.2	70.13	Glassware used for table, kitchen, toilet or office purposes, etc.	CHN, IND, PER, SPN, TAL, TAZ, TUR, UAR, YUG.
665.81	70.17	Laboratory, hygienic and pharmaceutical glassware.	TUR.
665.82	ex 70.19	Imitation pearls.	KRR, SPN, TUR.
666.4	ex 69.11	Tableware of porcelain.	CHD, CHN, PRT, TUR, VIR.
666.5	69.12	Household ware of other ceramic materials.	CHD, CHN, TUR, VIR.
666.6	69.13	Statuettes and other ornaments, and articles of personal adornment, articles of furniture.	CHD, CHN, SPN, TUR, VIR.
667.4	71.03	Synthetic or reconstructed precious or semiprecious stones.	BRZ.
671.1	} ex 73.01	Spiegeleisen, pig iron, cast iron.	BRZ, CHL, IND, MWI, NGA, RHD, ZMB.
671.2			
671.4			
671.5			
672.1	} 73.02	Ferroalloys.	BRZ, CHL, IND, TUR.
672.31			
672.51	} 73.06	Puddled bars and pillings, ingots, etc., of iron or steel.	BRZ, CHN, IND, SPN, UAR, YUG.
672.51			
673.11	} 73.07	Blooms, billets, etc., of iron or steel.	BRZ, CHL, IND, SPN, UAR, YUG.
673.11			
673.21	} ex 73.10	Bars and rods of iron or steel.	BRZ, CHL, KRR, MEX, UGA.
673.21			
673.41	73.11A	Angles, shapes, and sections, sheet, piling of iron or steel.	IND, KRR, MEX, UGA.
674	} ex 73.09	Sheets and plates of iron or steel.	BRZ, CHL, GRC, KRR, TUR.
674.14			
676.1	} 73.16	Universal plates of common iron and steel.	BRZ.
676.2			
677.02	ex 73.15Y	Railway and tramway track construction material.	CHL, UAR.
678.1	} ex 73.15Y	High resistance galvanized steel wire.	ARG, BRZ, CHL.
678.1			
678.1	} 73.17	Sheets of silicon steel.	ARG, BRZ, TUR, UAR, YUG.
678.2			
678.3	} 73.18B	Tubes and pipes, of cast iron.	ARG, BRZ, ISR, MEX, TUR, UAR, YUG.
678.3			
678.4	} 73.19	Tubes and pipes and blanks therefor of iron or steel.	IND.
678.4			
678.5	73.20	High-pressure hydroelectric conduits of steel.	IND.
679.1	} ex 73.40	Tube and pipe fittings of iron or steel.	BRZ, IND, MEX, TUR.
679.2			
679.3	} ex 73.40	Cast iron and steel castings in the rough state, forgings, balls for use in mineral grinding and crushing mills. Wrought iron articles.	CHL, MEX, MLT, UAR, UGA.
679.3			
682.11	74.01C	} Unwrought copper.	CHL, COS, KRR, NEP, PER, TUR.
682.12	74.01D		
682.13	ex 74.02	Yellow metal alloys, excluding brass.	IND.
682.21	74.03	Wrought bars, rods, wire, etc., of copper.	CHL, IND, MEX, PER, TUR, YUG.
682.22	74.04	Wrought plates, sheets, and strip of copper.	CHL, IND, KRR, MEX, TUR, YUG.
682.23	74.05	Copper foil.	IND, YUG.
682.24	74.06	Tubes and pipe fittings of copper.	CHL, YUG.
682.25	74.07	Tubes and pipes and blanks therefor, hollow bars of copper.	CHL, IND, TUR, YUG.
683.1	74.01C	Nickel.	COS, DR.
683.22	ex 75.03	Wrought plates and sheets of nickel.	IND.
683.23	75.04	Tubes and pipes of nickel.	TUR.
684.1	ex 76.01B	Unwrought aluminum.	CHA, IND, JAM.
684.21	76.02	Wrought bars, rods, angles, shapes, and sections of aluminum.	TUR, YUG.
684.22	76.03	Wrought plates, sheets, and strip of aluminum.	ISR, YUG.
684.23	76.04	Aluminum foil.	ISR, YUG.
684.25	76.06	Tubes and pipes, etc. of aluminum.	ISR, TUR, UGA, YUG.
684.26	76.07	Tube and pipe fittings of aluminum.	ISR.
685.1	ex 78.01B	Unwrought lead.	PER, YUG.
685.21	78.02	Lead bars, sections and wire.	PER, YUG.
685.22	78.03	Lead plates, sheets, and strip.	PER, YUG.
685.24	78.05	Lead tubes and pipes and fittings.	PER, TUR, YUG.
686.1	ex 79.01B	Unwrought zinc.	PER, TUR.
686.21	ex 79.02	Zinc rods, angles, and profiles.	PER, YUG.
686.22	ex 79.03B	Zinc plates, sheets, and strips; zinc powder.	PER, YUG.
686.23	79.04	Tubes and pipes of zinc.	TUR.
687	80	Tin and articles thereof.	GUA, IND, TUR.
687.1	80.01B	Unwrought tin.	MLS, NGA, TAL.
688		Manganese, antimony, bismuth, cadmium, cobalt, chromium, uranium.	CUB, IND, PER, UAR.
689		Structural parts of iron or steel.	MEX.
691.1	73.21	Doors and windows of aluminum.	DR, GUA, ISR.
691.2	ex 76.08	Reservoir tanks, vats, and similar containers of iron or steel.	GH, GUA, MEX, TUR.
692.11	73.22	Reservoirs, tanks, vats, and similar containers of aluminum.	TUR.
692.13	76.09	Transport containers of iron or steel.	MEX.
692.21	73.23	Steel cylinders for liquid gas.	CHL, MEX.
692.31	ex 73.23	Steel cables.	CHL, MEX.
693.11	ex 73.25		

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. VI—BASIC MANUFACTURES—Continued

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
693.12.....	74.10	Stranded wire, cables, cordage, ropes, etc. of copper wire.	CHL.
693.2.....	73.26	Barbed iron wire, zinc coated of from 2.1 to 3.5 millimeter cross section.	ARG, PRT, TUR.
694.11.....	ex 73.31	Nails, except for horseshoe.....	GUA, NGA, TAL, UGA, YUG.
694.12.....	ex 74.14	Copper nails and the like.....	CHL.
694.21.....	ex 73.32	Bolts and nuts, screws, rivets of iron or steel.	CHL, COS, IND, NGA, YUG.
694.22.....	74.15	Bolts and nuts, screws, washers, etc. of copper.	CHL, COS, NGA, TUR.
695.1.....	82.01	Handtools (spades, picks, etc.).....	CHL, SPN, UGA.
695.21.....	82.02	Saws and saw blades.....	MEX, PER, SPN, TUR.
695.22.....	82.03	Handtools (pliers, spanners, files, etc.).....	IND, MEX, SPN.
695.23.....	82.04	Handtools (grinding wheels, blow lamps, etc.).....	IND, MEX, SPN.
695.24.....	82.05	Interchangeable tools.....	IND, ISR, TUR.
695.25.....	82.06	Knives and cutting blades for machines or mechanical appliances.	ISR.
695.26.....	82.07	Tool tips and plates, sticks, and the like.....	ISR.
696.01.....	82.09	Knives with cutting blades.....	NEP, PAK.
696.03.....	82.11	Razors and razor blades.....	IND, MEX, NEP, PAK.
696.04.....	82.12	Scissors and blades.....	NEP, PAK, SPN, TUR.
696.05.....	82.13	Other articles of cutlery.....	NEP, PAK, SPN.
696.06.....	82.14	Table and kitchen knives, spoons and forks.	IND, PAK, TUR.
697.11.....	73.36	Stoves, ranges, cookers, etc., of iron or steel.	GUA, NEP, TUR, UAR.
697.21.....	73.38A	Domestic articles and parts thereof of iron or steel.	COS, GUA, MEX, TUR, UAR.
697.22.....	ex 74.18	Household utensils of brass.....	IND, TUR.
697.23.....	ex 76.15	Kitchen utensils of aluminum.....	CEY, GRC, GUA, MEX, PRT, UGA.
697.91.....	ex 73.39	Iron and steel wool.....	TUR.
697.92.....	83.06	Statuettes and other indoor ornaments of base metal.	IND, SPM.
698.11.....	ex 83.01	Locks and padlocks.....	SPN, TUR.
698.12.....	ex 83.02	Latches, bolts.....	SPN, TUR.
698.2.....	83.03	Safes and strongboxes.....	MEX.
698.3.....	ex 73.29	Chain and parts thereof.....	TUR.
698.61.....	73.35	Springs and leaves for springs.....	GUA, MEX, TUR.
698.82.....	83.08	Flexible tubing and piping of base metal.....	TUR.
698.84.....	ex 83.11	Bells and gongs (brass and bronze ware as artware).	IND.
698.87.....	ex 83.15	Electrodes for welding.....	GUA, TUR.
698.92.....	ex 74.19	Castings and forgings, fancy materials of brass and other brass manufactures.	IND, KRR, YUG.
698.94.....	ex 76.16	Castings and forgings of aluminum.....	KRR, YUG.
698.96.....	ex 78.06	Lead castings and forgings.....	YUG.

SEC. VII—MACHINERY AND TRANSPORT EQUIPMENT

711.1.....	84.01	Steam and other vapor generating boilers.....	BRZ, MEX, PER, TUR.
711.2.....	84.02	Steam condensers.....	MEX.
711.5.....	ex 84.06B	Internal combustion engines, diesel engines, for motorcycles.	ARG, BRZ, IND, PAK.
712.1.....	ex 84.24	Steelplates for ploughs and harrows.....	CHL, MEX, TUR.
712.2.....	ex 84.25	Cotton ginning machinery.....	TUR.
714.1.....	ex 84.51	Typewriters.....	BRZ, TUR.
714.2.....	ex 84.52	Calculating machines.....	BRZ, TUR.
715.1.....	84.45	Machine tools for working metal or metallic carbides.	ARG, BRZ, CHL, IND, ISR, PAK, SPN, YUG.
715.21.....	84.43	Metal foundry machinery and equipment.....	YUG.
715.22.....	84.44	Rolling mills and rolls therefor.....	YUG.
715.23.....	ex 84.50	Hardening, casting, and soldering ovens and machines.	YUG.
717.11.....	84.36	Machinery for extracting manmade textiles.	TUR.
717.13.....	ex 84.38	Auxiliary machinery, parts and accessories for textile machinery.	IND.
717.3.....	ex 84.41	Sewing machines, furniture designed for sewing machines.	BRZ, GRC, IND, TUR, UAR.
718.11.....	84.31	Machinery for making or finishing wood-pulp, paper, and paperboard.	BRZ.
718.29.....	ex 84.35	Printing machinery.....	MEX.
718.39.....	84.30	Machinery for food or drink industries.....	BRZ, TUR.
718.51.....	ex 84.58	Shields for grinding machinery and parts of manganese steel.	BRZ, CHL, TUR.
719.11.....	84.03	Gas generators.....	MEX.
719.12.....	84.12	Air-conditioning machines.....	UAR.
719.15.....	84.15A	Refrigerating equipment.....	MEX.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. VII—MACHINERY AND TRANSPORT EQUIPMENT—Continued

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
719.19-----	84.17A	Apparatus for treating materials with heat or cold.	MEX.
719.21-----	ex 84.10	Pumps for liquids.....	BRZ, IND, MEX.
719.22-----	ex 84.11	Compressor parts and accessories.....	BRZ.
719.23-----	84.18B	Centrifuges; filtering and purifying machinery.	MEX, TUR.
719.31-----	ex 84.22	Hoists.....	ARG, MEX.
719.41-----	82.08	Coffee mills, juice extractors, mincers, etc.	CHL, TUR.
719.51-----	84.46	Machine tools for working stone, ceramics, etc.	ARG, IND, PAK.
719.52-----	84.47	Machine tools for working wood, corks, etc.	ARG, BRZ, IND, PAK, TUR.
719.53-----	ex 84.49	Pneumatic tools (hammers).....	IND.
719.54-----	ex 84.48	Interchangeable tools.....	ISR.
719.62-----	ex 84.19	Bottling machinery; machinery for washing, filling, sealing, or labeling.	ARG, MEX.
719.64-----	ex 84.21	Spraying appliances.....	ISR, MEX, TUR.
719.7-----	84.62	Ball, roller, or needle roller bearings.....	BRZ.
719.8-----	84.59B	Machinery and mechanical appliances not elsewhere specified, machines for plastic processing industries, asphalt mixers and spreaders, presses, parts and accessories.	ARG, BRZ, CHL, GRC, MEX, TUR.
719.91-----	84.60	Moulding boxes for metal foundry.....	MEX.
719.92-----	84.61	Taps, cocks, valves, etc.....	BRZ, MEX, TUR, UAR, YUG.
719.93-----	ex 84.63	Plain shaft bearings, pillowblocks of steel, bronze and/or other metals.	CHL.
719.99-----	84.65	Machinery parts.....	CHL.
722.1-----	85.01	Electric generators, motors, converters, transformers, etc.	CHL, IND, TUR, YUG.
722.2-----	85.19	Electrical apparatus for making and breaking electrical circuits.	BRZ, MEX, TUR, YUG.
723.1-----	85.23	Insulated electric wire, cable bars, strip, and the like.	CHL, GRC, IND, MLT, PRT, TUR, YUG.
723.21-----	85.25	Insulators.....	ARG, GUA, TUR.
723.22-----	ex 85.26	Insulating materials for electrical equipment.	MEX.
723.23-----	85.27	Electrical conduit tubing and joints therefor.	TUR.
724.2-----	ex 85.15B	Radio receivers.....	BRZ, CHL, KRR, TUR, UAR.
724.91-----	ex 85.13	Complete telephonic systems and parts thereof.	ARG.
724.92-----	ex 85.14	Loudspeakers.....	ARG.
724.99-----	ex 85.15C	Other telecommunications equipment.....	MEX.
725.01-----	89.15C	Domestic refrigerators.....	BRZ, CHL, MEX, TUR.
725.02-----	ex 84.40B	Domestic washing machines.....	ARG, CHL, TUR.
725.03-----	85.06	Electromechanical domestic appliances.....	BRZ, CHL, COS, IND, MEX, TUR.
725.04-----	85.07	Shavers and hair clippers.....	CHL, MEX.
725.05-----	85.12	Electric space heating equipment.....	MEX.
729.11-----	85.03	Primary cells and primary batteries.....	CEY, GUA, IND, MEX, PER, TAL, TUR, UAR.
729.12-----	85.04	Electric accumulators.....	CHL, PER, PRT, TUR.
729.2-----	ex 85.20	Electric lamps.....	CHL, GUA, MEX, TUR, UAR.
729.3-----	ex 85.21	Receiving valves and tubes, crystal diodes and triodes (transistor).	BRZ, CHL, MEX, TUR.
729.41-----	85.08	} Electrical equipment for vehicles.....	CHL, GUA, MEX.
729.42-----	85.09		
729.52-----	90.28		Electrical measuring and controlling apparatus.
729.6-----	85.05	Electromechanical handtools.....	CHN.
729.92-----	85.11	Industrial electric furnaces and ovens.....	ARG, GRC.
729.95-----	ex 85.18	Condensers.....	BRZ, MEX, YUG.
729.96-----	85.24	Carbon brushes and electrodes.....	MEX, TUR.
729.98-----	85.28	Electrical parts of machinery and apparatus, not elsewhere specified.	CHL, GRC.
729.99-----	85.22B	Electrical goods and apparatus, not elsewhere specified, galvanizing aggregates.	CHL, GUA, TUR, YUG.
731.62-----	ex 86.07	Complete goods wagons for railways.....	BRZ, CHL, MEX.
731.7-----	ex 86.09	Parts for railway wagons, shoes, axles, wheel centers, bogies, couplings, etc.	CHL.
732.1-----	ex 87.02A	Passenger automobiles.....	BRZ, GRC, MLT.
732.7-----	87.04B	Chassis fitted with engines, for motor vehicles.	GRC, TUR.
732.89-----	87.06	Parts and accessories of motor vehicles.....	BRZ, CHL, GRC, KRR, PER, TUR.
732.91-----	ex 87.09	Motorcycles.....	ARG, YUG.
733.11-----	87.10	Cycles.....	CHL, CHN, GUA, IND, NGA, PRT, SPN, UAR, UGA.
733.12-----	ex 87.12B	Parts of bicycles.....	BRZ, CHL, GUA, IND, NGA.
735.3-----	ex 89.01B	Canoes, skiffs, and other boats, including motorboats for sport. Fishing boats up to 240 tons (hulls of fishing boats).	BRZ, CHL, PER.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. VIII—MISCELLANEOUS MANUFACTURED ARTICLES

(See key to abbreviations at end of table)

SITC	BTN	Products	Notifying countries
812.1.....	ex 73.37	Central heating boilers, radiators, and parts thereof.	TUR.
812.2.....	69.10	Ceramic sanitary fittings.....	BRZ, GUA, TUR.
812.3.....	73.38B	Sanitary equipment of cast iron.....	COS, GUA, TUR, UAR.
812.41.....	ex 70.14	Lighting apparatus and their parts and fittings.	SPN.
812.42.....	83.07	Lamps and lighting fittings of base metal.....	IND, SPN, TUR.
821.01.....	94.01	Chairs and other seats.....	BRZ, CHL, CHN, COS, DR, GHA, IND, NIC, SPN, TAL, TAZ, TUR, UAR, UGA, VIR, YUG.
821.02.....	94.02	Medical furniture.....	CHN, COS, IND, TAL, TAZ, TUR, UAR, UGA.
821.03.....	94.04	Mattress supports.....	IND, MLT, NGA, PRT.
821.09.....	94.03	Other furniture and parts thereof.....	BRZ, CHL, CHN, CUB, DR, GHA, IND, MEX, MLT, NIC, PRT, SPN, TAL, TAZ, TUR, UAR, UGA, VIR, YUG.
831.0.....	42.02	Travel goods, handbags, wallets, etc.....	ARG, CEY, DR, GUA, IND, JAM, MEX, MLT, NGA, NIC, NIR, PRT, TUR, UGA, URU.
841.11.....	61.01	Men's and boys' outer garments.....	ARG, CEY, CHD, CHL, COS, CYP, IND, ISR, JAM, KRR, MAG, MEX, MLT, PRT, TT, TUR, UAR, YUG.
841.12.....	61.02	Women's, girls', and infants' garments.....	ARG, CHD, CHL, COS, CYP, IND, ISR, JAM, KRR, MAG, MEX, MLT, PRT, TT, UAR, YUG.
841.13.....	61.03	Men's and boys' undergarments.....	CEY, CHD, CHL, COS, IND, JAM, KRR, MAG, MLT, PRT, TT, UAR, YUG.
841.14.....	61.04	Women's, girls', and infants' undergarments.	CHD, CHL, COS, IND, JAM, KRR, MAG, PRT, TT, YUG.
841.21.....	61.05	Handkerchiefs.....	CHL, IND, PRT.
841.22.....	61.06	Shawls, scarves, mufflers, mantillas, veils, and the like.	CHL, IND, PRT, UAR.
841.24.....	ex 61.08	Trimnings for women's and girls' garments.	CHL, PRT.
841.25.....	ex 61.09	Foundation garments of cotton or other material.	JAM, PRT, TT.
841.26.....	ex 61.10	Gloves and socks of wool.....	KRR, PRT, TUR, UAR.
841.29.....	61.11	Made-up accessories for articles of apparel.	CHL, PRT, TUR.
841.3.....	42.03	Articles of apparel and clothing accessories of leather.	ARG, DR, IND, KSR, JAM, MLT, NGA, NIC, TUR.
841.41.....	60.02	Gloves, mittens and mlts.....	ARG, CYP.
841.42.....	60.03	Stockings, understockings, socks, etc.....	ARG, CHL, CYP, ISR, MLT.
841.43.....	60.04	Undergarments.....	ARG, CEY, CYP, JAM, TT.
841.44.....	60.05	Outer garments and other articles.....	ARG, CYP, ISR, JAM, MLT, TT, TUR, YUG.
841.45.....	60.06	Unspecified knitted articles.....	COS, ISR.
841.51.....	ex 65.03	Hats of beaver, rabbit, hare and other fine hair.	BRZ.
841.52.....	65.04	Hats and other headgear, plaited or made from plaited or other strips of any material.	DR, JAM, NIC, TT.
841.53.....	ex 65.05	Caps, uniform.....	MLT.
841.6.....	40.13	Rubber articles.....	COS, GUA, PER, UAR.
842.01.....	43.03	Articles of furskins.....	ARG, CHD, SPN.
842.02.....	43.04	Articles fur and articles thereof.....	CHD.
851.01.....	64.01	Footwear with outer soles and uppers of rubber or artificial plastic material.	BRZ, CEY, CHL, CYP, GHA, GRC, GUA, IND, JAM, KRR, MEX, NGA, NIC, PRT, SPN, TUR, UGA.
851.02.....	64.02	Footwear with outer soles of leather and rubber, etc.	ARG, BRZ, CEY, CHL, COS, CYP, GHA, GRC, GUA, IND, JAM, KRR, MAG, MEX, MLT, NGA, NIC, PAK, PRT, SPN, TUR, UAR, UGA, URU, YUG.
851.03.....	ex 64.03	Footwear with outer soles of wood.	GUA, MEX, YUG.
851.04.....	64.04	Footwear with soles of other materials.	MEX.
861.21.....	ex 90.03	Spectacles frames and mountings.....	IND, PAK, SPN, TUR.
861.22.....	ex 90.04	Spectacles.....	MEX, SPN.
861.71.....	ex 90.17B	Surgical instruments.....	BRZ, PAK.
861.81.....	ex 90.18B	Meters for water and gas.....	CHL, MEX, SPN, TUR.
861.93.....	ex 90.19	Drawing and measuring instruments, etc.	IND, MEX, NIC, TUR.
861.97.....	90.24	Measuring instruments for flow, depth, pressure, etc.	MEX.
862.3.....	37.06	Chemical products used in photography.....	MEX.
862.43.....	37.03	Sensitized paper.....	BRZ.
863.01.....	37.06	Cinematograph film, exposed and developed.	BRZ, TUR.
863.09.....	37.07	Gramophones, record players, etc.....	ARG, CHL, COS.
891.11.....	92.11	Other accessories and parts of equipment in item 92.11.	CHL.
891.12.....	ex 92.13	Phonographic records.....	CUB, GUA, JAM, MEX, TT, TUR.

LIST OF MANUFACTURED AND SEMIMANUFACTURED ARTICLES OF EXPORT INTEREST TO DEVELOPING COUNTRIES—Continued

SEC. VIII—MISCELLANEOUS MANUFACTURED ARTICLES—Continued

[See key to abbreviations at end of table]

SITC	BTN	Products	Notifying countries
891.42.....	92.02	Other string musical instruments (guitars, mandolins, etc.)	CHL, MEX, PAK, SPN.
891.43.....	92.09	Musical instruments.....	MEX, PAK.
891.83.....	92.05	} Musical instruments.....	MEX, PAK, TUR.
891.84.....	92.06		
891.89.....	92.08		
892.11.....	49.01		
892.2.....	ex 49.02	Printed books, booklets, etc.....	CUB, DR.
892.2.....	ex 49.02	Periodicals and magazines.....	DR, MEX.
893.0.....	ex 39.07	Plastic articles, polythene bags, and covers.	CYP, MEX, MLT, PER, PRT, TUR, UAR.
894.1.....	87.13	Baby carriages and invalid carriages.....	SPN.
894.21.....	ex 97.01	Wheeled toys without spring mechanism..	IND.
894.22.....	97.02	Dolls.....	GUA, IND, SPN.
894.23.....	97.03	Other toys.....	CHN, COS, GUA, TAL, TUR.
894.24.....	ex 97.04	Playing cards.....	SPN.
894.31.....	ex 93.04	Sporting or hunting guns.....	SPN, TUR.
894.33.....	93.06A	Parts of arms.....	SPN.
894.42.....	97.06	Sports goods.....	GUA, JAM, PAK, TAL, YUG.
895.21.....	ex 98.03	Ballpoint pens and stylograph pencils.....	CHL, MEX, TUR.
895.23.....	ex 98.05	Pencils.....	CHL, UAR.
895.94.....	ex 98.08	Typewriter ribbons.....	TUR.
896.04.....	99.04	Stamps of philatelic interest.....	CUB.
897.11.....	71.12	Articles of jewelry and parts thereof of precious metal or rolled precious metal.	BRZ, IND, PER, TAL.
897.12.....	71.13	Goldsmiths' and silversmiths' wares.....	MEX.
897.14.....	ex 71.15	Articles of precious, semiprecious rare stones.	BRZ.
897.2.....	71.16	Imitation jewelry.....	IND, MLT.
899.11.....	95.01	Worked tortoise shell and articles of tortoise shell.	CHN, CUB, DR, TAL, VIR.
899.13.....	95.03	Worked ivory and articles of ivory.....	CHN, IND, NGA, TAL.
899.15.....	ex 95.05	Horns, fancy carved articles, excluding artwork.	CHN, CUB, IND, TAL.
899.17.....	ex 95.07	Worked amber and other finished articles of amber.	CHN, DR, TAL.
899.21.....	95	Various handicrafts.....	CUB, GHA, PHL, TAL, UAR, UGA.
899.22.....	ex 46.01	Plaits, plaiting materials.....	NIC.
899.22.....	46.03	Basketwork, wickerwork, and other articles of plaiting materials.	IND, JAM, NIC, PRT, SPN, TT, VIR, YUG.
899.23.....	96.01	Brooms and brushes, merely bound together.	CHL, UGA, YUG.
899.24.....	ex 96.02	Other brooms and brushes.....	CHL, TUR.
899.25.....	96.03	Prepared knots and tufts for broom or brush making.	CHL.
899.31.....	ex 34.06	Candles.....	MLT, PRT.
899.32.....	36.06	Matches.....	GHA, GUA, IND, MLT, NGA, PRT, UAR.
899.35.....	ex 98.11	Smoking pipes and parts thereof.....	MLT, SPN, TUR.
899.41.....	66.01	Umbrellas and sunshades.....	CEY, IND, NGA, TAL.
899.52.....	ex 98.01	Buttons and studs.....	GUA, JAM, TUR.
899.53.....	98.02	Slide fasteners and parts thereof.....	TUR.
899.93.....	ex 67.02	Flowers of ornamental plastic materials.....	CHN, KRR, SPN, TAL.
899.96.....	ex 67.05	Fans, nonmechanical, and parts thereof.....	SPN.
951.05.....	93.02	Revolvers and pistols.....	SPN.

Alphabetical list of country name abbreviations:

ARG—Argentina	MLT—Malta
BRZ—Brazil	MTN—Mauritania
CEY—Ceylon	MWI—Malawi
CHD—Chad	NEP—Nepal
CHL—Chile	NGA—Nigeria
CHN—China (Taiwan)	NIC—Nicaragua
COS—Costa Rica	NIR—Niger
CUB—Cuba	PAK—Pakistan
CYP—Cyprus	PHL—Philippines
DR—Dominican Republic	PRT—Portugal
ETI—Ethiopia	PER—Peru
GAB—Gabon	RHD—Rhodesia
GHA—Ghana	SPN—Spain
GRC—Greece	TT—Trinidad and Tobago
GUA—Guatemala	TAL—Thailand
IND—India	TAZ—Tanzania
ISR—Israel	TUR—Turkey
JAM—Jamaica	UAR—United Arab Republic
KRR—Korea, Republic of	UGA—Uganda
MAG—Madagascar	URU—Uruguay
MEX—Mexico	VIR—Viet-Nam, Republic of
MLS—Malaysia	YUG—Yugoslavia

ANNEX B

TARIFF RATES IN THE EEC, UNITED KINGDOM, UNITED STATES, AND JAPAN IN RESPECT OF THE SELECTED MANUFACTURED AND SEMI MANUFACTURED PRODUCTS OF EXPORT INTEREST TO THE DEVELOPING COUNTRIES

SITC No.	BTN No.	Products	Tariff rates					
			EEC	United Kingdom			United States	Japan
				MFN	BPT			
012	02.06	Meat, dried, salted or smoked, in containers or not	16-25	10; 20; free	Free	2.4-15	15; 25.	
013.3	16.03	Meat extracts and meat juices	Free; 9; 24	10; 20	do	1.0	30.	
013.4	16.01	Sausages, whether or not in airtight containers	21; 24	20	do	2-15	25.	
013.8	16.02	Other prepared or preserved meat whether or not in airtight containers	20-26	Free; 5-20	do	2.5-20	20; 25.	
ex 032.01	ex 16.04	Canned fish	16-30	5-30	do	0.7-35	20.	
ex 032.02	ex 16.05	Canned shrimps	20	7.5-30	do	Free-23.7	15; 20.	
048.3	19.03	Macaroni and spaghetti	30	10	do	6.1-6.6	50Y/kg.	
ex 048.42	ex 19.08	Biscuits	30-35	10	do	6.5	35; 40.	
ex 052.01	ex 08.01	Tropical fruit, dried	12-20	5-10	do	7.5-30	20.	
ex 053.2	ex 20.04	Fruit, fruit peel preserved by sugar	Free; 25	3-22	do	8-37	35.	
ex 053.2	ex 20.05	Jams, marmalades, fruit jellies, fruit purées and pastes	30	10	do	6.5-17.5	25; 40.	
ex 053.5	ex 20.07	Fruit juices, unfermented	19-50	Free-18	do	2-15; 60.5	17-35.	
ex 053.62	ex 20.03	Fruit preserved by freezing, containing added sugar	26	9; 15	do	6-35	35.	
ex 053.9	ex 20.06	Fruit prepared or preserved; not elsewhere specified (including canned fruit)	Free-25	Free-25	Free	Free-59.9	20-55.	
ex 055.1	ex 07.04	Dehydrated onions	20	10; 15	do	35	15.	
ex 055.45	ex 19.04	Tapioca	26; 29	5	do	Free	25.	
055.51	20.01	Vegetables and fruit prepared and preserved by vinegar or acetic acid	22; free	10	do	8-35	25-35.	
055.52	20.22	Vegetables otherwise prepared or preserved	18-24	10; 15	do	Free; 5.3-25	20-35.	
062.01	17.04	Sugar confectionery	21-27	4s. 9d./hundredweight plus 10 percent	do	10; 14	35.	

SECTION I—BEVERAGES AND TOBACCO

071.3	ex 21.02A	Soluble coffee.....	24.....	5.4.....	4.....	2.....	25.....
		Instant tea.....	24.....	10.....	Free.....	Free.....	27.5.
072.2	18.05	Cocoa powder.....	27.....	2.....	do.....	7.3.....	90.
072.31	18.03	Cocoa paste.....	25.....	1.....	do.....	2.6.....	20.
072.32	18.04	Cocoa butter.....	20.....	0.5.....	do.....	6.25.....	10.
112.12	22.05	Wine.....	9-40 1			{12-50.....	400-650.
			UA/hi.....	14s. to £2 per gallon.....	12s to £1 per gallon 2.....	{8-40.....	Y/l.
112.13	22.06	Vermouths and other wines flavoured with aromatic extracts.	16-19 1 UA/hi.....				180 Y/l.
112.3	22.03	Beer.....	30.....	£8 7s. 2d., per 36 gallons.....	£7 7s. 2 per 36 gallons.....	11.....	35.
122.1	24.02A	Cigars.....	80.....	£4 6s. 3d. per lb.....	£4 3s. 3½d per lb.....	58.....	200.
122.2	ex 24.02B	Cigarettes.....	180.....	£4 2s. 10½d. per lb.....	£4 6d per lb.....	64.....	355.
122.3	ex 24.020	Tobacco manufactured.....	180.....	£4 1s. 10½d.....	£3 19s. 7½d. per pound.....	14.....	355.

SECTION II—WOOD AND WOOL SEMIMANUFACTURES

243.21	ex 44.05A	Sawn lengthwise, conifer.....	10 4	Free-12.....	Free.....	Free; 1.8.....	Free; 5; 10; 20.
243.31	44.05B	Sawn lengthwise, nonconifer.....	Free; 13.....	Free.....	do.....	Free; 2.5.....	Free.
244.02	45.02	Natural cork in blocks, plates, etc.....	12.....	10.....	do.....	13.....	5.
251	47.01	Wood pulp.....	Free; 4 6.....	Free.....	do.....	Free.....	5.
262.7	53.05A	Wool and other animal hairs carded and combed.....	3.....	10.....	do.....	10; 19; 31.....	Free; 5.

See footnotes at end of table, p. 379.

ANNEX B—CONTINUED

TARIFF RATES IN THE EEC, UNITED KINGDOM, UNITED STATES, AND JAPAN IN RESPECT OF THE SELECTED MANUFACTURED AND SEMIMANUFACTURED PRODUCTS OF EXPORT INTEREST TO THE DEVELOPING COUNTRIES—CONTINUED

SECTION V—CHEMICALS

SITC No.	BTN No.	Products	Tariff rates					
			EEC	United Kingdom			United States	Japan
				MFN	BPT			
ex 512.26	ex 15.11	Glycerine.....	2-8.....	1.....	Free.....	3.....	5; 20.	
512.85	29.35	Heterocyclic compounds.....	10-25.....	10; 33½.....	do.....	Free-50.....	5-25.	
ex 513.21	ex 28.01A	Chlorine.....	14.....	10.....	do.....	10.5.....	10.	
ex 513.22	ex 28.01B	Bromine.....	15.....	Free.....	do.....	46.5.....	10.	
513.23	28.02	Sulphur sublimed.....	8.....	Free; 33½.....	do.....	Free.....	10.	
ex 513.33	ex 28.08	Sulphuric acid.....	4.....	10; 33½.....	do.....	do.....	10.	
ex 513.62	ex 28.17A	Caustic soda.....	14.....	10.....	do.....	2.....	20.	
ex 513.65	ex 28.20A	Alumina.....	11.....	10; 16; 33½.....	do.....	Free.....	15.	
532.4	32.01	Tanning extracts of vegetable origin.....	Free; 9; 10.....	Free; 10.....	do.....	Free-7.5.....	Free.	
ex 533.32	ex 32.09	Varnishes and lacquers.....	15.....	7.5; 12.5.....	do.....	8.5; 10; 16.....	20.	
541.3	29.44	Antibiotics.....	9-21.....	25.....	do.....	3; 10.5; 28.....	15.	
541.63	30.02	Bacterial products, vaccines.....	14; 15; 17.....	10.....	do.....	Free; 10.5.....	Free.	
541.7	30.03	Medicaments.....	12-34.....	Free; 10.....	do.....	Free-34.....	15; 17; 20; 25.	
ex 551.1	ex 33.01	Essential oils.....	Free-12.....	Free-25.....	Free; 13s. 4d. per ounce.....	Free-25.....	Free-20.	
554.1	34.01	Soaps.....	15.....	10-25.....	Free.....	8-28.....	20-30.	
ex 561.29	ex 31.03D	Superphosphate.....	6.....	14.....	do.....	Free.....	Free.	
561.3	ex 31.04D	Potassic fertilizers.....	Free; 3.....	Free.....	do.....	do.....	Do.	
ex 581.2	ex 39.62	Polyethylene (from natural gas).....	20; 23.....	10.....	do.....	17-40.....	20; 30.	
		Polypropylene (from natural gas).....	23.....	10.....	do.....	4; 12.5-20.....	57V/100kg.	
599.51	11.08	Starches and inulin.....	Levy.....	Free-10.....	do.....	15.3-20.....	25.	
ex 599.53	ex 35.01	Casein.....	2-14.....	10.....	do.....	Free.....	Free; 10.	
599.63	ex 38.07	Spirits of turpentine, etc.....	3.....	10.....	do.....	5.....	10.	

SECTION VI—BASIC MANUFACTURES

611.3	41.02A	Calf leather.....	9.....	20.....	Free.....	8.5; 10; 12.5.....	20.
611.91	41.03	Sheep and lamb skins, leather.....	Free; 6; 10.....	10; 15.....	do.....	8; 10.....	15; 20.
611.92	41.04	Goat and kid skins, leather.....	Free; 6; 10.....	10; 15.....	do.....	10.....	15; 20.
611.99	41.05	Other kinds of leather.....	8; 9.....	10; 12; 15.....	do.....	10; 12.5.....	15-25.
612.9	42.05	Articles of leather.....	14.....	20.....	do.....	6-14.....	25.
C21.01	40.05	Plates, sheets and strip of unvulcanized rubber.....	8.....	10.....	do.....	Free-12.5.....	15.

621.03	40.07	Thread and cord of rubber.....	10; 12	16	do	30	15.
621.04	40.08	Plates and strip of rubber.....	12-18	10; 7½; 20	do	12.5	15; 20.
621.05	40.09	Piping and tubing of rubber.....	14	10	do	8.5	15.
629.1	40.11	Rubber tires and tubes for vehicles.....	15-18	20; 25	Free; 16	8.5; 10; 30	15-30.
629.3	40.12	Hygienic and pharmaceutical articles.....	20	20	Free	8; 12.5	15.
629.4	40.10	Conveyor and elevator belts.....	12	10; 20; 33¼	Free; 16¾; 27¾	12.5; 16	15.
ex 629.98	ex 40.14	Articles of sponge rubber and foam rubber.....	12-16	1; 20; 24	Free; 20	12.5-25	20.
631.1	44.14	Veneer.....	8	10	Free	8; 10; 16.7	Free; 15; 20.
ex 631.21	ex 44.15	Plywood.....	14-15	10; 20	do	15; 17; 20; 40	20.
632.4	44.23	Builders' woodwork.....	14	15	do	1.5-45	15.
632.72	44.24	Household utensils of wood.....	15	17.5; 20	do	14-17.5 51.2	20.
632.73	44.27	Domestic articles of wood.....	18	15; 17.5; 20	do	9.8-27	20; 30; 40.
633.01	45.03	Articles of natural cork.....	20	Free; 20	do	14-36	10.
633.02	45.04	Agglomerated cork and articles thereof.....	20	10; 20	do	13-36	20; 25.
641.1	48.01A	Newsprint.....	Free; 7 4	Free	do	Free	7.5; 10.
641.21	48.01B	Printing and writing paper.....	16	16¾	do	2.5-14	10.
651.2	ex 53.06	Woollen yarn not put up for retail sale.....	5; 10	7.5; 10	do	27.6; 32	10.
651.3	ex 55.05A	Cotton yarn and thread not put up for retail sale.....	8	7.5	do	6.9-20	5; 7.5.
ex 651.51	ex 54.03	Flax yarn not put up for retail sale.....	6; 10; 16	7.5; 10	do	12-30	20.
ex 651.71	ex 51.01B	Rayon yarn, not put up for retail sale.....	5; 15	16 ÷ 7½d. per pound of manmade fibers and silk	% of full rate	2.5-42	15.
ex 651.73	ex 51.03B	Rayon yarn, put up for retail sale.....	18	10; 15	Free	2.5; 42	15; 25.
651.92	ex 57.06	Yarn of jute (not containing manmade fibers).....	10	10; 15	Free	13.5-26	20.
ex 651.93	ex 57.07	Yarn of other vegetable fibers.....	Free; 10	10; 15	do	Free; 20	7.5
652.1	55.07	Woven fabrics of cotton (not containing manmade fibers).....	14-16; 19	17.5	do	7.75-33	10-25.
652.2	55.08						
	55.09						
	58.04A						
653.11	50.09	Woven fabrics of silk or of waste silk.....	14-17	22½ ÷ 2s, 3d, per pound.	% of full rate	17-30	20; 25.
653.12	50.10	Woven fabrics of noil silk.....	17			17-35	20; 25.
ex 653.21	ex 53.11	Woollen fabrics.....	13-18	17.5	Free	19-111	20.
ex 653.31	ex 54.05	Flax fabrics.....	20	17.5	do	6.5-40	30; 35.
ex 653.4	ex 57.10	Woven fabrics of jute.....	23	20	do	13.5; 27.5	25.
ex 653.61	ex 51.04B	Woven fabrics of rayon.....	16	17.5 + 6½d. per pound of manmade fibers and silk.	% of full rate	25-65	15.
ex 654.01	ex 58.05	Ribbons of cotton (not containing silk or manmade fibers).....	16; 17, 21	17.5-20	Free	5-42.5	20; 25.
ex 654.04	ex 58.08	Tulle, lace, embroidery of cotton (not containing silk or manmade fibers).....	15-23	25	do	19-60	15-35.
ex 654.05	ex 58.09						
ex 654.06	ex 58.10						
ex 655.61	ex 59.04	Twines, ropes, etc. of coir.....	13	10	do	Free; 20	10.

See footnotes at end of table, p. 379.

ANNEX B—CONTINUED

TARIFF RATES IN THE EEC, UNITED KINGDOM, UNITED STATES, AND JAPAN IN RESPECT OF THE SELECTED MANUFACTURED AND SEMIMANUFACTURED PRODUCTS OF EXPORT INTEREST TO THE DEVELOPING COUNTRIES

SECTION VI—BASIC MANUFACTURERS—Continued

SITC No.	BTN No.	Products	Tariff rates					
			EEC	United Kingdom			United States	Japan
				MFN	BPT			
ex 655.62	ex 59.05	Nets and netting made of twines, etc.	14; 19	20	Free	22.5	10.	
ex 655.63	ex 59.06	Other articles made from twine, etc.	18	20	do	13.5; 48	10.	
ex 656.1	62.03	Sacks and bags of textile materials	10-23	17.5-33 $\frac{3}{4}$	Free 20; 27	7-51	Free; 23.	
656.61	ex 62.01	Blankets, etc. (not containing manmade or silk fibers)	19	20	Free	15-45	20.	
656.62								
656.69								
ex 656.91	ex 62.02	Bed linen, table linen (not containing manmade or silk fibers)	22	17.5; 20; 25	do	8-50	20; 30.	
657.5	ex 58.01	Carpets and rugs (not containing manmade or silk fibers)	24; 23	20	do	7-48.1	30.	
657.6	ex 58.02							
661.2	25.23	Cement	8	5; 10	do	2-5	10.	
662.32	69.02	Refractory bricks, etc.	10	10	do	9.8; 25	10.	
663.81	68.13	Manufactures of asbestos other than friction materials	10-16	10; 15; 20	do	8-20	15.	
ex 664.11	ex 70.01	Glass in the mass	7	10	do	15; 21	10.	
664.12	70.02	Enamel glass in the mass, rods or tubes	8	20	do	34	10.	
664.13	70.03	Glass, unworked in balls, rods or tubes	8	10-33 $\frac{1}{3}$	do	14-35	10; 20.	
664.3	70.05	Drawn or blown glass, unworked in rectangles	10	15	do	Free-19	10; 15; 20.	
664.4	70.06	Cast, rolled, drawn or blown glass in rectangles surface ground or polished	10	15	do	3-23.5	25.	
664.5	70.04	Cast or rolled glass, unworked in rectangles	10	15	do	8.5-13	15; 20.	
664.91	70.07	Cast, rolled or blown glass cut otherwise than into rectangles, bent, etc.	16	15; 16	do	15; 22	25.	
665.11	70.10	Carboys, bottles, jars and flasks, etc.	19	20-25	do	6; 10; 32	15.	
665.2	70.13	Glass tableware and other articles of glass for household, hotel, and restaurant use.	24	20-25	do	22; 5-50	10-20.	
666.4	69.11	Porcelain or china household ware.	27 (13.6-28) U.C. 100 kg.	25	do	25-64.4	15.	
671.2	73.01B	Pig iron	3-7	Free, 10	do	0.3; 11	10.	
671.4	ex 73.02A	Ferromanganese	2.4; 8	Free-10	do	7-8	20.	

ex 671.5	ex 73.02B	Ferrochrome.....	Free; 8.....	Free.....	do.....	4; 8, 5.....	10.....
672.1	73.06A	Puddled bars and piling blocks lumps.....	3-7 1/2.....	Free; 10.....	do.....	3.2; 12.2.....	12.5.....
672.31	73.06B	Ingots.....	3-7.....	do.....	do.....	8.5; 10.5.....	12.5.....
673.11	73.10A	Wire rod of iron or steel.....	6; 7; 10.....	Free.....	do.....	5.4; 6.8.....	15.....
682.1	ex 74.01	Copper unwrought.....	Free.....	do.....	do.....	6-14.....	Free; 10; 16.....
674.11	73.13A	Plates and sheets of iron or steel.....	5; 6; 9.....	10.....	do.....	8; 19.6.....	15.....
682.21	74.03	Copper bars, wire, etc.....	10.....	10.....	do.....	7.2-31.7.....	20; 25.....
678.2	73.18B	Tubes and pipes of iron or steel.....	12.....	17.5.....	do.....	4.2-18.5.....	15.....
682.22	74.04	Wrought plates, sheets and strips of copper.....	10.....	15.....	do.....	7-28.....	20; 25.....
682.23	74.05	Copper foil.....	10.....	16.....	do.....	7.3-21.....	20; 25.....
682.25	74.07	Tubes and pipes of copper.....	10.....	20.....	do.....	6-24.....	20; 25.....
683.1	ex 75.01C	Nickel unwrought.....	Free.....	Free; 10.....	do.....	2; 3.....	Free; 200Y 100 kgs.....
684.1	ex 76.01B	Aluminium unwrought.....	9.....	Free.....	do.....	5-8.....	15.....
684.25	ex 76.5	Tubes and pipes of aluminum.....	19.....	12.5.....	do.....	19.....	25.....
685.1	ex 78.01B	Lead unwrought.....	8.....	1.....	do.....	0.4; 11.....	10; 12; 20.....
686.1	ex 79.01B	Zinc unwrought.....	Free 1/2.....	33 1/2; 1.8.....	do.....	6; 19.....	Free-12Y/100 kgs.....
687.1	ex 80.01B	Tin unwrought.....	Free.....	Free.....	do.....	Free.....	5; Free.....
689.41	81.01	Tungsten.....	6-10.....	25.....	do.....	21-40.....	10; 20.....
696.01	82.09	Knives with cutting blades.....	17.....	18; 25.....	do.....	18-62.....	18; 40.....
696.02	82.10	Knife blades.....	17.....	18.....	do.....	21-50.....	18; 20.....
ex 696.03	ex 82.11	Razors and razor blades.....	10-14.....	16+ls. 3d. gross.....	do.....	8, 5-80.....	20.....
696.04	82.12	Scissors and blades.....	14.....	20.....	do.....	49; 71; 99.....	18.....
696.05	82.13	Other.....	13.....	12.5-20.....	do.....	20-37.....	20-40.....
697.21	73.38A	Domestic utensils of iron or steel.....	15.....	15.....	do.....	17.....	15.....

SECTION VII—MACHINERY AND TRANSPORT EQUIPMENT

ex 711.5	ex 84.06B	Diesel engines (under 50 hp.).....	13.18.....	16; 22; 24.....	Free; 14 1/2; 16.....	10.....	15; 25; 30.....
715.1	84.45	For working metals.....	3-10.....	10; 25.....	Free.....	12; 15; 20.....	10-25.....
ex 717.3	ex 84.41	Sewing machines domestic.....	12.....	15.....	do.....	Free; 7.5.....	15.....
719.51	84.46	For working minerals.....	8; 10.....	15; 17.5.....	do.....	10.....	15.....
719.52	84.47	For working wood plastics etc.....	11.....	15; 17.5.....	do.....	10; 11.5.....	15.....
ex 719.62	ex 84.19	Bottling machines.....	10.....	14.....	do.....	11.5.....	15.....
ex 719.8	ex 84.59B	Machines for the plastics processing industry.....	10; 11; 14.....	14.....	do.....	11.5.....	15.....
ex 722.1	ex 85.01	Electric motors.....	10; 11.....	17.5.....	do.....	11.5.....	15.....
724.2	ex 85.15B	Radio receivers.....	13.....	17.5; 20; 24.....	Free.....	10.5; 12.5; 50.....	15; 20.....
725.02	ex 84.40B	Washing machines.....	10; 15.....	12; 14.....	Free; 16.....	12.5; 13.75.....	18; 35.....
725.03	ex 85.06	Electric fans.....	15.....	17.5.....	Free.....	14; 16.....	15.....
ex 733.11	ex 87.10	Bicycles, not motorized.....	17.....	20.....	do.....	11.25-30.....	20.....

See footnotes at end of table, p. 379.

ANNEX B—CONTINUED

TARIFF RATES IN THE EEC, UNITED KINGDOM, UNITED STATES, AND JAPAN IN RESPECT OF THE SELECTED MANUFACTURED AND SEMI-MANUFACTURED PRODUCTS OF EXPORT INTEREST TO THE DEVELOPING COUNTRIES—CONTINUED

SECTION VIII—MISCELLANEOUS MANUFACTURED GOODS

SITC No.	BTN No.	Products	Tariff rates					
			EEC	United Kingdom			United States	Japan
				MFN	BPT			
812.3	73.38B	Sanitary equipment of iron or steel.....	17.....	25.....	Free.....	8; 9.6; 17.....	15.....	
ex 821.01	ex 94.01	Steel furniture.....	14; 17; 16.....	15; 20.....	do.....	10.5-35.....	20; 25; 30.....	
ex 821.02	ex 94.02							
ex 821.03	ex 94.04							
ex 821.09	ex 94.03							
ex 831.0	ex 42.02	Luggage, handbags, purses.....	15; 17.....	15; 20.....	do.....	8.5-50.....	20-40.....	
ex 841.11	ex 61.01	Outer garments.....	18; 20.....	17.5-25.....	do.....	10-42.5.....	21; 25; 30; 40.....	
ex 841.12	ex 61.02							
ex 841.13	ex 61.03	Undergarments.....	18; 24.....	20; 25.....	do.....	10-42.5.....	20; 30.....	
ex 841.14	ex 61.04							
ex 841.43	ex 60.04	Undergarments, knitted or crocheted.....	21.....	20; 25.....	do.....	17.5-50.....	20; 30.....	
ex 841.44	ex 60.05	Outer garments, knitted or crocheted.....	16; 21.....	20-25.....	do.....	12-54.8.....	25; 30.....	
ex 851.01	ex 64.01	Footwear with soles and uppers of rubber.....	20.....	30.....	do.....	12.5-37.5.....	20.....	
ex 851.02	ex 64.02	Footwear with soles of leather.....	16-20.....	15-30.....	Free; 20.....	5-25.....	20-30.....	

861.93	ex 90.16	Drawing and measuring instruments.....	12; 16.....	25; 33½.....	Free.....	11.25-50.....	15.
891.42	92.02	String musical instruments.....	21.....	25.....	16½.....	17; 34.....	15.
891.43	92.09	Musical instrument strings.....	14.....	25; 33½.....	16½; 33½.....	15; 10.....	15.
891.83	92.05	Wind musical instruments.....	14.....	25.....	16½.....	15-30.....	15.
893.0	ex 39.07	Articles of artificial plastic materials.....	22.....	20.....	Free.....	17-42.....	30.
894.22	97.02	Dolls.....	17; 20.....	25.....	Free; 20.....	35.....	20.
894.23	97.03	Toys, not elsewhere specified.....	24.....	25.....	Free; 20.....	16-44.....	20.
897.11	71.12	Jewelry of precious metal.....	9; 12.....	20; 25.....	Free.....	15-55.....	35; 40; 50.
897.14	71.15	Articles incorporating pearls or semi and precious stones.....	Free; 9-18.....	Free; 10-30.....	do.....	15-55.....	10; 35; 40.
897.2	71.16	Imitation jewelry.....	18.....	25.....	do.....	15-55.....	25; 40.
899.11	95.01	Worked tortoise shell and articles thereof.....	9; 16.....	30.....	do.....	10-25.....	20; 40.
899.13	95.03	Worked ivory and articles thereof.....	9; 17.....	25; 30.....	do.....	10-25.....	20; 40.
899.15	95.05	Worked horn, coral, etc. and articles thereof.....	7-16.....	Free; 16; 30.....	do.....	5-25.5.....	20; 40.
899.22	46.03	Basketwork, etc. of plaiting materials.....	18.....	5-30.....	do.....	8.5-40 3.4; 23.4.....	15; 50.
899.32	36.06	Matches.....	14.....	14s. 5d. per 7,200 matches.....	14s. 5d. per 7,200 matches.....	25.
899.41	66.01	Umbrellas.....	16.....	20.....	Free.....	20.....	20.

Notes:

- ¹ Plus 1.60 UC/hl for additional each degree in excess of 22.
² Additional duties are levied for products exceeding certain gravity or certain degree of proof spirit.
³ Temporary total suspended.
⁴ Within tariff quota.

⁵ Hydrocarbon duty should be added.

⁶ Wholly or partly ECSC rates of duty.

Source: Tariff schedules of EEC, United Kingdom, United States of America, Japan. GATT document COM.TD/7 "Data on commercial policy measures applied by industrialized GATT countries on products notified by less-developed countries as being of special export interest to them"

THE QUESTION OF THE GRANTING AND EXTENSION OF PREFERENCES IN FAVOUR OF DEVELOPING COUNTRIES

A SYSTEM OF PREFERENCES FOR EXPORTS OF MANUFACTURES AND SEMIMANUFACTURES FROM DEVELOPING TO DEVELOPED COUNTRIES

REPORT BY THE UNCTAD¹ SECRETARIAT

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¹ United Nations Conference on Trade and Development, Trade and Development Board, Committee on Manufactures, group on preferences, second session, Geneva, July 4 1967, item 3 of the provisional agenda.

Part ONE

GENERAL CONSIDERATIONS

A. INTRODUCTION

1. At the first United Nations Conference on Trade and Development the need to expand and diversify exports of manufactures and semi-manufactures from developing countries was recognized without dissent (recommendation A.III.4). To fulfill this need, various forms of action were recommended to developed and developing countries. One form of action, however, i.e. the granting of preferences on a general and non-reciprocal basis, while supported by all developing countries, did not meet with the approval of all developed countries (recommendation A.III.5; see also General Principle Eight). It was, therefore, referred to the continuing machinery emerging from the Conference. Since then a number of proposals and studies have been made and discussed in various organs of UNCTAD. Studies have also been made by other interested bodies in response to the recommendations of the Conference. Presently, it would seem that there is growing support for the principle of granting preferences to developing countries. However, equal progress has not been achieved with respect to the specific content of the system to be established. The present paper is intended to study in somewhat greater detail than hitherto the various elements and technicalities of a preferential system.

2. In defining the specific content of a scheme it is necessary, however, not to lose sight of the basic aims of a preferential system, nor to ignore the doubts that have been raised regarding the principle itself or certain of its features. In the first part of this paper, therefore, the arguments in support of a preferential system will be briefly recapitulated, as well as some of the doubts that have been expressed during previous discussions of the issue. In the second part, the concrete elements of a preferential system will be broadly outlined, and the main problems that arise with respect to each of them will be cited. The basic alternatives of general preferential systems will be sketched. The third part contains the detailed examination of the various elements, and ends with a summary of the conclusions regarding each.

B. THE GENERAL CASE FOR BETTER ACCESS

3. It is important to distinguish at the outset between the case for improved access in general and that for preferences in particular. The arguments for improved access in general are largely accepted by all countries, including those which may be skeptical about preferential access. It is well recognized that the export earnings of developing countries are expanding at rates far below their development needs. The low elasticities of demand, the decreasing raw material content of industrial products resulting from technological progress, and growing production of both natural and synthetic materials in the developed countries, have severely limited the potentialities of expansion of many primary exports. Manufactured products, in contrast, are largely free from such limitations. Accordingly, the establishment of better conditions of access for manufactures and semi-manufactures should serve to alleviate one of the bottlenecks in the process of economic development. Apart from the slow growth of export earnings, the severe fluctuations in the prices of many primary commodities introduce an element of uncertain and instability as to export proceeds which militates against orderly planning. Therefore, an increase in the relative share of industrial products in the total exports of developing countries would help to provide a greater degree of stability in their external earnings.

4. Under the present conditions of access, developing countries tend to adopt inward-looking industrialization policies. In many cases, in particular at early stages of development, such policies may be difficult to avoid. However, beyond the stage of simple consumer goods which may be sustained by the home market, import-substitution policies tend to become progressively more costly. The removal of trade barriers facing developing countries would help to promote an export-oriented outlook of the industrialization efforts.

5. One of the basic characteristics of tariff regimes in the developed countries is the escalation of rates from the lower to the higher stages of processing. Thus, duties on crude materials may be nil, but they tend to rise on simply-processed forms, and become high on finished products. Such a pattern has the

effect of inhibiting the location of industries at the site of raw materials.¹ Under conditions of free access it is to be expected that it would be profitable for a larger proportion of future investments in processing industries to be made in developing countries close to the source of raw materials with a view to exporting the goods concerned towards the developed countries.

6. The elimination of barriers to imports from developing countries would redound to the advantage, not only of developing countries, but also of developed countries. The increased earnings from industrial exports would enhance the import capacity of developing countries and thereby promote exports by developed countries. Equally important is the more rational allocation of resources that would ensue. At present, labour is kept in relatively less competitive industries through the edifice of protection. At the same time the high level of demand in a number of developed countries has created a condition of labour shortage limiting, in some cases, the growth potential of the economy. This has been aggravated in some countries by the depletion of the traditional reservoir of labour which the agricultural sector constituted for industry. Increased imports from developing countries would therefore mitigate the labour shortage, reduce the inflationary pressure and promote a better pattern of resource allocation. Labour would be utilized in a more rational manner in more advanced fields of manufacturing where the rise in wages could be better sustained by a corresponding growth of productivity. Instead of using imported labour to maintain or even expand the traditional less competitive industries, the developed countries would import goods.

C. THE CASE FOR PREFERENCES

7. Broadly speaking, the above advantages will be greater the lower the trade barriers facing developing countries. It is not to be excluded that at some time the aim of universally free trade will be achieved. Obviously, however, this is not something that could reasonably be counted upon in the near future. In the meantime the trade in manufactures and semi-manufactures will have to contend with barriers which, even after the conclusion of the Kennedy Round, remain, to developing countries in any event, considerable. At any rate it is uncertain whether the Kennedy Round would in the near future be followed by another of comparable coverage and intent. Furthermore, negotiations on a most-favored-nation basis are not likely to take sufficient account of the specific interests of developing countries. The fact that these are at best marginal suppliers in the vast majority of cases tends to impair seriously their bargaining position.

8. Yet, developing countries' trade problems are so urgent that in order to improve access for their industrial exports they should not have to depend on whether or not it will be possible to undertake a new round of negotiations on an m.f.n. basis. It may be argued that developing countries should not have to wait for agreement among developed countries before attention is paid to their trade problems, and difficulties that might exist for further expanding trade among developed countries should not impede progress for the developing countries. Therefore it may appear justified to consecrate the next step in world trade to the liberalization of the imports from developing countries.

9. The case for preferences rests on more than the limitations inherent in tariff reductions on an m.f.n. basis. Paradoxically, preferences would be a means for enabling the developing countries to come closer to real equality of treatment. The traditional m.f.n. principle is designed to establish equality of treatment among the various sellers to a particular market, but it does not ensure equality of treatment in several respects that are of considerable importance to developing countries. First, unless the m.f.n. tariff is zero, there is no equality of treatment with the domestic producers, nor with the producers inside the recently established regional groupings in the developed world. Secondly, the m.f.n. principle does not take account of the fact that there are in the world inequalities in economic structure and levels of development; to treat equally countries that are economically unequal constitutes equality of treatment only from a formal point of view but amounts actually to inequality of treatment. Third, partly as a result of negotiations conducted on the basis of reciprocity and of the m.f.n. clause, typical manufactured and semi-manufactured export products of developing countries are frequently subject to higher nominal and, in most cases still higher, effective duties than typical imports from developed countries. Preferential reduc-

¹ This subject has been treated in some detail in two papers prepared for the Committee on Manufactures (TD/B/C.2/25 and TD/B/C.2/86).

tions on imports from developing countries bring them closer to achieving equality of treatment with producers inside the national or multi-national markets, take into account the fact that they are at a lower level of development; and correct a situation where they have in actual fact disadvantages in comparison with imports from developed countries.

10. The establishment of a preferential system for all developing countries could prevent the proliferation of mutually exclusive preferential systems limited to some developed and some developing countries. The choice at present is not between maintaining m.f.n. treatment and establishing a general preferential system for all developing countries; it is rather a choice between a general system of preferences on the one hand and mutually exclusive preferential systems on the other. If no such general system could be established, it would be difficult to avoid a situation in which these developing countries which now do not enjoy preferences anywhere, would be granted preferences in at least some of the developed countries.

11. Preferences for the developing countries would be a means for correcting the increasingly disadvantageous situation of the developing countries' exports resulting from the formation of ever-increasing regional groupings among developed countries. Among the countries outside these groupings, the developing countries tend to be most vulnerable to such differential treatment since their cost structures and flexibility of production may be less able to absorb the new competitive disadvantages created by the discriminatory tariff margin in favour of the developed partners inside the regional groupings. As a result of such groupings and other preferential arrangements, almost two-fifths of the total imports of manufactured and semi-manufactured products of the developed countries from non-socialist countries are already on a preferential basis, but mainly from other developed countries. If additional developed countries enter EEC, as they have announced their intention of doing or if alternative free-trade arrangements are concluded between countries nonmembers of EEC, then more than half of the developed countries' manufactured and semi-manufactured imports would flow outside the m.f.n. system. In such a situation, it is difficult to assert that countries outside of these groupings are enjoying "most-favoured-nation" treatment. The formal application of the m.f.n. clause to developing countries means, in the conditions of today, granting what is in effect least-favoured-nation treatment.

D. THE DOUBTS CONCERNING PREFERENCES

12. Doubts have, however, been expressed regarding preferences. It has been stated that after the conclusion of the Kennedy Round, the remaining duties will be so low as not to constitute real obstacles for imports from developing countries.

Preferential margins that could be granted would be trivial and at any rate not sufficient to stimulate the developing countries' industrial exports. However contrary to the initial intentions, the Kennedy Round has in many cases not resulted in 50 per cent reductions of the existing tariffs. More important, the effective tariffs, even after the Kennedy Round, are still very high precisely on those goods which developing countries export and could expand in the immediate future. That tariff margins remaining after the Kennedy Round are still substantial in the eyes of developed countries is shown also by the continued interest of such countries in entering or becoming associated with the EEC.

13. It has been said that developing countries would not be able to stand competition in the highly competitive markets of the developed world, even if they enjoy equality of treatment with domestic producers of the latter. No doubt, for a certain number of goods, requiring considerable technological know-how, developing countries could not compete even if they were granted equality of treatment. On the other hand, there are several examples of developing countries successfully exporting manufactures and semi-manufactures to the developed world in spite of the fact that they have to overcome tariff barriers in these countries. If these barriers were removed such exports could probably be stepped up. Moreover, if firms in developed countries know that they can count on importing freely from developing countries, they would in all likelihood in many cases give serious consideration to establishing in developing countries some manufacturing processes which could be carried out there with cost advantages.

14. It is argued that developing countries should first concentrate on what they themselves could do for promoting their exports before insisting on what

developed countries could do for them. Accordingly, for example, it is suggested that developing countries will not be able to export, even if they are granted preferences, unless they eliminate internal obstacles to export and adopt sound export policies. Equally, it is said that they would not succeed in penetrating the highly competitive markets of the developed world as long as they feel the need to protect their industries by extremely high trade barriers against products of other developing countries. There is no doubt an important element of truth in these considerations. Benefits of the preferential system would only accrue to those developing countries that take the necessary national action that would make increased industrial exports possible. It is also true that for products which developing countries want to export to the developed world, they must be able to face a certain degree of competition in their own markets. Developing countries would indeed be well advised to pay greater attention to each other's markets because they could sell products there which might have difficulties in penetrating into developed countries' markets.¹ Action in these respects could be taken simultaneously with the introduction of the preferential systems. Moreover, the Trade and Development Board at its fifth session in August/September this year will examine what kind of action programmes developing countries could adopt to further their mutual trade.

15. Preferences are said to create a vested interest on the part of the developing countries against further reductions on m.f.n. basis. These countries might, after the establishment of a preferential system, favour the maintenance of non-preferential import duties in developed countries at the highest possible level. That such a risk exists as indicated by the fact that it has been especially difficult to reduce duties on items on which some developing countries enjoyed special preferences. It would, however, be short-sighted to try, in connexion with the setting-up of a general preferential system, to prevent the developed countries from further reducing the barriers on each other's trade. This might have advantages from the viewpoint of some short-term interests of the developing countries. But the freeing of world trade has been a powerful factor of growth in the developed world, and the retardation of this rate of growth would in turn ultimately have negative effects on the developing countries themselves. Such consequences are, however, not necessarily inherent in a system of preferences. It could be specifically provided that there would be no need to maintain preferential margins in favour of developing countries and that countries granting preferences would be able at any time to extend the duty reductions or eliminations on an m.f.n. basis. When conceived in this way, a preferential system for developing countries would be a step towards the liberalization of world trade as a whole in the sense that first priority would be given to reducing barriers on the imports from those countries that are most in need.

16. It is sometimes argued that only a few developing countries would benefit from the establishment of a preferential system. Inasmuch as only a dozen countries at present account for about 75 per cent of the developing countries' total industrial exports, it cannot be denied that these developing countries will, at the outset of the preferential system, probably enjoy greater immediate benefits. But these industrially more advanced developing countries are, at least in some cases, those where *per capita* income is particularly low or other development problems present themselves with particular acuteness. Moreover, with respect to other measures discussed in UNCTAD (related to primary commodities, financing, regional integration, etc.), less-advanced developing countries can often be expected to gain greater benefits than more-advanced ones, and it is clear that not every developing country can expect to obtain an equal advantage from every policy measure recommended by UNCTAD. This being said, it is possible and necessary to provide, in connexion with the establishment of a preferential sys-

¹ Why trade among developing countries cannot be a substitute for increased industrial exports to the developed world has been explained in document TD/B/35, Chapter V, paragraphs 5 to 11. These reasons can be briefly stated as follows: first, developing countries experiencing balance of payments difficulties or depending on customs revenue for their national budgets, have greater difficulties in successfully negotiating trade liberalization among themselves than developed countries have. Secondly, even if such agreements are negotiated, the deficiencies of the infrastructural links between developing countries still give a greater advantage to imports from developed countries. Thirdly, it cannot be generally asserted that the markets of other developing countries are less competitive; for indeed, the large international firms of developed countries are very often also present in the markets of other developing countries. Lastly, the purchasing power of other developing countries is often so low that it cannot absorb the output of certain types of industry. To attain sufficient economies of scale, they also need access to the markets of developed countries.

tem, for special measures and mechanisms to ensure more effective participation by the less-advanced among the developing countries in the benefits of the system (see Part Three, Section E below).

17. It is pointed out that imports from developing countries might create unemployment in certain branches of industry in developed countries. Apart from the fact that under recent conditions of relative labour shortage in many developed countries, displaced labour could be more advantageously employed in technologically more advanced branches, the changes in industrial production that occur all the time as a result of technological developments are, in most cases, considerably greater than those which might result from imports from developing countries. Developed countries have accepted, in their regional groupings, commitments for the reduction of trade barriers which also caused fears in certain industrial sectors. On account of the gradualness of the entry into force of these commitments, and in view of maintenance of adequate over-all demand and provision for internal adjustment measures, the developed countries were perfectly able to cope with these problems. It is difficult to see why they should not be able to cope with similar problems that might result from imports from developing countries which have such a small share of world industrial exports. Considering the great size of the market in the developed countries, a manifold increase in imports from developing countries can be easily accommodated in the normal growth of the market. At any rate, provision can be made in the preferential system to take account of such problems of domestic producers (see Part Three, Section A below).

18. The establishment of a system of preferences has been said to involve particular disadvantages for those developed countries that are already, partly or totally outside the large regional markets which have been formed in the developed world. In particular those countries might be hit that may not qualify as developing countries but that are on a lower level of industrial development than the bulk of the developed countries. No doubt, it can hardly be the purpose of a preferential system for developing countries that the weaker or otherwise handicapped developed countries should bear the main burden of the system. Special measures may therefore be necessary to safeguard the interests of such third-country suppliers, just as care is to be taken that domestic producers are not seriously injured by the establishment of the system. (See Part Three, Section A below.)

PART TWO

OUTLINE OF SPECIFIC ELEMENTS OF A PREFERENTIAL SYSTEM

A. THE OBJECTIVE

19. For examining the concrete features of a possible preferential system for industrial exports from developing countries, it is convenient to take as point of departure the system which the developing countries had themselves proposed at the first Conference on Trade and Development and reiterated at the May 1965 meeting of the Special Committee on Preferences. The essential features of this system are as follows: all developed countries should grant, for all manufactures and semi-manufactures toward all developing countries, duty-free preferential access to their markets without limitation on volume. The developing countries recognized, however, that the duration of the preferences should be limited in time and that it should be possible, under certain conditions, for the developed countries to exclude products from the benefits of the system and to apply safeguard clauses. On the other hand, the system should take into account the special needs of the less-advanced developing countries and provide, for those developing countries that presently enjoy preferences in developed countries, advantages at least equivalent to those which are now enjoyed so that these existing preferences can be suspended. Suitable international supervision will have to be provided for. The system summarily described is largely similar to that adopted as a working hypothesis by the Group on Preferences at its first session in August 1966 (see report on the session, TD/B/84).

B. THE QUESTION OF NEGOTIABILITY

20. A system along the lines just sketched would no doubt be the optimum solution for enhancing the developing countries' opportunities of exporting industrial products. Once there is clarity about the ideal solution, however,

there arises the much more difficult question as to what would be a negotiable or acceptable solution. This negotiability or acceptability will to a large extent depend on the manner in which the concrete features of a system take into account the concerns that have been expressed in the previous discussion on this issue (see Part One, section D above). An intimate knowledge and appreciation of each of the participating countries' negotiating problems would facilitate the finding of formulae leading to the establishment of a mutually satisfactory system.

21. When solutions are to be found to all these problems, it is unavoidable that some of the expectations which developing countries have attached to the setting up of a system of preferences will not fully materialize. There is a risk that the ways and means chosen to meet the concerns or special wishes of the participating countries would unduly weaken the effectiveness of the system itself. To avoid this consequence, it will be necessary to reconcile two equally important requirements: on the one hand, of providing for the developing countries substantially better access to the markets in the developed world and; on the other hand, of paying serious attention to the problems of negotiability and acceptability faced particularly by the governments of the developed countries.

C. THE PROBLEMS ARISING WITH RESPECT TO EACH OF THE ELEMENTS OF A GENERAL PREFERENTIAL SYSTEM

22. When the system outlined in paragraph 19 above is to become the object of a concrete commitment on the part of the developed countries, the following negotiating problems are bound to arise in relation to each of its elements:

(a) With respect to the aim of granting duty-free access without limitations on volume, assurances will have to be provided to producers in the developed countries to safeguard them against a conceivable negative impact of the system on their essential interests. Various measures can be envisaged for this purpose: should an escape clause be provided for, to be applied only in case of serious injury occurring to producers of developed countries, or should the volume of admissible preferential imports or the extent of the duty reduction already at the outset be limited for all products? Would provision have to be made for the various methods to be applied to safeguard only essential interests of domestic producers or should interests of third-country suppliers of the developed countries concerned also be taken into account?

(b) With respect to the aim of including all manufactures and semi-manufactures, certain items of processed agricultural products in some countries as well as highly protected industrial products including those still under quantitative restrictions, present special problems. Ways and means should be found for including processed agricultural products even where the high trade barriers sometimes reflect the protection granted to the domestic agricultural raw material that has been used. Due account will have to be taken of how to deal with products now subject to quantitative restrictions. Provision may have to be made for enabling individual developed countries to exclude from the beginning certain items from the scope of the preferential system, while at the same time ensuring comparable participation by the various developed countries.

(c) With respect to the aim that all developed countries should grant preferences, the question arises whether the establishment of the system should be made conditional on the participation of all these countries. Furthermore, it must be considered whether all should apply essentially the same system and how account might be taken of differences in the degree of industrialization of these countries and of the special foreign trade régimes of the socialist countries of eastern Europe.

(d) With respect to the aim of granting preferences to all developing countries, the question arises as to which countries are to be regarded as developing. Special consideration will have to be given to the problem of so-called borderline countries.

(e) With respect to the special needs of the less-advanced among the developing countries, the countries concerned should be able to rely on the solutions envisaged, while at the same time the system should not become too complicated to operate for the developed countries.

(f) With respect to the duration, the solutions envisaged would have to ensure the temporary nature of the system, while at the same time enabling the late-comers to industrialization to count on preferential access for a sufficiently long period.

(g) With respect to the suspension of the existing systems, or their absorption insofar as they relate to manufactures and semi-manufactures, the problem arises as to how to appraise and secure the equivalence of the new system with the old ones. Solutions may also have to be found for the question of reverse preferences.

(h) With respect to the need for suitable international review, care will have to be taken that the institutional framework chosen for this purpose would include all participating countries and thus be of a universal nature.

23. It is the purpose of this report to show how all these special problems can find adequate solutions within the framework of a general preferential system. Accordingly, the adaptations of the ideal systems that are necessary to take into account the various considerations of negotiability would be introduced as exceptions to, or qualifications of, the general applicable across-the-board rules. In particular, the targets for tariff eliminations or reductions and the means for possible limitations of the volume would in principle be the same for all products and for all developing and developed countries. Of course, the provision of exceptions to these targets would result in introducing elements of flexibility and selectivity into a general system of preferences. This selectivity would, however, have to be exercised in conformity with certain guide-lines and uniformly applicable criteria. The extent to which such selectivity could be applied would also be limited.

24. A basic distinction must, however, be made between a general system of preferences that provides for the introduction of elements of selectivity and a selective system of preferences. In a system of the latter type, no general applicable targets for duty reductions would be set. The means for, and extent of, volume limitations would also vary from product to product and from country to country. While some general guidelines as to the margin of preference or the admissible volume might be included in such systems, their characteristic is that each developed country or group of countries would itself decide which action to take with respect to each item or each group of items. In a selective system, it might even be provided that the countries which grant the preferences could decide which would be the beneficiaries of these preferences. This would greatly facilitate the acceptance of a system of preferences by various developed countries as they could take into account, with respect to each item, the domestic and third-country suppliers' interests as well as the interests of those developing countries with which they have special links. But there would be great uncertainty as to whether the preferences to be granted would then really be substantial and of any real assistance to the exports from developing countries. Since tariff rates and/or tariff quotas applicable to the developing countries would vary from product to product, laborious item-by-item negotiations on a multitude of products may be necessary. There would be a risk that non-economic criteria would be applied in deciding on the concessions to be granted. Also, the administration of such a system would pose special problems in view of the fact that the situation may be different with respect to each product. There would be no assurance of burden-sharing among developed countries, nor would it be possible to absorb or suspend existing systems since they are general and not selective in nature. The establishment of a selective system of preferences would therefore be inconsistent with the proposal made by the developing countries and with the working hypothesis adopted by the UNCTAD Group on Preferences (TD/B/84).

25. For these reasons, the possible application of a selective system of preferences is not examined further in the present report. Also, in such a system the various problems such as the replacement of existing systems, the definition of products and countries eligible for preferences, and the treatment of the less-advanced developing countries, present themselves in a completely different light and call for substantially different solutions from those envisaged in connexion with a general preferential system. The following chapters of this report therefore concern only the technical ways and means of implementing a general system of preferences.

D. THE VARIOUS INTERDEPENDENT MEANS FOR LIMITING THE IMPACT OF A PREFERENTIAL SYSTEM ON THE DEVELOPED COUNTRIES' INTERESTS

26. Among the preoccupations affecting the negotiability of a system, the most important ones are likely to be, first, the effects of the preferential system upon domestic producers and, secondly, its consequences upon trade relations among developed countries, i.e., with countries to which the most-favoured-nation clause would continue to apply. The first aspect is a familiar one: in all negotiations on the reduction of trade barriers, governments are concerned with the need to avoid undue damage to their country's domestic producers. The second aspect is, however, novel and specific to the establishment of any system of preferences including preferences among members of a regional grouping. Third-country suppliers to the developed countries granting the preferences may be affected because, contrary to what happens in reductions on the traditional m.f.n. basis, the conditions of access for third countries would not improve, but might rather deteriorate. This type of preoccupation may also have to be taken into account when considering the means of improving the negotiability of the system from the developed countries' point of view. It should, however, not be forgotten that the fears of domestic producers in connexion with trade liberalization commitments have in the past in most cases not been borne out by the subsequent developments. As to the interests of third countries, no special measures were provided in their favour when certain developed countries freed trade among themselves within regional groupings. To the extent that third developed countries possess technological superiority and differentiated industrial structures as compared to developing countries, they might be in a better position to offset the new preferential advantages envisaged for the developing countries than may have been the case with respect to the similar advantages granted to developed countries within these regional groupings.

27. For dealing with these preoccupations and safeguarding what developed countries may regard as their essential interests, a variety of means enter into account:

- Narrowing the product coverage;
- Providing for mere duty reductions in lieu of duty abolitions;
- Limiting in advance the volume of imports that would in any case be admitted at the preferential rate;
- Providing for an escape clause that would permit partial or total withdrawal of preferential treatment in case of serious injury to producers in developed countries.

28. Each of the methods listed can be used for limiting unfavourable effects of the preferential system on the interests of domestic producers or third-country nonpreferential suppliers. Moreover, the more the developed countries can rely on resorting to one or other of these means, the less they are likely to need the others. Thus, if the definition of the list of semi-manufactures is very wide and includes for instance the early stages of processing of agricultural primary goods, the more the developed countries might feel that they need possibilities to limit in advance the volume and the depth of reductions. If, on the other hand, the product coverage does not include certain sensitive items, the developed countries are likely to be more relaxed about the advance limitations of volume, the depth of the reduction or the escape clauses. Finally, if the volume is limited in advance or mere duty reductions are called for, the narrowing of the product coverage becomes a safeguard instrument of lesser importance from the point of view of the developed countries. This mutual interdependence of the various possible safeguards has to be taken into account in the discussions and negotiations leading to the establishment of a preferential system. Otherwise, seemingly satisfactory solutions for the interests of the developing countries with regard to one of the techniques may be frustrated by provisions regarding another. For the developing countries to avoid losing on one score what they gain on another, the total picture must constantly be kept in mind and evaluated.

E. THE SAFEGUARD ARRANGEMENTS AS A KEY TO DISTINGUISHING AMONG VARIOUS GENERAL PREFERENTIAL SYSTEMS

29. Not only do the various means of safeguard depend on each other, but also the solutions to be found for the basic elements of a preferential system depend on the kind of safeguard provided for in the system. For example, the question

of the suspension of existing preferential systems, as well as that of the special arrangements for the less-advanced countries, presents itself in somewhat different terms if the volume admissible at the preferential rate is, in principle, unlimited and the tariffs are eliminated or if provision is made for volumes limited in advance or for mere tariff reduction.

30. It would therefore appear to be a proper methodological approach first to analyse the various safeguard techniques that can be provided, starting with the escape clause and the limitations to the admissible volume and to the depth of the tariff cuts. The other elements of a preferential system would be examined subsequently, and with respect to each of them it would be shown to what extent the solution might have to differ depending on the safeguard arrangements chosen. According to this methodology one might in theory distinguish three different approaches to general preferences based on largely uniform commitments by all developed countries:

(a) A system based on the escape clause (hereafter referred to as the "escape-clause system"): the assumption is that under this system duties would be eliminated and that there would be no advance limitation of the imports admissible on a preferential basis. Developed countries could, however, resort to an escape clause if certain criteria and conditions are fulfilled. In application of the escape clause, the volume of the imports and/or the scope of the reductions could be temporarily limited when serious injury to producers in the developed countries is caused or threatened.

(b) A system based on tariff quotas expressed in terms of a percentage of consumption, production, or total imports of a particular item (hereafter referred to as the "tariff-quota system"). One assumption is the percentage would be identical for all products for which preferences have to be granted and that duties would be eliminated on an import volume corresponding to the quota. Even if there is no threat or injury to producers, the importing country could impose the m.f.n. tariff on imports exceeding this quota.

(c) A system based on a uniform duty reduction on all items for which preferences have to be granted (hereafter referred to as the "duty reduction system"). The assumption is that under this system the volume would not be limited in advance, but could be limited only if the criteria and conditions for the application of an escape clause are fulfilled with regard to a specific item.

31. Of course, a combination of the three above systems can also be imagined. For instance, it would be quite possible to combine the tariff quota system with an across-the-board tariff reduction rather than with duty-free entry. There are practical reasons why only the three systems mentioned above will be referred to in the subsequent chapters of this report: the developing countries' proposal is an escape clause system with *duty-free entry*. As to the uniform tariff-quota system, one of the main arguments for it is that it would grant duty-free entry to industrial imports from developing countries. As to the reduced duty system, the limitation of the depth of the reductions would already constitute a safeguard for developed countries so that it could in this case less easily be argued that in addition a general tariff quota would be necessary; the reduced-duty system is thus discussed on the assumption that it would be combined with an escape clause only.¹

Part THREE

ANALYSIS OF EACH OF THE ELEMENTS OF A PREFERENTIAL SYSTEM

A. TECHNIQUES OF LIMITING THE IMPACT OF PREFERENTIAL IMPORTS ON PRODUCERS IN THE DEVELOPED WORLD

(1) THE APPLICATION OF AN ESCAPE CLAUSE

(a) *Its operation and advances*

32. In order that reductions of trade barriers agreed upon by an importing country do not lead to serious injury to domestic producers, the country is usually enabled temporarily to suspend the obligations, provided certain conditions are met. Considerable practical experience is available with regard to the

¹ It is also possible to envisage a system that combines certain characteristic features both of the escape-clause and of the tariff-quota system, but for simplicity of exposition and analysis, the pure forms of each system are being discussed at this time.

operation of such an escape clause since it is provided for in GATT, EEC, EFTA etc., though the details differ. An escape clause could therefore be incorporated into a preferential system for developing countries' industrial exports. Accordingly, imports at preferential rates of a particular item into a developed country would in principle be unlimited, but if as a result of the preferences any product is being imported in such increased quantities as to cause serious injury to domestic or third country producers of like or directly competitive products, application of the preferential tariff could be in principle fully or partially suspended temporarily.

33. The advantages of this system is that it places no limitations on the volume of imports enjoying preferential treatment. For this very reason, it also possesses the second advantage of not appearing to offer less than the existing preferential systems between some developed and some developing countries, since these systems do not normally provide for an *ex ante* limitation of preferential imports. Thirdly, the system does not give rise to administrative complications because limitations would only be established in the presumably few cases where real injury occurs. Fourthly, in an escape-clause system it would be possible to direct the remedial action against that developing country which is causing serious injury; the limitations need not be applied to the imports of the other developing countries.

(b) *The problems, and ways of dealing with them*

34. The escape-clause system also gives rise, however, to some problems that may to some extent be taken care of by specific provisions.

35. The escape clause is usually resorted to unilaterally by the importing country which relies on its own judgment as to whether a sufficiently serious injury has occurred. Once the action is taken, it is as a rule difficult to induce the country concerned to reverse it soon, though the temporary character of the limitations and special review procedures may be provided for. Developing countries might therefore fear a cessation of imports at preferential rates as soon as some problems arise in the importing country; this may make it more difficult for them to plan their exports and to count on a certain volume being admitted in all circumstances on preferential terms.

(i) One of the ways for dealing with this problem would be to provide that the importing country would have to ask for prior approval by a suitable international institution before it can resort to an escape clause. Within the EEC such prior approval is provided for because it is consistent with a series of other provisions establishing close economic solidarity between the member States. In GATT, EFTA and indeed in a grouping of developing countries like LAFTA the escape clause, though subject to consultation, can however ultimately be invoked unilaterally. It may therefore be questioned whether the developed countries would be able to accept that their right to defend what they may regard as their vital national interests could only be exercised subject to the prior approval of an international body. Moreover, if recourse to the escape clause is to require prior approval, developed countries will tend to insist on a narrower product coverage and might tend to opt in favour of a tariff quota or reduced duty instead of a duty-free system. If it is recognized, however, that developed countries can unilaterally invoke temporarily the escape clause in an emergency, they should, however, submit to consultation procedures as soon as possible.

(ii) An alternative, more acceptable, means of giving a minimum guarantee to developing countries' exporters might be to provide that in the case of the application of an escape clause the importing country could not—even temporarily—suspend preferential treatment altogether, but would have to maintain it for a minimum volume to be defined. The developing country would thus be able to count on a minimum guarantee that would be admitted in all circumstances. On the other hand, the domestic producers of the developed countries would in this way be assured against contractions of the absolute volume of their production.

36. The escape clause may be regarded as involving the risk that some developed countries would apply it sooner than others even if there were no threat of a serious injury. Some developed countries may then bear a larger share than others of the burden which additional imports from developing countries might constitute. It might lead to additional pressures on the domestic market of the more liberal developed countries, inducing them to take restrictive measures in their turn.

(i) It is true that there is also some risk of abusive recourse to the escape clause with respect to concessions made on a most-favored-nation basis as in GATT; but it is probably much smaller because such concessions are granted on the basis of reciprocity: when resorting to the escape clause, the country is aware that concessions granted to it may be withdrawn in turn. This inhibiting effect is less likely to exist with respect to developing countries, which would not grant any concessions in return for the preferences they would receive.

(ii) It should however be possible to reduce any such risk to manageable proportions. In addition to the minimum guarantee as examined under paragraph 35(ii) above, special review procedures might be provided for in all cases where an escape clause is applied. Accordingly, the country might be obliged to report, after resorting to the clause, to UNCTAD on the progress made toward re-establishing preferential treatment or, as the case may be, on the reasons for not having done so. The report might also have to include a detailed account of the industrial adjustment measures the country plans to take with a view to being again able to grant preferential treatment. These reports might form the basis for a consultation and review procedure.

37. The escape clause might be regarded by third developed-country suppliers as an insufficient guarantee against trade diversion occurring to their detriment. Though it could be provided that the importing developed country can resort to the escape clause in case of serious injury to the detriment of its traditional developed-country suppliers, the third country would indeed have no certainty that the importing country would actually use this possibility. It might therefore be provided that the importing developed country would have to take suitable measures if as a result of the granting of preferences, imports from other developed countries decreased in absolute terms or have a substantially reduced share of the market. One of these measures may be to reduce the m.f.n. tariff. Institutional procedures may also have to be provided for.

38. A special problem may arise between those countries participating in a general preferential system that on the basis of existing bilateral or multi-lateral agreements between them may, under certain conditions, apply quantitative restrictions to safeguard domestic producers against serious injury. This consequence can be avoided if the partners to existing agreements agree that in case of injury they would first reimpose m.f.n. duties as a protective measure and would resort to quantitative restrictions only if, after a reasonable period of time the restoration of m.f.n. treatment had not yielded adequate results. Moreover, it should not be possible to apply quantitative restrictions to the imports from the developing countries alone.

(2) THE PROVISION OF A UNIFORM TARIFF QUOTA

(a) *The various forms of its operation*

39. Instead of making the limitation of the volume dependent upon the occurrence of a serious injury, it is possible to conceive of a system according to which each developed country would be expected to admit duty-free only a certain pre-determined volume of imports corresponding to a certain percentage of domestic consumption, production or total imports of the item concerned. The percentage chosen might be the same for all products and all importing countries. As soon as the imports from the developing countries as a whole were to reach this ceiling, the developed country could without further justification subject additional imports of this item to the m.f.n. tariff. The importing country could take this action even if no injury was caused. Of course, the reference period on which consumption, production or import figures would be based would have to be adjusted at regular intervals. Even if the tariff quota had been filled in one year, it would be possible for all developing countries to avail themselves of the tariff quota in the next year.

40. An alternative form of the tariff-quota system would be to use it to withdraw preferential treatment from those developing countries which with regard to a particular item would have shown that they are particularly competitive. To achieve this purpose, it may be provided that preferential treatment could be withdrawn from the imports of that developing country which would take up more than a certain percentage (for instance, 33 per cent) of the tariff quota. The consequence of such action would be to grant to the other developing countries, and particularly to newcomers, the opportunity of taking up the share of

the quota which had hitherto been taken up by the first-mentioned country. The withdrawal of preferential treatment could be gradual; licenses under the tariff quota would remain available to the first-mentioned country inasmuch as the other countries would not use them.

41. This system of automatic exclusion of a particular country for a particular item has the advantage of providing for a certain rotation among the countries benefiting from the quotas. At first sight, the statistical criteria used would also have the appearance of avoiding arbitrariness in excluding the really competitive countries. This is, however, not necessarily the case. It may well be that a country is excluded though it is not responsible for the fact that the particular developed country felt the need to apply the tariff quota. It is indeed quite possible that the particularly competitive imports come from a country that would take up only a small percentage of the quota. The method would also work against the main supplier developing countries because their productive capacity is such that they can probably more easily reach the percentage than smaller developing countries. Another result of the application of the quota and of the exclusion of some countries would be that with respect to many items, there would be different lists of countries benefiting from the preferential system. Since these lists might have to be adjusted whenever a tariff quota is filled and the exclusion procedure applies, this might be regarded as an administrative complication.

42. To take in to account the possible objections to the system described in paragraphs 40 and 41, a third variant may be conceived according to which it would be provided that a certain percentage of the tariff quota (for instance, 20 per cent) would every year be reserved to newcomers, i.e., non-traditional suppliers. If this reserve were unutilized, it would be carried over to the next year and become available to all developing countries. This method would be an intermediate one in the sense that non-traditional suppliers would always be able to count on an opening while traditional or important supplying countries would not risk being excluded altogether from the benefits of the preference (as may happen under paragraph 40).

43. The methods listed under paragraphs 40 and 42 would provide largely automatic statistical criteria for progressively excluding particularly competitive suppliers and/or for admitting newcomers. Another way of avoiding arbitrariness might be to have the institutional framework regularly reviewed and decide upon a case-by-case basis or upon pragmatic criteria to be evolved gradually.

(b) *Its advantages*

44. An appraisal of the probable results of such a system would, of course, depend on the size of the uniform quota. If the tariff quota is large, few problems would arise; if it is insufficiently large, the problems examined under sub-section (2) (c) below would be considerable. On the assumption that the size of the quota is reasonable from the point of view of the developing countries' export capacity, the following advantages can be seen in this system.

45. The tariff quota could constitute a guarantee for the developing countries that preferential imports from them could not suddenly be stopped for alleged market disruption. This would enable developing countries to plan better their exports to the various developed countries' markets.¹

46. A uniform tariff quota for all products would make it possible to define industrial products broadly, for it would be clear that the domestic producer would only have to accept competition from developing countries for a relatively small percentage of production, consumption or total imports. Developed countries' governments would be able to argue that the domestic or third-country producers should be able to stand competition for such a very minor share of consumption, production or imports. This would certainly make it easier to deal with domestic objections to a preferential scheme.

47. There would be an appearance of burden-sharing among developed countries because each of them could count on their partners taking up a similar amount of exports from developing countries (see, however, paragraph 51 below).

¹ Such a guarantee would, however, only exist if countries parties to existing international arrangements that permit the imposition of quantitative restrictions in case of injury to domestic producers adapt them so as to ensure that such restrictions cannot be applied before the tariff quota is reached and before the m.f.n. treatment has been again applied for some time (see paragraph 88 above).

48. The existence of pre-determined tariff quotas would allow third countries to measure exactly in advance the risks to which they would be subject. It could, indeed, be provided that the importing developed country would impose the tariff quota as soon as imports had reached the ceiling and a third developed country had asked for it being imposed.

(c) *Problems common to all tariff-quota systems*

49. After listing the advantages of a tariff-quota system, it may be useful to examine the problems which arise in connexion with it. Some of these problems are common to tariff-quota systems whether they are based on percentages of consumption, production or total imports, while other problems are characteristic either for a system based on a percentage of consumption or production, or for a system based on a percentage of imports. Among the common problems the following can be mentioned.

50. A system based on generalized tariff quotas would require the introduction by developed countries of statistical control and further administrative arrangements. Rules for the utilization of the quotas would have to be set up, and it would be necessary to prevent abuses. To enable the developing countries to gain the advantages of exporting at preferential rates, the importing countries would therefore have to accept some administrative complications. In actual fact these inconveniences would, however, be of rather limited scope. Indeed, in the case of most products, the export capacity of the developing countries as a whole might likely remain far below the quota even if the latter amounted to a relatively small percentage of consumption, production or total imports. Invocation of the quota need therefore not occur before imports come close to this ceiling. And even if the imports attain the amount of the quota, each importing country would be free to decide whether or not to impose the quota; the institution of the quota could be limited to those cases where a domestic producer or a third developed country would specifically be asking for it. In determining the rules for applying the tariff quotas, the experience of the countries that presently already apply tariff quotas would be very useful.

51. A general tariff quota may be said to limit preferential imports unnecessarily, for it could be applied even in the absence of any injury. The tariff-quota system can thus be regarded as establishing a presumption that in all or most cases there is a risk of injury though in reality it is likely that in most instances no problems for the importing country would arise. Moreover, it has been pointed out that to argue in terms that imports should be limited to a certain share of the market has often been the practice of protectionist elements, and to establish the whole system of preferences on this basis might conceivably give impetus to such elements.

52. It may be argued that the burden-sharing implied in a uniform tariff quota is only apparent. Indeed, the ratio between present imports from developing countries on the one hand and consumption, production and total imports on the other hand vary widely from item to item and from country to country. For some items, present imports at m.f.n. rates into some countries may already exceed the tariff quota while in other countries such imports would still be far below the ceiling. On some items, some developed countries might have to accept additional imports and others none at all. The additional burden represented by the preferential system would, therefore, with respect to some items, fall on some countries and with respect to other items, on other countries. In reply a partial analogy may be drawn by recalling that for aid the developed countries have accepted a uniform target in terms of a percentage of the gross national product. Accordingly, a uniform percentage may be regarded as acceptable with respect to imports from developing countries, for indeed the uniform percentage of the gross national product also involves different *additional* commitments by each developed country.

53. There is the undeniable risk that if a small percentage of consumption, production or total imports is chosen as an upper limit for granting preferential entry, most products presently exported from developing countries may not enjoy the benefits of the new system. In many cases present imports from developing countries would already exceed the tariff quota so that preferences could not help promoting additional imports. It might be considered, however, that this shortcoming would not be such as to reduce intolerably the value of a preferential system for developing countries' industrial exports. It may indeed be argued that the products which have hitherto been exported constitute only a very small share of the items of the tariff nomenclature, and that this would be counter-

balanced in the long run by the fact that for all the other products countries would be able to enjoy the preferences under the tariff quotas even if the percentage appears to be small. Also, products which have already proven their full capacity of competing in the markets of developed countries, can be said to be hardly in need of preferential advantages. On the other hand, if preferences are justified not merely because the *industries* are in the infant stage, but on the basis of the infant *economy* argument, even such exports should enjoy preferences without being limited to the tariff quota.

54. The definition of the product to which the tariff quota would apply is likely to prove one of the more difficult problems. Developing countries would naturally wish to have such a broad definition as to mitigate the tariff quota restraint on certain sub-items. Importing countries on the other hand will tend to define the product so narrowly as to make the tariff quota apply precisely in relation to those sub-items which developing countries are supplying. To avoid such excessive breakdown that would frustrate the purposes of the system, it would be necessary to lay down certain guidelines combined with a review procedure.

55. Lastly, there is the problem that a system of tariff quotas would make it more difficult to absorb or suspend existing preferential systems which appear not to place any limit to imports (for further discussion see section C below).

(d) Considerations specifically related to a tariff-quota system based on a percentage of consumption or production

56. Consumption and production figures are in most cases either not available at all or not available with respect to the items as classified and identified in import statistics or tariff nomenclatures. This need be an obstacle because consumption or production figures will only be required for those relatively few items where total imports from developing countries would be substantial enough to reach the percentage expressed in terms of the usually very large consumption or production of a developed country of the item concerned. Only if a domestic producer or a third country wants it, would the tariff quota have to be calculated. At least as far as the domestic producers are concerned, it can therefore be expected that they would supply the figures necessary for defending their own interests.

57. To base the ceiling on a percentage of consumption or production, may in some cases be particularly disadvantageous to third developed-country suppliers. Indeed, when an importing developed country or group of countries possesses a large internal market and relatively high tariff, its total imports of a particular item from all countries may be smaller than the tariff quota available to the developing countries. For in these cases total imports may be very small in terms of a percentage of consumption or production of a particular item. Third developed-country suppliers would then be at a disadvantage with respect to developing countries for their total exports of that item to the developed markets concerned. The burden on third developed countries would in those cases be greater than that which domestic producers would have to bear, though from a rational economic point of view it may be argued that the latter rather than the former should be expected to adjust their pattern of production. This problem may to some extent be remedied in a system where the tariff quota is calculated in terms of a percentage of total imports.

58. On the other hand, to take consumption as the basis for calculating the ceiling is likely to have greater advantages from the point of view of developing countries than to calculate the limitation in terms of production or particularly imports. In case of production, countries that do not produce a particular item might escape the granting of preferences on a few items. In the case of imports, protectionist countries could take advantage of their generally restrictive policy for continuing to exclude imports from developing countries. Consumption, however, is considerable in all developed countries, and a percentage of consumption may in nearly all circumstances mean fairly substantial quantities. Everything will, of course, depend on the percentage chosen. Combinations might also be envisaged; for instance, one in which the tariff quota would have to amount to x per cent of domestic consumption but need not amount to more than y per cent of total imports of a particular item.

(e) Considerations specifically related to a tariff-quota system based on a percentage of total imports

59. A tariff-quota system based on a percentage of total imports would, as already mentioned, presumably be of lesser interest to developing countries. For

preferences can be of interest to developing countries particularly in those cases where they would enjoy free access to otherwise highly protected markets and where therefore the margin of preference is high. Where there are such tariffs, total imports are likely to be small, so that a tariff quota calculated on this basis would also be small. On the other hand, such a system may present some advantages for the reasons listed in the following paragraphs.

60. A tariff-quota system based on total imports may be advantageous for third developed supplier countries. To fix the upper limit in this manner would provide an assurance to the latter countries that the imports from developing countries that would be admitted on preferential terms could not exceed a certain percentage of total imports of a particular item.

61. To express the volume limitation in terms of a percentage of imports may result in some advantage for developing countries in case of further reductions on an m.f.n. basis. While such reductions would reduce the developing countries' margin of preference, they are also likely to lead to an increase in total imports. Though percentage-wise the tariff quota would remain the same, the increase in total imports would lead to an automatic increase of the volume admitted under the quota. Tariff quotas expressed as a percentage of total imports might therefore facilitate a possible increase in preferential imports without hindering further reductions on an m.f.n. basis.

62. Finally, if the percentage is expressed in terms of total imports, it is statistically much more easily ascertainable because in contrast to consumption and production figures, import statistics are available and more reliable. This would also mean that the developing countries could assess more easily the possibilities of the volume admissible under the tariff-quota system being fully taken up; they could, therefore, for instance, agree to discipline the rate of increase of their exports to obviate the formal establishment of a quota.

(3) THE EXTENT OF THE DUTY REDUCTIONS

63. A major justification for granting the developing countries duty-free entry is the existence and possible extension of large multi-national markets in the developed world. A mere duty reduction on a preferential basis would still leave developing countries at a disadvantage in relation to those of their competitors which are producing within these multi-national markets. To obtain equality of treatment with them, imports from developing countries would also have to be admitted duty-free.

64. An additional reason for abolishing duties would be that existing preferential systems provide in many cases for duty-free entry. It would be more difficult to absorb or suspend existing systems if the new preferential system only provided for preferential duty reductions (see section G below for further details).

65. The mere reduction of duties, on the other hand, would cause less concern among producers in the developed countries than would an abolition of duties. Developed countries might therefore be willing to envisage a wide product coverage of the preferential system. Also the case that may be made for general tariff quotas would be weaker than in case of general duty elimination.

66. It might be argued that mere duty reductions would make it easier to present the preferential system as an anticipation of cuts that would ultimately be extended to all countries on an m.f.n. basis. It would presumably be easier, in eventual future negotiations on an m.f.n. basis, to catch up with duty reductions than with outright duty elimination.

67. If the importing countries had only the all-or-nothing choice between eliminating duties or excluding the item from the scope of the preferential system altogether, opportunities for making more limited progress in the form of mere reductions might be lost. If one were to find a way for providing, in lieu of complete exclusion, for preferential duty reductions, it may be hoped that the developed countries would include more of the so-called competitive items within the scope of the preferential system.

68. One may try to compare whether developing countries would have a greater interest in obtaining an across-the-board duty reduction for all items with no advance limitation of the volume, or an across-the-board duty elimination, but linked to a uniform tariff quota fixed in advance. Such a comparison is difficult to make in the abstract, all the more because it will depend on the margin of the duty reduction envisaged and on the relative size of the tariff quota. One may,

however, consider that obtaining zero duty and thus equality of treatment with domestic producers in developed countries on the vast majority of items of the tariff nomenclature would ultimately—even in connexion with a uniform tariff quota—be more important than getting an across-the-board duty reduction which may remain insignificant as far as the so-called competitive items are concerned and insufficient for stimulating exports in new products.

60. The case for providing for mere tariff reductions presents itself, however, in a different light if it is to be a mere complement to a system based essentially on tariff elimination. When there are serious obstacles to complete tariff elimination for particular items, it is conceivable to envisage that tariff reductions could be regarded as an alternative, provided certain conditions are met that could be defined in advance.

70. While, on balance, tariff zero either in an escape clause or a tariff-quota system will appear to be preferable, a case can be made out for enabling the developed countries to attain this objective only gradually. The fact that the reduction process was stretched out in EEC and EFTA over a period of about ten years and in the United States Trade Expansion Act over five years, contributed considerably to the political acceptability of the respective schemes. Producers would have time to adapt themselves, and the case for excluding items from the beginning would be weakened.

B. THE PRODUCTS ON WHICH PREFERENCES WOULD BE GRANTED

(1) THE OBJECTIVE AND THE PROBLEMS INVOLVED IN ATTAINING IT

71. According to the proposal of the developing countries and the working hypothesis of the Group on Preferences, preferences should, in principle, be extended to all manufacturers and semi-manufacturers from developing countries. The wider the product coverage of a preferential system, the larger would be the field open for investors to choose production lines that could be located in developing countries with a view to exporting toward the developed world. To limit the preferences to those products which are presently produced in developing countries would unnecessarily narrow the scope of the system; past experience shows that various countries have in the last decade made rapid advances from a state of under-development and have started producing and exporting goods which could hardly be foreseen only a few years back. Also to grant preferences only on the presently produced items would concentrate the attention of developing countries on lines of production for which developed countries often fear market disruption and tend to want to exclude from the system in one way or another.

72. However, to include all manufactures and semi-manufactures raises some problems. Every country will indeed have some items which it regards as sensitive and which it would want to except from the preferential system. Even in the Kennedy Round where an across-the-board approach was aimed at, all major developed countries submitted a list of exceptions. Among the products whose inclusion in a preferential system is likely to be called in question, two categories deserve particular attention.

73. It would be of considerable importance to the developing countries that the definition of what are semi-manufactures and manufactures extends as far as possible into the early stage of processing of primary products and particularly of processed agricultural products. Yet, such products are in some cases highly protected partly inasmuch as these processing industries are obliged to use domestically-produced agricultural raw materials whose high price is partially reflected in a high tariff or other protection on the processed product. In such cases to eliminate completely the duty on the finished product might mean that these domestic processing industries would—for reasons unrelated to the efficiency of their transformation process—be put at a disadvantage with respect to imported goods produced from cheap raw materials. If the processing industries were to suffer as a result of this complete duty abolition, domestic agriculture might also be affected in those cases where a significant share of the agricultural output concerned is taken up by these industries. Developed countries may, therefore, be hesitant to include in the preferential system such products close to the agricultural sector though they may often be of particular importance for the less-advanced among the developing countries.

74. When considering the various possible ways of dealing with processed agricultural products, it might therefore be taken into account that existing trade barriers on these products generally may be regarded as containing both

an element of protection for the agricultural component of the finished product and an element for protecting the industrial transformation process for the developing countries concerned. To eliminate only that part of the protection which covers the industrial transformation process would ensure for the imports of processed goods from developing countries equality of treatment as against domestically-produced processed goods. In cases where the protection of the processing industry is high, the resulting benefits for developing countries may not be negligible. On the other hand, whenever the agricultural inputs account for a high proportion of the value of the finished product, the full use of export potential of the developing countries for such products might still be severely inhibited if a part of the duty were allowed to remain.¹

75. Questions might also arise on how to deal with products now under quantitative restrictions. When quantitative restrictions are imposed on imports of a product from all sources (developed and developing countries alike), the granting of preferences on such products might allow the developing countries to increase their exports and to obtain a larger share of the total imports within the quota. Where, however, quantitative restrictions are imposed only on imports from all or some developing countries, either in the form of global, bilateral or unilateral quotas, the granting of preferences might have only a limited positive effect on export earnings within the limits of the quota. Yet consideration must also be given to the possibility that if tariff preferences are granted on items under quantitative restrictions, domestic producers might experience additional pressure and thus be led to adduce additional arguments in favour of maintaining quantitative restrictions. Since a quantitative restriction is in most cases a much more effective barrier to imports than any tariff, it can be argued that nothing should be done that might in fact delay the relaxation or abolition of such restrictions. Accordingly, a relaxation of the restrictions might merit priority treatment, because even if the relaxation were only gradual, it would probably yield greater benefits than would an expansion within the quota of exports from developing countries.

(2) METHODS FOR DEFINING THE PRODUCTS SUBJECT TO PREFERENCES

76. The determination of the industrial products on which preferences should be granted presents difficulties also on account of the fact that there exists no internationally accepted definition of manufactures and semi-manufactures. Some treaties (e.g. in the case of EEC and EFTA) contain definitions of what may be regarded as agricultural products, so that they may be governed by different rules from those applicable to industrial products. But in the Kennedy Round negotiations, it was left to each country to draw a more or less clear line between mostly non-agricultural, i.e., industrial, products subject to the linear cut and agricultural products for which special arrangements were sought. From the formal and informal lists thus established, it emerges that there are products which are always regarded as industrial (particularly in Chapters 25 to 99 of the Brussels Tariff Nomenclature), others which are always regarded as agricultural (particularly in Chapters 1 to 24), while others again are treated by some groups or countries as industrial and by others as agricultural. Where attempts have been made to agree on a common list (as in EEC and EFTA), the negotiations have always been very difficult. These experiences have to be taken into account when defining semi-manufactures and manufactures for the purposes of drawing up a preferential system. Among the ways for solving the problem the following would appear to deserve special consideration.

77. One method would be to establish a common positive list of manufactures and semi-manufactures for which all developed countries would grant preferences without exclusions. Accordingly, no attempt would be made to agree on a definition of what are industrial products. The approach would rather be merely to pick out all items on which all developed countries could agree to grant preferences. However, this method is hardly to be recommended since even if one

¹ The calculation of the element of industrial protection may sometime cause problems. These problems are, however, soluble, as has been shown by the experience in EFTA, where countries were obliged to eliminate the protective element embodied in fiscal duties. In EEC also, a distinction is made between the variable levy corresponding to the protection of the agricultural input and the additional fixed tariff corresponding to the protection of the industrial transformation process. For implementing a rule under which the element of industrial protection would be eliminated some provision for a review procedure would have to be allowed for.

country were to consider a given item as sensitive, it would be necessarily excluded from the list. If other developed countries were also to do likewise and exclude items which they regard as sensitive, the cumulative effect would be considerably to reduce the product coverage.

78. An entirely opposite method would be to abandon the endeavor to arrive at a common positive list and to leave it to each country to decide the items on which it would wish to grant preferences. This method would inevitably be unsatisfactory for it might lead to few effective preferences being granted, and this would also create problems from the burden-sharing point of view. It is true that an analogous method was employed in the Kennedy Round, because there was no common determination *a priori* of the list of products that would be subject to the linear cut. Yet, these negotiations were based on the principle of reciprocity, so that the equalization of the burdens of each country was allowed for by means of balancing the concessions granted. It was, therefore, unnecessary to ensure that the list of exceptions was more or less mutually equivalent. Clearly, the granting of preferences to developing countries cannot be based on the principle of reciprocity. Therefore, if some provision cannot be made for each developed country to exert a more or less equivalent effort as regards preferences, some developed countries might wish to grant preferences only on a restricted range of goods.

79. An intermediate method might consist in adopting a common definition of what are manufactures and semi-manufactures, but at the same time permitting each developed country to except certain items from the extension of preferences. An upper limit for such exclusions would have to be provided for (e.g. in terms of a percentage of each country's total imports of manufactures and semi-manufactures) to take account of the comparable contribution aspect dealt with under paragraph 78 above. This method might take it possible to arrive in principle at a reasonably wide product coverage; at the same time each country could within definite limits eliminate such items it regarded as sensitive, while other countries could nevertheless include them in the preferential sector. Provision for individual countries to exclude selected items would probably also tend to facilitate agreement on a common definition. It might then be possible to consider taking as a basis the rather extensive list of semi-manufactures and manufactures submitted by the UNCTAD secretariat in document TD/B/C.2/3.

80. It will in any case be necessary to provide for criteria regarding the origin of the products that would benefit from the preferential system. Consideration might be given to the practicability of adopting the rules of origin envisaged by Australia in respect of its preferential system for imports of manufactures and semi-manufactures from developing countries. Under such a system, a product would qualify for entry at the preferential rate of 50 percent or more if the labour and material cost of the product was chargeable in a developing country and if final processing before export took place in the exporting developing country. Here again, a complaint and review procedure would have to be provided for to ensure that the developed countries follow this generally-agreed guide-line.

(3) THE QUESTION OF SPECIAL ACTION REGARDING EXCLUDED ITEMS

81. As soon as the need for a list of individual country exclusions is admitted, the fact must be faced that the items which developed countries will wish to exclude would often be those which developing countries would be able to export at the present time. Many countries, for instance, may want to exclude cotton and other textiles. Other countries may exclude leather and similar products, but there will also be cases where only very few countries will utilize the opportunity of making an exclusion, while other countries would be ready to grant preferences on them. Some exclusions might even be motivated by an importing developed country's desire to maintain trade relations with other developed countries.

82. If the risk of such exclusions could be accepted, this should not imply that the mere maintenance of a *status quo* in their respect. On the contrary, it may be possible to lay down some guide-lines and fix certain specific targets for future negotiations regarding these products. Developed countries might wish, for instance, to consider declaring formally that they would between now and the third session of UNCTAD prepare a scheme to ensure that the protection granted to domestic producers should be adjusted in such a way as to enable developing countries to compete for any increase in the consumption of these goods. Alternatively, they might propose that each developed country should individually adopt trade policy measures (regarding tariffs and quantitative

restrictions) designed to prevent domestic industries from expanding their production beyond a fair share of the increase of consumption. In particular, with regard to the so-called residual quantitative restrictions, on which consultations have taken place over a great many years, it should now have become possible to aim at establishing a specific programme providing for their elimination within a reasonable period of time. With respect to the sensitive products, the developing countries may consider accepting the principle of an orderly expansion of markets. Action along the lines envisaged in this paragraph would at any rate have the advantage of emphasizing that the exclusion of products from preferences would not imply that there would be no obligations regarding them.

C. THE COUNTRIES THAT WOULD BE PREPARED TO GRANT PREFERENCES

(1) THE OBJECTIVE

83. For a variety of reasons, the aim should be that all developed countries can come to participate in the preferential system. First, the greater the number of such countries participating, the larger will be the diversification opportunities for the industrial exports. Secondly, each developed country could afford to grant better conditions of access in proportion to the involvement of the developed countries as a whole: in relation to the possible adverse impact of imports from developing countries on the domestic producers of a particular developed country, the effect would be inversely proportional to the number of developed countries participating in the system. Thirdly, the more numerous the developed countries that participate, the more a general preferential system can function as a fully equivalent substitute for the existing systems. The non-participation of one of the important developed markets would make more difficult any suspension of the existing preferential systems.

84. On the other hand, of course, there may be some developed countries in which the process of decision-making with regard to preferences may be more protracted than in others. This need not be a reason why the other countries should hesitate to proceed independently, since past experience shows that trade liberalization action by some countries has in many cases had a catalytic effect on the action adopted by other countries. It would, however, be desirable if the system could enter into force at about the same time among all participating countries; for in deciding on the extent to which the various available safeguards can be applied and how the existing preferential systems are to be dealt with, each developed country will need to know which other developed countries will be associated in the same decisions.

(2) THE DEFINITION

85. There is no agreed definition concerning which countries are to be regarded as developed. For very many countries that may be classified in this category there is, however, no dispute about their eligibility. On the other hand, there are some countries which, while usually regarded as developed, may themselves feel that they have not yet advanced far enough in their own industrialization and still depend to a large extent upon exports of primary products. Such countries, for instance, in contrast to other developed countries, have been unwilling to offer linear reductions in the Kennedy Round. It must be considered whether similar considerations would apply not only in negotiations mainly with economically stronger countries (as in the Kennedy Round); but also in connexion with a preferential system in favour of weaker countries. At any rate, it would appear that the problems of these countries could be taken into account in a manner that would still enable them to participate in a general system of preferences. Consideration might perhaps be given to granting such countries a longer period in which to reach the target of duty abolition or reduction. Provision might also be made for them to make initial exclusions for a larger percentage of their imports.

(3) THE SAME SYSTEM APPLIED BY ALL DEVELOPED COUNTRIES?

86. To arrive at a system of preferences of which the detailed features and mechanisms would be identical for all developed countries would be no easy task. Yet, if the various developed countries were to apply different systems, it would be very difficult to ensure the undertaking of comparable efforts by all countries, to decide on how to deal with existing systems, or to review the operation of the

system. Arbitrary considerations might also prevail with respect to the selection of the beneficiary countries. Moreover, in order to enable developing countries and "third countries" to gain a clear picture of what they could count on in the future, the essential features of the preferential system applied by the various developed countries should be uniform.

87. Certain differences are, of course, unavoidable and have in fact been considered in the present report as a means for facilitating the acceptability of the system. Thus, in the event that provision is made for initial exclusions, the items excluded by the various countries may be different. There will also be differences as regards the extent to which the various developed countries may extend, on an m.f.n. basis, the tariff cuts granted to the developing countries. At any rate, as long as differences in the application of the preferential systems are marginal and do not compromise certain fundamental principles, it would appear that they would not be incompatible with the general system.

88. Another question arises in connexion with the participation of the socialist countries of eastern Europe in a system of preferences. The socialist countries applying customs tariffs have already taken tariff action in favour of the developing countries. Bulgaria and the USSR have abolished, through preferential action, customs duties on all goods imported from and originating in the developing countries, while Czechoslovakia has suspended on an m.f.n. basis, duties on products of export interest of the developing countries. Though customs duties play an increasingly important role in various socialist countries, in particular in connexion with current changes in the management system, it remains open to question whether tariff concessions granted by socialist countries have effects that can be regarded as equivalent to the establishment of a preferential system by market-economy countries. It may therefore be appropriate to consider additional means for increasing industrial exports from the developing countries to the socialist countries.

89. In order to obtain results that are comparable to those achieved by the market-economy countries in connexion with the establishment of a preferential system, the socialist countries might consider matching the rates of growth of imports from developing countries which the market-economy countries would attain by applying the preferential system. Another approach might consist in a declaration of intent to the effect that the socialist countries would be ready to take an increasing share of manufactures and semi-manufactures in their imports from the developing countries. Socialist countries may also consider aiming at other similar quantitative targets. They may agree to apply the trade policy instruments appropriate to their systems in a way that would achieve such results. Bearing in mind the growing importance of indirect instruments of management of foreign trade in some socialist countries, they might also consider applying these instruments in a way that would create preferential access to imports from the developing countries. Socialist countries might also wish to consider accepting international review of the efficacy of the methods suggested above after a reasonable period of time has elapsed.

D. THE COUNTRIES THAT WOULD BE ELIGIBLE FOR THE BENEFITS OF THE PREFERENTIAL SYSTEM

90. The notion of a preferential system for the developing countries implies that there would be some cut-off point beyond which a country will be considered as developed and therefore not qualifying for enjoyment of the benefits in question. It would, therefore, be ideal if it were possible to agree on objective economic criteria to determining which developing countries should benefit from the system. For reasons further examined below, it is however hardly practicable to arrive at an agreement on such criteria. Procedural solutions may therefore have to be considered as a means to determine the beneficiaries of the preferential system.

91. One possible method might be to take as the point of departure the fact that for a very large majority of potential beneficiaries of the preferential system, there is no dispute as to their belonging to the category of developing countries. The question is, indeed, not whether these countries are themselves developing, but whether other countries should not be added to the group. One might accordingly agree that the group of countries which in their mutual relationships regard themselves as developing should make an initial proposal for the list of beneficiaries and that the developed countries would have an opportunity of adding

certain countries which in their view belong also to the category of developing countries. If the developed countries cannot agree on which countries to add, there might be some differences in the list of beneficiaries, but this would, however, be marginal because the bulk of the beneficiaries would not be subject to any difference of opinion. While this method would have the disadvantage that non-economic criteria might enter into account when establishing the initial list, there would be a corrective in the form of the possible additions.

92. In approaching this matter, it may be recalled that there are only relatively few countries in respect of which their categorization as developing or not would be likely to raise any questions. But many of these potential borderline countries would seem to have a particularly important stake in being included or excluded from a preferential system. Indeed, they often produce goods that are generally furnished by developing countries. Therefore, if these countries are included among the beneficiaries of the system, they would be likely to gain considerable advantages, in particular since they are often geographically close to the developed countries' markets and sometimes already possess substantial industries. At the same time, if these countries were not included in the system, the similarity of their production lines with those in developing countries benefiting from the system might often lead to their suffering particularly from the resulting trade diversion. Solutions might be looked for in the following directions: if these countries were excluded from the system, the question of guarantees against trade diversion would be very important to them (see paragraphs 37, 48 and 60 above); special guarantees might even have to be envisaged for them in such an eventuality. On the other hand, to substantiate their desire to be included in the system, these countries might consider offering to the developing countries special guarantees with regard to control of their exports in cases where they would otherwise tend to take up a major share of preferential imports from developing countries. Taking into account such practical considerations, it should be possible to find mutually satisfactory solutions along pragmatic lines.

93. Some thought might also have to be given to what extent the participation of some borderline countries in integration schemes with developed countries could be reconciled with others benefiting from a preferential system for developing countries. On the one hand, they may possess, compared to the developing countries as a whole, considerable advantages on a multi-national market, but on the other hand they would have to share some of these advantages with the developing countries if a general preferential system were established. The considerations evoked with regard to the question of the suspension of existing preferential systems for manufactures and semi-manufactures (see Section G below) may have some bearing upon this problem. Similar questions will arise in connection with the non-independent territories of various developed countries which are often treated on a preferential basis or as if they belonged to the home market of the developed country concerned.

E. PROVISIONS FOR THE LESS-ADVANCED AMONG THE DEVELOPING COUNTRIES

(1) GENERAL CONSIDERATIONS

94. When attempting to evaluate the potential benefits of a preferential system for developing countries' industrial exports, there is the striking fact that at present some seventy-nine developing countries contributed only about 6 per cent of the over-all exports of manufactures from the developing countries. It would, therefore, appear that the establishment of a preferential system would, at least in the initial stages, bring immediate benefits only to a small minority of developing countries. These would be the countries that have already an industrial base and that may already be carrying out such exports to the developed world. The preoccupation with industrialization is, however, not only of concern to these few developing countries. The industrially less-advanced developing countries have a special need to escape from the consequences of an over-dependence on exports of primary goods and to avoid the risks of an industrialization process that would be based only on import substitution. The group of the developing countries has, therefore, put forward the idea that special measures should be envisaged to ensure that relatively less advanced developing countries can participate effectively in the expected benefits of a general system of preferences.

95. Before examining the special measures that might be adopted in this connexion, it is necessary to recall that the high present concentration of industrial

exports in a few developing countries in no way means that less-advanced developing countries could not take advantage of a preferential system if one were established. Certain industrial exports for instance in the field of further processing of raw materials (such as ores, bauxite, crude oil, woods), could take place from countries regardless of whether or not they have a broad industrial base. Similarly, canning industries, further processing of fishery products and even the production of certain chemical specialities may be located in less-advanced countries. Some may even find opportunities by importing the raw materials needed and processing it. Such possibilities may exist particularly for those less-advanced countries that are geographically close to developed countries or to transport routes toward them. Quite generally the less-advanced countries have a longer-term interest in building up a sound industrial pattern on the basis of the most effective utilization of their resources, which in turn requires an open access to the world markets. For such reasons it would be a mistake to believe in a general manner that the less-advanced countries have a lesser interest in the establishment of a preferential system than the more advanced ones.

(2) PITFALLS TO AVOID

96. While the need is evident for making a maximum effort in favour of the less-advanced developed countries in connexion with the setting up of a preferential system, the ways and means for doing so deserve special attention.

97. Particular care should be taken to ensure that the means chosen would not be such as to damage the usefulness of a preferential system for the developing world as a whole. A typically inadequate method would, for instance, consist in generally providing preferential free entry only to the imports from the less-advanced countries, and refusing it to the more-advanced developing countries. This might in fact mean that those developing countries that would have goods to export would not be able to compete on equal terms with domestic producers, whereas those which would be granted this equality of treatment would for some time have few goods to export.

98. Care should also be taken that the special measures for the less-advanced developing countries should not create considerable administrative complications in the developed countries. In the present period where the trend in some developed countries is toward a simplification of the formalities, unduly complicated mechanisms might increase the objections against the setting up of a system of preferences. The introduction of a three-column-tariff (one for m.f.u. treatment, one for the preferences for the more-advanced and one for the less-advanced countries) or the setting up of special quotas for the less-advanced and other quotas for the more-advanced countries might be regarded as such undesirable complications. Largely for practical reasons there seems to be an understanding in developed countries that trade policy measures, in contrast to financial aid which can be better directed, are instruments which by nature do not allow excessive differentiation between countries.

99. Lastly, the approach chosen for dealing with the question of the less-advanced countries should not be such as to complicate and delay the establishment of a system of preferences. This would probably be the case if there was an attempt to reach agreement on a definition or list of these countries. Of course, it would be ideal if objective criteria for determining which are the less-advanced developing countries could be established. One such criterion in defining developing countries might evidently be the level of *per capita* income. However, reliable data on national income are not available for a good number of countries. Moreover, the use of exchange rates to convert national accounts estimates frequently biases inter-country comparisons. Such limitations apart, it is clear that *per capita* income can hardly be the sole criterion of the level of development. In some cases high *per capita* income coincides with what might be considered a relatively low level of development, as measured by other indicators. Accordingly, *per capita* income would have to be combined with other indicators of development, such as the size of the manufacturing sector, the degree of export diversification, the level of infra-structure, etc. However, once several indicators are to be taken into account, weights have to be assigned to each, which is a far from easy task. In all cases a decision has to be taken as to the cut-off point in each indicator below which the country would qualify as developing. It would also be difficult to decide whether the more advanced category should include only those relatively few countries that presently account for the bulk of industrial exports from developing countries or whether it should include all countries,

with the exception only of those that, judged by every possible development indicator, come towards the very end of the list. Since there are arguments in favour of every possible categorization and since negotiating agreed definitions would considerably delay the setting-up of a system, it would be preferable to provide for special measures for the less-advanced developing countries without trying to define different categories. In the following paragraphs, measures are examined that do not presuppose such a definition.

(3) LIMITING THE PERIOD DURING WHICH PREFERENCES CAN BE ENJOYED ON A PARTICULAR ITEM

100. One measure that would turn out to favour the less-advanced countries could be based on the idea that no developing country should be able to take advantage of preferences with regard to a particular product for more than a certain pre-defined period: a ten-year entitlement is most often mentioned in this connexion. There are, however, some problems in implementing this idea of ensuring rotation in favour of the latecomers to industrialization. For instance, it would be necessary with respect to every item to establish the date when a particular developing country has made its first significant export to a particular developed country. With regard to each item and developed country, one would soon have a different list of developing countries that would be entitled to preferences. This would complicate the task of the customs authorities and might also create problems with respect to the control of origin. It might, moreover, induce the exporting countries to take measures to ensure that exports take place only when there is a certainty that a steady stream of exports would be possible; otherwise, the exports by one plant might be the starting point for the calculation of the ten-year period even if this plant produced only relatively insignificant exports.

101. Such disadvantages may, however, be overcome to a large extent if the verification of whether a particular export has been taking place for ten years is not carried out annually but only after a longer period of operation of the preferential system. In this case, the customs authorities would not have to change their lists with respect to the various items so frequently. Since the working of the preferential system will in any case be reviewed after a certain number of years (see Section F below) provision could be made as one of the guidelines for the review that the interests of the less-advanced developing countries are taken into account and that at the time of the review, countries will stop benefiting from preferential treatment on all those items for which exports have taken place over a ten-year period. For this method to be useful for the less-advanced developing countries, it would of course have to provide that the preferential system as such would not be terminated altogether after ten years.

(4) SUITABLE ADAPTATION OF THE CRITERIA FOR APPLYING THE ESCAPE CLAUSE OR THE TARIFF QUOTA

102. Advantageous results for the less-advanced developing countries can also be achieved in connexion with the application of the escape clause or the tariff quota, depending on which safeguard mechanism is provided for in the preferential system envisaged. When an escape clause or a tariff quota is being applied, the reason for doing so would usually not be the competition resulting from imports from all developing countries, but from some only. Accordingly, one could provide that the m.f.n. tariff that would be reimposed would apply only to the imports from those developing countries which are the most competitive with regard to the item concerned. Such a method would frequently be likely to result in granting more advantageous treatment for the less-advanced developing countries because in the majority of cases they can be presumed to be less competitive than the more advanced ones. This method would, however, have to be applied in a different manner in an escape-clause system on the one hand and in a tariff-quota system on the other. This question will be examined below.

103. In the case of an escape-clause system, it would simply have to be provided that the developed country would only suspend the preferential treatment for the imports from that country or those countries which are the cause of the injury. This would have to be made a mandatory guideline for the application of the escape clause and would be reviewed as part of the institutional framework of the system. This suspension of imports would work to the advantage of the less-advanced developing countries.

104. In case of a tariff-quota system, the effect on less-advanced countries would be different depending on the mode of operation chosen. (See paragraphs 39-43 above.) According to the variant examined under paragraphs 40 and 41 above, the country that would take up more than a certain uniform percentage of the tariff quota would be excluded from it, as soon as the tariff quota was filled. Since presumably for many items the less-advanced countries are unlikely to reach this percentage share of the tariff quota, this exclusion procedure might constitute an advantage for them. But the real question would be whether they could exploit this advantage by starting production lines with a view to exports. The automatic exclusion procedure presents, however, a particular problem because less-advanced developing countries usually have only very few potential industrial export products. Precisely these few industrial exports would risk exclusion, whereas countries with a broader industrial base could benefit from the quotas existing with respect to their other products. Automatic exclusion, even in the absence of a serious injury, when the tariff quota is reached, might therefore damage the interests of these developing countries which for some time to come will have to concentrate their export efforts upon a few products.

105. For these reasons, it may in actual fact be more advantageous to the less-advanced developing countries if the variants of the tariff quota system listed under paragraphs 42 and 43 above were considered. Provision that a certain percentage of the tariff quota would always be reserved for newcomers would ensure that the traditional suppliers do not take up the whole quota. This safeguard may be combined with the review procedure mentioned below.

(5) A PERMANENT MECHANISM FOR REVIEWING THE WORKING OF THE SYSTEM FROM THE POINT OF VIEW OF EQUITABLE SHARING OF BENEFITS

106. Provision may also be made for a permanent mechanism that would follow and review the workings of the preferential system and assess at regular intervals whether the system is yielding advantages to all developing countries or only to a few. The existence of such a permanent mechanism would ensure the less-advanced countries which would not have benefited from the system that their interests will not be lost sight of. It could constitute an instrument for adapting the system in accordance with the needs that may arise. In particular it could be provided that within UNCTAD the developed and developing countries would arrange for special measures to be taken in favour of those countries which after a given period of time would not have been able to take advantage of the preferential system for starting or intensifying industrial exports. These special measures should preferably consist in promoting and financing investments in the countries concerned (see paragraph 109 below).

(6) THE QUESTION OF PREFERENCES BY THE MORE-ADVANCED COUNTRIES FOR THE LESS-ADVANCED

107. The question also arises whether the responsibility for taking action in favour of the less-advanced countries should rest only on the developed countries or whether the more-advanced developing countries should also contribute to the benefits of the less-advanced ones in connexion with the scheme of preferences.

108. Among the forms of action that more-advanced countries might want to envisage would be to declare their willingness to grant preferences to less-advanced developing countries. In favour of such a declaration it may be argued that the more-advanced developing countries are likely to gain more from a system of preferences set up by the developed countries; by opening their own markets to the less-advanced countries, they might, however, help in attaining a more effective participation of the less-advanced countries in the benefits emerging as a result of the establishment of a preferential system. Moreover, it may be considered that in the case of some products, at least the less-advanced developing countries might have better chances of penetrating into the relatively less competitive markets of the more-advanced developing countries than into the markets of the developed world.

109. The practical implementation of this idea would, however, not be easy. The developing countries would have to face the difficult task of identifying the less advanced ones among them. Such an agreement may, however, be reached more

easily within the various regions than on a world scale, and the willingness to grant preferences may accordingly be limited to the less advanced countries of the same region. Moreover, the more advanced developing countries are very often in balance of payments' difficulties and may for this reason have considerable difficulties in granting preferences to their less advanced partners on a non-reciprocal and across-the-board basis. Their industries are often also still in a formative stage so that they may be hesitant to expose them to outside competition, even if it were to come from a less advanced country of the same region.

110. For these reasons, if the more advanced developing countries want to consider granting preferences to less advanced ones, these would probably have to be of a selective nature and might need to be complemented with provisions regarding licensing procedures. To allow for the balance of payments' considerations, it would furthermore, be advisable to put the preferential access which the more advanced countries would grant to their less advanced partners into some relation with the increase of the exports that they will have been able to achieve on the basis of the preferences that would be granted by the developed countries. The more additional sales these more advanced countries would be able to make in the developed countries, the more they might be expected to open their markets to the less advanced developing countries. If the problem could be approached in this way, the more advanced developing countries would not immediately grant preferences to the less advanced partners but only once their exports to the developed countries will have expanded in connexion with the preferential system. The more advanced countries might consider subscribing to a declaration of their intent to act accordingly in their trade relationships with less advanced countries. The action taken on the basis of this declaration might be reviewed in connexion with the review of the operation of the preferential system from the point of view of the less advanced developing countries. If the more advanced developing countries, by that time, would have failed to act accordingly, this may be a reason for taking additional special measures in favour of the less advanced countries.

(7) SPECIAL FINANCIAL AND TECHNICAL ASSISTANCE MEASURES

111. After examining the various trade policy methods for enabling the less-advanced countries to take better advantage of a general preferential system for manufactures and semi-manufactures, it must be recalled that measures of financial and technical assistance may even be more important for achieving results in this respect. Indeed, these countries have often not yet installed any productive capacity in goods that could be sold in the developed countries' markets. To make up for this handicap, these countries would need priority access to funds for undertaking feasibility studies, for training personnel, and eventually for financing such industries. Afterwards, a special effort would have to be made to assist these countries to improve the efficiency and quality of their production. In all these actions, the United Nations Industrial Development Organization and international and regional banking institutions would have to play an important role. For these institutions to give special attention to the problems of the industrially less-advanced countries in connection with a preferential system, the setting up of specific guidelines would be desirable. The less-advanced countries also suffer often from particular insufficiencies with respect to their infrastructure taken in the largest sense of the term, and it would, therefore, be necessary that the international institutions dealing with the various elements of infrastructure should pay particular attention to their needs so that these countries can become attractive for investments.

112. Lastly, the less-advanced developing countries are often those which possess a rather small domestic market. Yet, an internal market of sufficient size, has, in many cases, been a particularly useful and necessary basis of departure for industrialization efforts and particularly for subsequently undertaking exports to the developed world. A systematic effort towards the establishment of multinational markets would, therefore, appear to be of particular interest for the many small less-advanced developing countries. In this respect, a report (TD/B/85) has been submitted to the Trade and Development Board, in which it is suggested that the developing countries' own efforts in enlarging their markets might be supplemented by an international support policy for integration among developing countries. Such a support policy would be designed to assist the

developing countries and particularly the less-advanced of these in overcoming the many special difficulties which they face when undertaking trade liberalization and integration efforts. If it were possible to agree with some precision on a certain number of elements of such a support policy, the smaller and less-advanced developing countries would be the main beneficiaries of it. Specific provisions for the less-advanced developing countries that might be incorporated into a preferential system, together with other measures in their favour envisaged in the field of commodity trade, financial and technical assistance, support for integration, etc., would form a consistent programme facilitating the industrially less-advanced developing countries to start or intensify industrial exports.

F. THE DURATION OF THE PREFERENTIAL SYSTEM

(1) THE ARGUMENTS FOR LIMITING THE DURATION

113. Some of the arguments that can be put forward in favour of a limitation of the system are discussed below.

114. When a country ceases to be considered as a developing country, for instance, because it has succeeded in building up a diversified external trade and in achieving self-sustained growth, there would no longer be justification for it to enjoy special advantages as against exports from developed countries to other developed countries' markets.

115. When an industry in a particular developing country has become competitive in the markets of the developed world, it may be argued that it no longer needs advantages against similar industries in third developed countries. An industry can become competitive even if the country concerned must still be regarded as a developing country.

116. If they are able to benefit from preferences for an unlimited duration, producers in a developing country may be insufficiently induced to increase their efficiency and may thus acquire a vested interest against a further liberalization of world trade on an m.f.n. basis.

117. A preferential system such as the one envisaged in this report will need to be reviewed from the standpoint of whether it fulfils the expectations placed in it and whether the doubts raised before its establishment have been eliminated. The review could be carried out in a particularly effective way if the duration of the system were limited, and this might, therefore, increase the chances of ensuring a broad participation of developed countries in the system.

(2) ALTERNATIVE WAYS OF DEALING WITH THE PROBLEM OF DURATION

118. Some of these arguments in favour of a limited duration have already been taken care of in connexion with the provisions for limiting the impact of the system upon producers in developed countries and regarding the less-advanced countries. The question which will have to be considered in the present section is whether the duration of the system as a whole is to be limited in time and to what extent the various arguments in favour of limitation could be resolved by other means. The following means for ensuring the temporariness of the system may deserve further consideration.

119. One way to ensure the temporariness of the system would be to provide that the preferences granted to the developing countries would have to be extended on an m.f.n. basis to all countries after a certain period of time. This would mean linking the establishment of preferences in favour of developing countries with a formal undertaking to reduce or abolish duties on a world-wide basis. The preferences would then be merely in anticipation of already agreed future world-wide tariff concessions. This method would have the disadvantage that the preferences would in all likelihood be rather small because it is improbable that after the great effort of the Kennedy Round, the developed countries would be ready to commit themselves firmly to an elimination or new substantial reductions of tariffs on a world-wide basis. To ensure the temporariness of the system in this way would in actual fact mean that a preferential system of very limited scope would be set up and that the other purposes connected with it would be sacrificed to that of ensuring its temporariness.

120. On the other hand, while preferences should not be linked to the willingness of developed countries to grant the same concessions at a later stage on an m.f.n. basis, nothing should prevent the extension to the developed countries of the preferences granted to the developing countries (see paragraph 15 above).

The duration of the preferential treatment for the developing countries would therefore be the briefer the sooner the developed countries take the same action on an m.f.n. basis. If such a development could be counted on, there would be no need to fix rules as to the duration because indeed the system of preferences would automatically be phased out.

1221. Another method would be to provide from the beginning that the preferential system as a whole would be terminated after a number of years determined in advance. It would not be easy to choose an appropriate period to meet the various considerations arising from the need to limit the duration of the system. A period of ten years for the duration of the whole scheme would, for instance, be too short, particularly in the less advanced developing countries, to allow the building-up of new production capacity for exports and to permit the industries concerned to maintain themselves in foreign markets under m.f.n. conditions. Many developing countries might then never be able to enjoy the advantages of the system to any substantial extent. Industries established in the second part of the ten-year period would enjoy the benefits of the system for a few years only. On the other hand, to decide at once that the system as a whole would remain in force for a longer period might increase resistance against its adoption. Yet, if the objective is to build up diversified trade for all developing countries, the scheme of preferences would have to continue till most countries were able to effect significant changes in their trading patterns.

122. In order to take into account these partly conflicting considerations, an intermediate solution might deserve special consideration. Thus, provision might be made for review of the preferential system at the end of a ten-year period. Certain guidelines applicable to the review could be established at once. One of these could be to determine whether the beneficiary countries could continue to be regarded as belonging to the category of developing countries and whether the products benefiting from the preferences were still in need of them. The guidelines could also provide that the question of excluding the more advanced developing countries, or at least some of their sufficiently competitive products, would be considered. A developed country not satisfied with the results of the review could if it wished withdraw from the system. Its withdrawal would, however, have to be subject to certain conditions so as to ensure that no undue injury was suffered by newcomers among developing countries and to take into account the interests of those less-advanced developing countries that would have been unable to benefit from the system. It may, for instance, be provided that preferences which have been taken advantage of before the end of the ten-year period would continue in force for a certain additional period. This would facilitate the planning of investments in developing countries and would grant them a sufficient period during which they could count on free access to the developed world. At any rate, the longer the period for which the developed countries are ready to apply a preferential system, the greater advantages can be derived by the less-advanced developing countries, particularly if at the end of the ten-year period an effective review procedure is provided for.

G. THE RELATIONSHIP OF A NEW PREFERENTIAL SYSTEM TO THE PREFERENTIAL ARRANGEMENTS NOW EXISTING BETWEEN SOME DEVELOPED AND SOME DEVELOPING COUNTRIES

(1) THE OBJECTIVE

123. It is generally recognized that when establishing a system of preferences for manufactures and semi-manufactures for all developing countries, account must be taken of the advantages which some developing countries already enjoy, with regard to these products, in certain developed countries. These latter developing countries can hardly be expected to consent to give up their advantages if the new preferential system does not grant them at least equivalent advantages compared to those which they presently possess. Any loss of trade in existing markets of manufactures and semi-manufactures would have to be outweighed or at least matched by the possible gains to be made from preferential entry into other markets. These considerations are of particular importance for the developing countries belonging to the Commonwealth preferential system, since they export substantial amounts of manufactures under preferential conditions. As to the countries associated with the European Economic Community, particularly under the Yaoundé and Lagos Conventions, the share of semi-manufactures and manufactures in the preferential imports of the Community is much smaller, but

they are still important for some countries, particularly if a wide definition of semi-manufactures and manufactures is adopted. If the existing preferential arrangements are to be suspended or absorbed as far as manufactures and semi-manufactures are concerned, special care would have to be taken that the new preferential system provides for equivalent advantages.

124. The same question of equivalent advantages may also play a role for those developing countries that presently do not benefit from any existing special preferential system. Some of these countries have indeed expressed an interest in obtaining such special preferences in some developed countries, including those that presently are not part of a preferential system with particular groups of developing countries. The establishment of a general system of preferences has the advantage of stopping the trend towards a proliferation of such preferential arrangements between some developed and some developing countries. The interest in such arrangements will, however, abate only if the general system is able to provide countries hitherto not enjoying preferences with advantages equivalent to those which they could hope to obtain under preferential arrangements with some developed countries only.

(2) THE PROBLEM OF MEASURING EQUIVALENCE

125. The appraisal of whether a new system brings equivalent advantages will depend on the number of developed countries that will participate in the system, on the products that will be covered by it, on the preferential margins that will result, and on the duration of the new system as compared with that of the old ones. The more numerous are the participating developed countries, the greater are the opportunities for compensation on other developed countries' markets for any losses that might occur in those developed countries which hitherto alone granted preferences. The more the products presently exported under existing preferential arrangements would be excluded by other countries from the benefits of a preferential scheme, the less likely would it be that the new system could grant equivalent advantages. It must also be considered that some of the existing systems are formally limited in time and have to be re-negotiated shortly (e.g. Yaoundé and Lagos Conventions), whereas other existing arrangements might be unfavourably affected by policy changes in the developed country concerned (e.g. the effects on Commonwealth arrangements in the case of an entry of the United Kingdom into the European Common Market). Such uncertainties with respect to the existing systems would also have to be duly weighed and compared to the duration of the new system.

126. Any appraisal of the new system as compared to the old ones would thus have to take into account a great many variables. Yet, it is indispensable to make such an approximate appraisal. For countries already enjoying preferences would want to share the advantages of the existing systems with other countries only if they conclude that there is a very fair chance of at least equivalent opportunities. In this situation, it appears that the most suitable method would be to make at the outset a *prima facie* judgement about the opportunities the new system with all its special provisions offers and to provide that after a number of years a review will take place with a view to checking whether the estimates have been confirmed. This means that one would have to accept that the initial appraisal would be based on rather rough indicators. For instance, if a developing country benefited in the past from exclusive preferences on a market of say 200 million developed country consumers, it might be questioned whether it would enjoy equivalent advantages if developed countries with only 90 million consumers were added to those already granting preferences. It would largely be a matter for each developing country concerned to judge what weight to attach to the variables mentioned above. This judgment will be easier once all the technical features of the new system are known, for instance, the types of safeguards regarding the volume of preferential imports. While the question of whether a new preferential system grants equivalent advantages would presumably be kept in mind by the countries during the discussions on each element of the new system, it would probably have to be taken up as a whole toward the end of the discussions and negotiations leading up to the scheme.

127. A further consequence of the difficulties in making an advance appraisal would appear to be that the entry into force of the new preferential system for manufactures and semi-manufactures could not be made conditional on the formal abolition of the parts of the existing preferential systems that relate to manu-

factures and semi-manufactures. All that could be expected is the suspension of the relevant parts of these systems or, as the case may be, their adaptation with a view to eliminating features that would be incompatible with the new system. In other terms, it may be necessary that for some time the new and the existing systems would have to co-exist and that some rules for this purpose might have to be evolved. An examination is made below of how the relationship between the new system and the existing systems would present itself in the case of an escape-clause system and in the case of a tariff-quota system.¹

(3) THE ESCAPE-CLAUSE SYSTEM IN RELATIONSHIP TO EXISTING SYSTEMS

128. Since the existing systems do not generally provide for an advance limitation of the volume of goods admissible at preferential rates, a new general system based on the escape clause would have the appearance of being equivalent to the old. It would not even be necessary to suspend formally the old systems with regard to manufactures and semi-manufactures. Problems arising from the replacement of the old system by the new one would be few: the main problem would probably concern the manufactured and semi-manufactured products which enjoyed preferences under the old systems but would be excluded by other developed countries under the new system. It may appear to be equitable to provide that for such products the beneficiaries of the existing systems would continue to enjoy exclusive preferential access to the developed countries concerned. Thus, the broader the product coverage of the new system can be, the more it will be possible to absorb the existing systems.

(4) THE TARIFF-QUOTA SYSTEM IN RELATIONSHIP TO EXISTING SYSTEMS

129. If the new preferential system were to provide for general limitations by means of tariff quotas, it would be more difficult to state that the new system is equivalent to the old ones. The suspension of the existing systems, as proposed by the developing countries and assumed in the working hypothesis at the first session of the Group of Preferences, would consequently also present greater difficulties. Since the existing systems do not provide for an advance limitation of volume, a new system that would provide only for tariff quotas expressed in terms of a small percentage of consumption, production or total imports, would, at least at first sight, appear not to provide equivalent advantages. On the other hand, it can be argued that such quotas in a great many developed countries would be worth more than theoretically unlimited access to the markets of a few developed countries. Similarly, the ten-year duration at least of the new system compares favourably with the existing preference systems that have to be renegotiated at short intervals or may even be discontinued altogether quite independently from the establishment of any new system of preferences. If, however, countries should come to the conclusion that the comparative disadvantages of the new system weigh more heavily in the balance than the stated advantages, the following rules regarding the co-existence of the new and the old systems might be considered.

130. Provision may be made that tariff quotas for industrial products would be reserved for those developing countries that do not belong to the existing system with the developed country concerned. The previously benefiting developing countries would, however, continue to enjoy the right of unlimited access. It might conceivably be argued in favour of this solution that these previously benefiting developing countries would only obtain tariff quotas in the other developed countries and that therefore they could not be expected to share with the other developing countries a part of their previously exclusive developed-country market that would be greater than these same tariff quotas.

131. A more equitable solution might consist in distinguishing between products that have in the past not been exported on the basis of existing preferences and those other products that have already been exported under preferences. With respect to industrial products that have not been exported, the beneficiaries of old preferences would be treated in the same way as the beneficiaries of the new system. This would mean that one tariff quota—if it were applied by a particular

¹ The relationship of a reduced duty system to the old systems is not further examined because it would appear to be particularly difficult to argue that such a system would be equivalent to the old systems, which very often provide for duty-free entry. The problem presents itself, however, in similar terms to that of the relationship of a tariff-quota system to the existing systems.

developed country—would be imposed on imports from both the old and the new beneficiaries. The argument in favour of such a solution would be that advantages which have not yet materialized in the form of new trade currents would hardly have to be compensated. As to industrial products which have already been exported on the basis of the old systems, one might provide that, as before, they should continue to enjoy preferential access for a volume of exports corresponding to the year in which they had reached the peak. Any imports beyond the peak year of the past would be treated like the imports from the beneficiaries of the new preferential system, i.e. the tariff quota would be applicable to both the new and the old beneficiaries from preferences. Of course, also in this system such countries should be able to maintain exclusive and unlimited preferential advantages on those items which other developed countries would have completely excluded from the preferential scheme.

132. Inasmuch as in the case of a tariff-quota system the beneficiaries under the old system might continue to enjoy special advantages not extended to the other developing countries, the pressure for setting up new exclusive preferential systems between some developed and some developing countries may well continue after the entry into force of the new general system. In particular, developing countries that have nowhere enjoyed preferences in the past might want to insist that they too should, at least in some developed countries, receive the privilege of unlimited free access. It might be argued in favour of this point of view that it should be immaterial to the other developing countries if some developing countries succeed after the establishment of a general preferential system, in getting even better conditions of access from some developed countries than those provided for in the general system of preferences. On the other hand, the fact that the pressure for exclusive preferential systems might continue, would impair one of the most important advantages of the establishment of a general system of preferences, namely, of stopping the proliferation of exclusive systems. One solution might be to agree on a temporary standstill on the negotiation of new exclusive preferences for industrial products. This might, for instance, last for a period of five years or even of ten years, at the end of which it would be necessary anyway to re-examine whether the new system has in actual fact yielded equivalent advantages. Such a stop-gap measure would prevent the question of how to deal with existing systems for industrial products from becoming more complicated in the meantime.

(5) THE REVIEW OF THE EQUIVALENCE OF ADVANTAGES

133. Regardless of whether the new system is based on an escape clause or on tariff quotas, it may be necessary to provide for a review of the question of whether or not it brings equivalent advantages. In view of the fact that it always takes time for new trade currents to be established or old ones to be affected, the appropriate moment for this examination might be at the end of the ten-year period. If the appraisal of the equivalence were made, for instance, after five years and if as a consequence some countries found themselves able to withdraw from the general system, the system might not have the stability necessary for its success. However, it might be laid down that after five years a first review would be made and if this review shows that equivalence is not achieved, special measures would be taken for the beneficiaries under the previous systems. Such measures might include those of a financial nature (see paragraphs 109 and 110 above). This would take into account the situation of some of the less-advanced developing countries that are highly dependent on the existing preferential markets for the few manufactured products they export. Such a review clause would be a means for taking care of such problems, should they arise.

(6) THE PROBLEM OF RECIPROCAL PREFERENCES

134. In the previous paragraphs, only one aspect of the existing preferential systems has been examined in connexion with the establishment of a new general preferential system, namely, the way to deal with the advantages which the existing systems grant to some developing countries and which are not extended to other developing countries. The problem of the compatibility and possible adjustments of existing systems might, however, also arise in connexion with the reciprocal advantages which many developing countries participating in such systems grant to the developed countries concerned and which are not extended to other developed or developing countries. These reciprocal or reverse pref-

erences present the following problems in connexion with the setting up of a new general preferential system :

(a) In a new preferential system, all developed countries would be expected to grant preferences to all developing countries on a basis of non-reciprocity. It might be difficult to obtain such a decision if some developed countries continued to obtain reciprocal advantages for the preferences which they grant. If developed countries are expected to treat all developing countries alike in trade matters, the developing countries should in turn be expected to treat all developed countries in an equal manner.

(b) It may appear incongruous to stop discriminating against some developing countries in the developed countries, but to continue discriminating against them in favour of developed countries in the markets of developing countries. If there is a case for equality of treatment with producers of the developed world in the domestic markets of the developed countries, there is an at least equally strong case for equal treatment with these same producers in the markets of other developing countries.

(c) The establishment of a general system of preferences would form a proper framework for the elimination of the existing reverse preferences. The developing countries granting such special advantages to developed countries may regard it in their interest no longer to place limits upon their freedom of choosing the most favourable sources of supply in the developed world. Inasmuch as all developed countries in the new system would accept a part of the burden of granting preferences to developing countries, this might be taken as an argument for treating all developed supplying countries alike in the future.

135. In considering the relationship of reverse preferences to a new general preferential system, account must, however, also be taken of arguments that might be put forward against dealing with them at this juncture :

(a) It may be pointed out that the normal trend of events in the last decade has already led to a reduction in reverse preferences. For instance, the extension of the Franc-Zone preferences and licensing procedures to the EEC as a whole is sometimes interpreted as reducing the scope of the problem, and the general whittling down of Commonwealth preferences as indicating that the scope of the problem is diminishing automatically.

(b) It might conceivably also be argued that the developed countries which enjoy such preferences not only grant preferences on industrial products to the developing countries concerned, but also on primary commodities and that they also provide considerable financial assistance. Reverse preferences might be interpreted as constituting counterparts for these special measures.

136. If the conclusion were reached that the problem of reverse preferences bears some relationship to the establishment of a new preferential system, the following solutions may deserve consideration :

(a) It might be stipulated that the reverse preferences and other special advantages would be eliminated or gradually phased out according to a pre-established timetable. Just as within the EEC and EFTA the producers hitherto enjoying protected domestic markets were able to face increased competition partly because a sufficient transitional period was provided for, it may be expected that a similar procedure would yield equally satisfactory results in connexion with the protected markets which some developed country producers enjoy in some developing countries. Moreover, the manifold traditional special links that do not relate to trade barriers would in any case continue and protect the interests of the developed-country producers concerned.

(b) Furthermore, a problem might arise not so much with the continuation of existing reciprocal preferences but on account of the possibility that after the establishment of a general system of preferences, some developing countries might feel induced to grant to some developed countries new reciprocal preferences. At a stage where the developed countries would, by accepting a general preferential system, have taken an important step towards non-discrimination among developing countries, it may appear incongruous if some developing countries were to make moves in the other direction. Accordingly, steps might be taken to declare that no new reverse preferences would be granted and that contrary action would be inconsistent with the continued participation of the developing country concerned in the general system of preferences.

H. THE QUESTION OF POSSIBLE PARALLEL OBLIGATIONS ON THE PART OF THE DEVELOPING COUNTRIES

137. While it is generally agreed that developing countries should not have to grant reciprocal concessions in favour of the developed countries in connexion with establishment by the latter of a general system of preferences, it has been suggested that such a new preferential system would be of little use to many developing countries if they themselves were not to take some action on their part. In particular, it has been stated that exports of industrial products to the developed world can hardly be successful if a developing country feels that it continues to need very high protection against the outside, and particularly other developing countries. Secondly, it has been pointed out that many features of the governmental policies and practices of many developing countries make it unlikely or impossible to increase industrial exports to the developed world, even if a system of preferences were established. Accordingly, it may be said that if UNCTAD action is to lead to an effective increase of industrial exports to the developed world, both the developing and the developed countries would have to assume their respective responsibilities.

138. It cannot be denied that various developing countries are already undertaking action to expand trade among themselves and to adapt their governmental policies to the need for increased exports. It may consequently be considered that the developing countries will quite naturally take additional autonomous action in this direction. On the other hand, it may also be considered that the likelihood of such action occurring in the near future would increase if the developing countries were to undertake, towards the international community, formal pledges to this effect. This might have the additional advantage of showing public opinion that the establishment of a preferential system is part of a joint effort to improve the developing countries' opportunities for increased external earnings.

139. With respect to the creation of better conditions for trade expansion among developing countries, the need for some parallel action on the part of the developing countries has already been recognized in resolution 32 (IV), adopted at the fourth session of the Trade and Development Board. This envisages that countries would "define the action programmes that might be adopted by the time of the Second Conference". Since the conditions in the various regions of the developing world are different, such action programmes would have to take this into account and might profitably base themselves on what is already undertaken by various groups of countries. Conceivably, however, developing countries might want to consider including in such action programmes certain measures that might be applicable to all the regions. An example of such an undertaking might be to reduce the protection level towards other countries of the same region to a certain ceiling on all those products which a particular developing country succeeded in exporting to the developed world in substantial quantities. If a developing country is able to stand competition on the markets of the developed world, it would indeed no longer need excessive protection against other developing countries. There are, however, certain problems in implementing this idea which have been examined in another context (see TD/B/35, Chapter V, paragraphs 48 to 51). Another undertaking of a more general nature as regards trade expansion among developing countries might consist in a declaration of willingness on the part of the more-advanced developing countries to grant preferences to the less-advanced ones.

140. With respect to the elimination of features of national policies that are detrimental to exports, it might be possible to envisage laying down a certain number of guidelines as to what constitute sound policies for the export of industrial products. Formal action might be envisaged for the establishment of agreed guidelines or a kind of code which would list the various practices which developing countries should avoid in their export policies as well as the positive measures which would have to be taken for a successful policy of export promotion. Of course, some of these guidelines may not have the same binding force as the measures which the developed countries undertake in establishing a system of preferences. Nevertheless, such policy guidelines might form the basis for a review procedure in which the developing countries might report on what they have done to implement them. Such procedures have, for instance, been practised successfully in the past in other contexts and by providing for them in the framework of UNCTAD, they might increase the chances that the establishment of a preferential system would actually lead to a substantial

increase of industrial exports from developing countries. To provide for such parallel undertakings in connection with the Second Conference on Trade and Development would underscore the fact that convergent action by both developed and developing countries is necessary to fulfill the objectives of UNCTAD.

I. INSTITUTIONAL ARRANGEMENTS

141. The preparation and implementation of a general preferential system would require adequate institutional arrangements. For, in the preparatory stage, it would be necessary to create suitable conditions for the harmonization of the differences that may exist on various aspects of the matter and, with regard to the operation of the scheme, the need for proper institutional mechanisms and procedures has emerged in connection with several of the elements which have been discussed in this report.¹

142. Consultations and negotiations on the specific content of the system would have to be undertaken within a framework which would provide equal opportunities to all countries to discuss the technical features of the system. To ensure the proper operation of the scheme, institutional arrangements would be necessary for following the application of the rules and guidelines agreed upon by the governments, for instance in connection with the escape clause or the tariff quotas. Moreover, adequate reviewing procedures would have to be provided for in connection with, *inter alia*, the special measures in favor of the less-advanced developing countries, the appraisal of the equivalence of the new and existing systems and the duration of preferences, and, as the case may be, with respect to the parallel policy guidelines which developing countries might accept. All these are matters of direct concern to all the countries participating in the preferential system, and the universal character of UNCTAD would thus make it possible for them to work together in the operation of the system.

K. SUMMARY OF THE MAIN FEATURES OF A PREFERENTIAL SYSTEM

143. For facilitating the discussion, the main features of the possible systems analyzed in the previous chapters are listed below in summary form:

(a) *Safeguards regarding the volume.* One solution would be to provide that each country would be able to resort to an escape clause provided certain agreed-upon criteria are respected, among which the fixing of a minimum of imports which should not be subject to an escape clause. An alternative solution would be to introduce uniform tariff quotas expressed in terms of a percentage of consumption, production or total imports.

(b) *Extent of tariff reduction.* The tariff reduction would be to zero, but this target might have to be reached only gradually over a number of years. Each developed country would, however, be free to extend these reductions on a most-favored-nation basis to all other countries.

(c) *Product coverage.* It would be desirable to arrive at a wide common definition of semi-manufactures and manufactures applicable to all developed countries but each developed country should be able to except initially items corresponding to a small percentage of imports. If a tariff-quota system were adopted, it might be possible to avoid providing for such exceptions. With respect to the excepted products, developed countries might declare their willingness to work out, within a specified period of time, a programme for the orderly expansion of the possibilities of access to their markets.

(d) *Countries granting preferences.* All countries that are usually considered to be in the category of the developed countries would take part in the system. Those of these countries which cannot be considered to be fully developed would be granted the opportunity of following a slower pace of duty reductions and of initially excepting a larger number of products.

(e) *Countries obtaining preferences.* For defining which countries are eligible to obtain the benefits of the preferential system, a procedural solution would be envisaged. If the group of countries that regard themselves as

¹ Another matter which would arise at the time of adopting a preferential scheme is that the countries which are also Contracting Parties to GATT would require a waiver under the terms of the General Agreement.

developing is to make the initial proposal, the developed countries should be able to make certain additions.

(f) *Less-advanced developing countries.* Special provisions for the less-advanced developing countries would be incorporated into the system, but no attempt would be made to define in advance which these countries are. After the preferential system has operated for ten years, a particular country which would have exported a particular product for the whole period would no longer enjoy preferences for that product. Secondly, in connexion with an escape clause or with the tariff-quota procedures, one might exclude from the benefits of the system the products of those countries which had proved competitive, for instance, by being the cause of the serious injury or by taking up a large share of the tariff quota. Thirdly, a permanent review mechanism would be established to check whether all developing countries gain advantages from the preferential system and to suggest additional measures in favour of those countries that would not have benefited from it. Fourthly, the more-advanced developing countries would declare their willingness to grant preferences to the less-advanced developing countries. Lastly, the international institutions concerned would decide to give priority attention to the building up of productive capacity and to infrastructural improvements in the less-advanced developing countries.

(g) *Duration.* The preferential system would remain in force for at least ten years. At the end of this period, the functioning of the system would be reviewed and certain countries and/or products could be excluded from it. If the review is not satisfactory to a particular developed country, it would be able to withdraw from it, but even if such a country withdraws, it would have to continue to grant preferences for a certain period on all those items for which a particular developing country had begun exports before the end of the ten-year period.

(h) *Existing preferential systems.* Existing preferential arrangements, insofar as they apply to manufacturers and semi-manufacturers would, in the case of a general system based on an escape clause, be suspended or absorbed, except for the products which would not have been granted preferences in important developed-country markets. In the case of a system based on tariff quotas, a distinction would be made between the products exported in the past and those not exported by the beneficiaries of earlier preferences. For the products that have not been exported in the past, the old system would be suspended. For the products that have been exported in the past, the beneficiaries of existing preferences would still continue to enjoy at least that access which they had in the past while the imports from the beneficiaries of the new system could be subject to the tariff quota. The question of whether the new system had granted equivalent advantages would be considered by the developing countries concerned during the preparation of the scheme and would be reviewed after a certain number of years. As for the reciprocal or reverse preferences, the beneficiaries of the developed countries might agree to their elimination or phasing out over a period of years. Another solution would be to ban the setting-up of new reverse preferences.

(i) *Parallel obligations.* It would be understood that at the second session of the United Nations Conference on Trade and Development, parallel obligations of developing countries would be defined, particularly with respect to trade among developing countries and with respect to policy guidelines for sound export policies.

(j) *Institutional arrangements.* All developing and all developed countries would be able to take part in the general and detailed consultations and negotiations leading to the setting-up of the preferential system, as well as in the operation of the system and its review, and this would be facilitated by the universal character of UNCTAD.