The original documents are located in Box 32, folder "Trade - Trade Agreements Program Annual Report (1)" of the John Marsh Files at the Gerald R. Ford Presidential Library.

March 17, 1976

MEMORANDUM FOR: DICK CHENEY

FROM: JACK MARSH

I call to your attention the attached section on "Antidumping Actions" in the President's Annual Trade Report.

Please note on page 2 of this material the pending investigations which are shown under Section D, entitled "Automobiles."

This is something that is likely to come barreling in on us and, therefore, it might be helpful to find out just when the time limit expires whereby the Secretary of the Treasury has to report, so that we are not taken by surprise.

JOM/dl

In the first report under the new criteria, namely that on birch doorskins, one Commissioner found no increase in imports and four others found that the most important cause of the injury complained of was not increased imports but rather the decrease in consumption resulting from the decline in housing starts. In the case of wrapper tobacco, six Commissioners found the marked decline in U.S. production and consumption of large cigars to be more important than increased imports as a cause of any serious injury to the domestic industry. In the report on nuts, bolts and screws, four Commissioners distinguished between the industry producing nuts, bolts and large screws and that producing small screws; all four found no serious injury or threat thereof in the case of small screws but two found affirmatively for nuts, bolts and large screws. One Commissioner considered all of these products as one industry and expressed the view that the criteria for serious injury were not met but even if it were assumed that such injury existed, increased imports were not a substantial cause.

B. <u>Antidumping Actions</u>

The Antidumping Act of 1921, as amended, provides authority to counter unfair foreign competition involving price discrimination. Under its provisions, the Secretary of the Treasury is responsible for determining whether foreign merchandise is being, or is likely to be sold in the United States at less than fair value. Normally, sales at less than fair value are determined to exist if the export price to the United States is less than the exporter's home market price.

The Secretary of the Treasury has six months (nine months in complicated cases) to make a preliminary determination of sales at less than fair value, with the final determination due three months thereafter. If the Secretary makes an affirmative determination, the case is forwarded to the United States International Trade Commission to determine whether an industry in the United States is being or is likely to be injured or is prevented from being established by the imports sold at less than fair value. An affirmative determination by both agencies subjects all imports covered by the finding to the assessment of dumping duties to offset any dumping margins.

During 1975 the following actions were taken under the U.S. Antidumping Act:

Product	Country
A. Findings of Dumping	
Golf Cars	Poland
Tapered Roller Bearings*	Japan
B. Determinations by Treasury of Sales at not Less than Fair Value	
Chicken Eggs	Canada
Radial Ball Bearings	Japan
Rapid Transit Vehicle Seats	Brazil
C. Determination by U.S. International Trade Commission of No In	
Vinyl Clad Fence Fabric	Canada
Non-Powered Mechanic's Hand Tools	Japan
Lock-in Amplifiers	U.K.
Portable Electric Typewriters	Japan
Work Welt Shoes	Romania
D. Investigations Initiated and Still in Process	
Automobiles	France
	Germany, Fed. Rep.
	Belgium
	Italy
	U.K.
	Sweden
	Japan
	Canada

D. Investigations Initiated and Still in Process (continued)

Birch 3-ply Doorskins	Japan
Butadiene Acrylonitrile Rubber	Japan
Water Circulating Pumps	U.K.
Hollow or Cored Ceramic Brick & Tile	Canada
Ski Bindings	Germany, Fed. Rep. Austria Switzerland
Polymethyl Methacrylate	Japan
Knitting Machines	Italy
AC Adapters	Japan
Tantalum Electrolytic Fixed Capacitors	Japan
Acrylic Sheet	Japan
Melamine in Crystal Form	Japan
Industrial Vehicle Tires	Canada
Portland Cement	Mexico

* In litigation. Finding not yet published.

C. Countervailing Duty Actions

The U.S. countervailing duty law (Section 303 of the Tariff Act of 1930) requires the Secretary of the Treasury to levy a countervailing duty upon imports whenever a "bounty or grant" (generally known as a subsidy) is paid or bestowed in a foreign country "upon the manufacture or production or export of any article or merchandise manufactured or produced in such country." The purpose of the law is to offset any unfair competitive advantage that foreign manufacturers may gain over American manufacturers in producing and selling products to American consumers by reason of governmental or other assistance.

The Trade Act of 1974, section 331, amended the countervailing duty law in a number of ways. For example, all valid petitions must be published and strict time limits for taking action are imposed. A preliminary decision must be made within six months of receipt of a petition; final action is required within 12 months. Among the most significant changes is the limited discretionary authority granted to the Secretary of the Treasury to waive countervailing duties until January 1979 if he determines that: (a) adequate steps have been taken to reduce substantially or eliminate the adverse effects;

Jack—
Attached Report is excellent piece of work —— not only as an economic product and a statistical treatise, but also as a primer on the entire subject of the Trade Agreements Program and the STR mechanism.

Russ
10:15 P.M.
COB 15 MARCH

THE WHITE HOUSE
WASHINGTON

R —

Your comments 2335

COB Monday —

T/W m

MAR 13 1976

THE WHITE HOUSE

WASHINGTON

comments due: 3/16 12:00

March 12, 1976

MEMORANDUM FOR BRENT SCOWCROFT
PHILIP BUCHEN
JOHN O. MARSH

FROM: L. WILLIAM SEIDMAN LWS

SUBJECT: Annual Report of the President on the Trade Agreements Program - 1975

A copy of the Annual Report of the President on the Trade Agreements Program - 1975, prepared by the Special Representative for Trade Negotiations in compliance with section 163(a) of the Trade Act of 1974 is attached together with letters of transmittal to the President of the Senate and the Speaker of the House of Representatives.

I would appreciate your comments and recommendations on these materials no later than Noon, Tuesday, March 16, 1976.

Thank you very much.

Approve

called 3/17 al

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

27 FEB 1976

MEMORANDUM FOR THE PRESIDENT

FROM: Ambassador Frederick B. Dent

SUBJECT: Annual Report of the President on the Trade Agreements Program - 1975

The Trade Act of 1974, section 163(a) requires that you submit to the Congress an annual report on the trade agreement program and on import relief and trade adjustment assistance under the Act. Pursuant to Executive Order 11846, I have prepared the required report for 1975, which is enclosed for your approval together with letters of transmittal to the President of the Senate and the Speaker of the House of Representatives.

There is no statutory deadline for transmittal to the Hill, but the report of the Ways and Means Committee on trade legislation stated that the Committee "expected" such annual reports to be submitted no later than March 31 of the year following the period covered.

Enclosure

D R A F T

Honorable Nelson A. Rockefeller
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

In accordance with the provisions of section 163(a) of the Trade Act of 1974, I am pleased to submit herewith a report on the trade agreements program and on import relief and adjustment assistance for workers, firms and communities under the Act in calendar year 1975.

Sincerely,

Gerald R. Ford

Enclosure

D R A F T

Honorable Carl Albert
Speaker
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Speaker:

In accordance with the provisions of section 163(a) of the Trade Act of 1974, I am pleased to submit herewith a report on the trade agreements program and on import relief and adjustment assistance for workers, firms and communities under the Act in calendar year 1975.

Sincerely,

Gerald R. Ford

Enclosure

TWENTIETH ANNUAL REPORT OF THE PRESIDENT
ON THE TRADE AGREEMENTS PROGRAM - 1975

Page

I. TRADE TRENDS IN 1975

A. World Trade

Under the weight of global recession and continuing inflation, the value of world trade in 1975 rose slightly in value but declined somewhat in volume. This contrasts with average growth rates of 24 percent, by value, and 10 percent, by volume, in the previous five-year period.

Estimated World Exports

	1974	1975	Percent change
	Billion US $		
World	841	865	2.9
United States	99	107	8.1
Canada	34	32	-5.9
Japan	56	56	---
European Communities	276	292	5.8
United Kingdom	39	42	7.7
France	46	53	15.2
West Germany	89	90	1.1
Italy	30	35	16.7
Other Developed Countries	82	89	8.5
Developing Countries	220	203	-7.7
OPEC Countries 1/	124	112	-9.7
Other	96	91	-5.2
Communist	74	86	16.2

1/ Oil exports valued at estimated f.o.b. prices on accrual rather than settlements basis, plus estimated other; covers Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela (data not available for Gabon).

NOTE: Estimates for 1975 based on partial year data.

Source: UN, IMF, OECD, National Sources.

Major Industrial Countries

Exports of the seven major developed countries (United States, France, West Germany, United Kingdom, Italy, Canada and Japan) hit a record high of $425 billion (seasonally adjusted annual rate) during the first quarter of 1975 but dropped sharply during the spring and summer quarters. Falling industrial output and widespread inventory drawdowns in the industrial West, starting in 1974 were largely responsible for the spring-summer contraction. Although the recession bottomed out in most countries in the second half of the year and exports picked up slightly during the fourth quarter, the level remained well below the peak recorded in the first quarter. For the year, the seven countries showed an increase of 5.6 percent by value.

With the exception of Canada, the latest available export data show all of the major industrial nations shipping at least as much, by value, as in 1974. Substantial increases were posted by France and Italy, but generally the year-to-year changes in 1975 were much less than the growth in exports shown by the major industrial nations in 1974. Canadian exports dropped $2 billion in 1975, a reflection of the recession in the United States and a decline in prices of some of its raw materials exports. Those major industrial nations with substantial gains in exports to OPEC nations were generally also those whose export performance during 1975 was the strongest.

Aggregate imports of the seven major industrial countries in 1975 declined about seven percent by value and by even more in volume. Movements from quarter to quarter were significant. As compared with the record levels reached during the last two quarters of 1974, there was a marked drop in the first and second quarters of 1975. This decline was arrested in the third quarter and the trend moved upward slowly in the latter months of the year. As with exports, the turnaround reflected the end of inventory liquidation and the beginning of economic recovery in the industrial nations.

The trade balances of the major industrial countries varied widely. Heading the surplus list was the Federal Republic of Germany ($19 billion), followed by the United States and Japan with lower but substantial surpluses and France with about $1 billion. Canada, the United Kingdom and Italy all had trade deficits. The United Kingdom's $7 billion deficit, although greatly improved from the previous year, was the largest of the three.

Smaller Developed Countries

Trade trends among the smaller developed countries were quite mixed. Exports which depend in large part on demand in the major European markets, were affected by the recession and slow recovery in those markets. Nevertheless export earnings for the group rose a little over eight percent in 1975, with most of the growth occurring in the first and fourth quarters. Since imports rose by a smaller amount, the trade deficit for the group declined to about $24 billion, as compared with $30 billion the previous year.

Non-OPEC Developing Countries

The external accounts of non-OPEC developing countries were hit very hard by the recession. Developing countries assert their export prices were down significantly from the 1974 average, while the prices they paid for imports continued to rise. The matter of terms of trade, and specifically the calculation of import prices paid, is under further study in OECD. There is, however, no doubt that export volume growth of developing countries was curtailed by the decline of global economic activity. Import volume showed only slight declines, primarily because new economic programs and policies needed to reduce imports and to adjust to a new trading environment were slow to be put into play. These programs began to take effect in late 1975. It is estimated that the aggregate current account deficit for non-OPEC developing countries may have stood at about $39 billion for the year, up from $28 billion in 1974.

OPEC Countries

OPEC countries' export earnings dropped to about $112 billion in 1975 (accrual basis), down over eight percent from 1974. The volume of oil exports declined 12 percent to 26.2 million barrels per day but the average take per barrel in 1975 was higher, so the earnings drop was less. The drop was most severe in the first half of 1975, when oil inventories were reduced from abnormally high levels, and the recession cut demand in consuming countries. Volume picked up somewhat in the second half as oil companies started to rebuild inventories.

Aggregate OPEC merchandise imports increased by 55 percent over 1974 and were the principal cause of a major drop in the trade surplus of the group. Partial data indicate, however, that after mid-year import growth tailed off sharply in nearly all OPEC countries. In some, the slowdown probably reflects the end of the initial spending sprees as import bills approached or exceeded export earnings. Indonesia imposed import controls in July and Algeria and Ecuador ran trade deficits for the year. Further import growth in these countries will be limited unless they choose to borrow or run down reserves. In some cases import growth, while high, was nevertheless held back somewhat by administrative and transportation bottlenecks. Port capacity and sluggish customs procedures impeded imports in Iran, Nigeria, Iraq, and Saudi Arabia.

Taking into account exports, imports, services and private transfers for OPEC countries the estimated surplus was about $42 billion, or 30 percent below 1974. Saudi Arabia was the only country to show an increase. Iran and Nigeria had the largest declines in absolute terms but in most other cases the drop in the surplus was significant and Algeria, Ecuador and Indonesia shifted into a deficit position.

Communist Countries

Communist countries maintained a high level of imports in 1975 in order to proceed with planned development programs. Soviet foreign purchases from the seven major Western countries in the first nine months were nearly double the same period in 1974. Nearly all the increase resulted from larger capital equipment and grain purchases. Slack Western demand held the rise in Soviet hard-currency export earnings to no more than six percent -- a decline in real terms.

The deficit of the communist countries was aggravated by harvest failures, but no major Communist country encountered financing problems. The USSR financed its estimated deficit of nearly $5 billion with a combination of Western credits, gold sales, and foreign exchange drawdowns. The East Europeans were more seriously affected. They faced an aggregate hard-currency deficit of perhaps $7 billion. All except Bulgaria cut back import growth and some may curtail borrowing in 1976 because debt service ratios in 1975 were approaching uncomfortable levels. From July 1974 to June 1975 the East Europeans borrowed almost $6 billion from Western countries, a nearly fourfold increase over the previous 12 months. Sharply higher prices for Soviet fuels and other raw materials added to East European problems.

B. U.S. Foreign Trade

U.S. foreign trade in 1975 was marked by a dramatic reversal from a deficit in the preceding year to the largest surplus in U.S. history. The turnaround to a positive balance was caused by an absolute decline in the value of imports coupled with a moderate 9.5 percent export rise.

U.S. exports, excluding military grant-aid, advanced to $107.2 billion, while imports fell by 4.1 percent to $96.1 billion resulting in a surplus of $11.1 billion. When imports are valued to include freight and insurance to U.S. ports, the total amounted to $103.4 billion, and the surplus on this basis was $3.8 billion.

The growth in the value of exports last year was substantially smaller than that recorded for the two previous inflation-affected years, but it was about the same as the average annual rise from 1965 to 1972. All of the advance in 1975 reflected increases in price; the volume of exports was 3 percent below that in 1974.

The downturn in the real growth of exports particularly reflected the recession in economic activity experienced by major U.S. trading partners. The negative impact of that decline was moderated, however, by the fact that machinery and other capital goods, which form a major component of U.S. export sales are cyclically less sensitive. Moreover, substantial excess capacity in the United States was used by manufacturers to fill orders which had been backlogged the preceding year. A bright spot in the export picture in 1975 was the continued strong demand from the oil-exporting developing countries. Sales to those countries accounted for nearly half of the growth in exports.

The reduction in domestic demand for foreign goods was attributable to the substantial fall in the level of domestic economic activity that had occurred since the second half of 1974 and the huge inventory drawdowns that took place in the first half of 1975. The decline n U.S. production particularly affected demand for imports of industrial supplies. Moreover, the two earlier dollar devaluations coupled with the strong inflation abroad in the past few years have cumulatively increased prices of foreign consumer goods and other types of manufactures and consequently dampened U.S. demand for products produced abroad. When the rise in prices of imported goods is added to the drop in value of total imports, the first since 1961, the decline in import volume in 1975 totalled 12 percent.

U.S. exports were quite erratic in their growth throughout 1975. In the first quarter, export sales rose only marginally, followed by a sizable drop in April-June.

A strong pickup in the third quarter was succeeded by further, but more moderate, growth in the fourth. Imports, on the other hand, plummeted in the first six months as a consequence of the recession and inventory adjustment. Responding to the turnaround in domestic economic activity, purchases rose more strongly than exports in July-September, then continued to expand at a modest rate in the last three months.

Nonfarm Sales Advance

Nonagricultural exports rose 12 percent to over $85 billion, mainly as a result of continued growth in sales of machinery and automotive products. In spite of an unfavorable investment climate abroad, machinery sales were up about 20 percent over 1974. Strong demand from the oil-producing developing countries, some of which embarked on ambitious social and economic expansion programs, boosted sales of materials handling, well-drilling, and construction equipment by about 50 percent. Shipments of power generating equipment rose in value, as sales of steam power boilers and turbines to Western Europe increased. Stronger demand from the oil-exporting countries and the USSR contributed to a sharp rise in shipments of farm tractors and parts. In contrast, sales of computers and parts, which had climbed rapidly in recent years, leveled off in 1975, and shipments of semiconductor devices and parts dropped sharply.

Paced by large truck sales to Iran and rising deliveries of cars and parts to Canada, exports of automotive products rose sharply. Automobiles and parts shipped to U.S. subsidiaries in Canada expanded because of improvement in the North American auto market, especially after the first quarter. In contrast, after several substantial year-to-year increases, sales of trucks to Canada declined. Deliveries of civilan aircraft slowed markedly in contrast to the huge gains posted in recent years, as the slackening in the growth of world passenger traffic limited foreign airline demand for large U.S. transport planes.

Mostly as a result of higher prices, coal shipments increased by over $800 million; the quantity rose by only 9 percent. Overall demand for steel products fell, although sales of steel tubes and pipes to nations that produce oil and gas advanced sharply.

Reflecting the contraction in industrial production abroad, declines were also registered for a variety of other industrial supplies, including chemicals, textiles, aluminum, and copper.

Marginal Change in Farm Exports

For the second consecutive year, the agricultural trade balance was over $10 billion. U.S. agricultural exports in CY 1975 were valued at $22.1 billion, slightly below the previous year's record of $22.3 billion. Increases in U.S. shipments of grain and feed (particularly wheat and flour, up 15 percent, and corn, up 18 percent) partially offset significant declines in the value of cotton, soybeans, soya cake and meal, and fats and oil exports.

Imports of Industrial Supplies Decline

Imports of industrial supplies other than petroleum decreased by 11 percent in 1975. The decline stemmed from the reduction in domestic production, which was particularly steep in the first two quarters, continued weakness in the construction industry, and the extensive liquidation of inventories. Imports of most metals were particularly depressed. A two-thirds decline in the value of copper imports reflected abundant domestic supplies and depressed world prices. Purchases of steel were also lower both in value and volume, despite large receipts in the first quarter from deliveries based on 1974 contracts. Also substantially lower were imports of lumber, chemicals, and textiles.

The only sizeable increases in 1975 imports were registered in gas and oil, each of which advanced about $550 million in value, although they declined slightly in quantity. After a huge rise in 1974 as a result of the jump in OPEC prices, petroleum imports rose only 2 percent to $25 billion. Prices averaged about 4 percent higher than in the preceding year. A sharp rise in the volume of crude oil arrivals, in part to compensate for the continued decline in domestic production, was nearly offset by a fall in the quantity of refined product imports. Natural gas imports, totalling over a billion dollars, more than doubled in value in 1975 due entirely to soaring prices.

Reflecting primarily a substantial drop in receipts of automobiles and electronic equipment, consumer goods imports declined by $1.2 billion. Passenger car imports from Europe and Japan fell 24 percent in number despite a strong increase in U.S. sales, as dealer inventories were reduced from the high levels built up in 1974. Imports from Canada, although also well below last year in number, posted a small increase in value because of higher prices. A sagging domestic market also caused a considerable drop in purchases of foreign radios, TVs, and audio tape equipment. Imports of nondurables such as clothing and footwear, however, continued to rise in value.

Food and beverages imports declined in value despite an average price rise of about 4 percent. Purchases of sugar, by value, were 17 percent below the 1974 record and were sharply lower by quantity. Prices fell during the year, but nevertheless averaged higher than in the preceding twelve months. Meat imports rose in volume, but declined in value because of considerably lower prices. A moderate growth in arrivals of machinery, particularly agricultural and metalworking types, was nearly offset by declines in aircraft, trucks, and other capital goods imports.

Surpluses Rise with Most Countries

The U.S. trade surplus with the developed countries increased by $5.7 billion in 1975, as imports declined and exports expanded. The downturn in economic activity in the industrialized nations limited the increase in U.S. exports to those countries to a modest 3 percent. Boosted by greater exports of machinery and automotive equipment, shipments to Canada were the most buoyant. Deliveries to Western Europe, which included larger values for coal and machinery, also advanced slightly. Partially offsetting these increases, however, was a 10 percent contraction in sales to Japan, centered in chemicals, machinery, and agricultural products.

The decline in imports from the industrialized countries was caused largely by a sharp drop in the inflow of passenger cars from Germany and Japan and a shift in the sourcing of U.S. petroleum imports. Canada began to restrict sales of oil to this country in 1975 in order to conserve supplies. Imports of refined products from Western Europe, which had risen considerably in 1974 during the Arab embargo dropped to more normal levels. Arrivals of chemicals and metals from the developed countries were sluggish, with the exception of large receipts of steel from Japan early in the year. In contrast, machinery imports from Canada and Western Europe continued to expand moderately, while natural gas imports from Canada more than doubled.

The huge 1974 deficit with OPEC and other developing country oil producers was reduced considerably as imports rose moderately, while exports climbed by 54 percent. Sales to those countries continued to expand rapidly as a result of their massive development programs, their sizeable though somewhat reduced export earnings, and their large holdings of foreign reserves. Deliveries of machinery, trucks, aircraft, and military equipment were particularly strong, but sales of grains, steel, and many other U.S. products were also buoyant. Expanded arrivals of crude oil accounted for most of the rise in imports from these countries.

The U.S. surplus with the other developing countries jumped to nearly $9 billion. Imports from these areas dropped as demand for their foods and industrial supplies fell and prices of some products declined following two expansionary years. The market for certain consumer goods from these countries -- especially electronic products -- also suffered a sharp decline. At the same time, U.S. exports to these countries rose by 9 percent in 1975. This rate of growth, however, was only about one-fifth the rate recorded in the preceding year, when the worldwide boom caused their sales and earnings to soar and enabled them to expand their foreign purchases rapidly.

U.S. trade with the socialist countries resulted in a surplus of over $2 billion in 1975. Large shipments of agricultural products, notably wheat and corn, and increased sales of metalworking, agricultural, and other types of nonelectrical machinery to the Soviet Union and Eastern Europe led the $852 million advance in exports. Sales to the People's Republic of China, in contrast, declined, following a good Chinese harvest, which reduced the need for imports of agricultural products, and the completion of a sizable aircraft order in 1974. Imports from the socialist countries fell by 12 percent, with major reductions in purchases of petroleum products from Romania and Russia, platinum from the USSR, and gold coins from Hungary. Imports from China continued to advance from their modest level, although much more moderately than in 1974.

Appendix A gives a breakdown of U.S. exports and imports, by countries and principal commodities.

II. RESPONSIBILITY FOR ADMINISTRATION OF THE TRADE AGREEMENTS PROGRAM

Under Section 141 of the Trade Act of 1974 and the provisions of Executive Order 11846 of March 27, 1975, issued pursuant thereto, the responsibilities of the Office of the Special Representative for Trade Negotiations are defined to include:

> ". . . all activities consisting of, or related to, the negotiation or administration of trade agreements which primarily concern trade and are concluded pursuant to the authority vested in the President by the Constitution, Section 350 of the Tariff Act of 1930, as amended, the Trade Act of 1962, as amended, or the /Trade Act of 1974/ ."

Negotiating authorities for Section 204 of the Agricultural Adjustment Act of 1956 and the Meat Import Act are not included under the trade agreements program.

Under section 141(c)(1)(B) of the Trade Act, the Special Trade Representative is given express responsibility both to the President and the Congress for administration of the trade agreements program. Section 141(c)(1)(C) requires that the Special Trade Representative be chief representative of the United States in each negotiation under Title 1 (negotiations on tariff and nontariff barriers, GATT reform, and escape clause compensation) and section 301 (foreign unfair trade practices) of the Trade Act. Section 2(b) of the Executive Order requires that, unless expressly otherwise provided by statute, executive order, or instruction of the President, the Special Trade Representative shall be chief U.S. representative for each negotiation under the trade agreements program.

The Trade Policy Committee has been given (under section 242(a) of the Trade Expansion Act of 1962, as amended by the Trade Act of 1974, and under section 3 of Executive Order 11846) responsibility for advising the President on the basic policy issues arising in the administration of the trade agreements program. The Trade Policy Committee is chaired by the Special Trade Representative and its membership is composed of:

(1) The Special Representative for Trade Negotiations
(2) The Secretary of State
(3) The Secretary of the Treasury
(4) The Secretary of Defense
(5) The Attorney General
(6) The Secretary of the Interior
(7) The Secretary of Agriculture
(8) The Secretary of Commerce
(9) The Secretary of Labor
(10) The Assistant to the President for Economic Affairs

(11) The Executive Director of the Council on International Economic Policy

The Committee met on four occasions in 1975 and reviewed diverse trade issues such as: creation of a GATT consultative group of limited but representative GATT members intended to provide regular and effective international policy level review of pending trade questions; strategy for the multilateral trade negotiations; and implementation of generalized tariff preferences for products of developing countries.

III. THE SEVENTH ROUND OF MULTILATERAL TRADE NEGOTIATIONS (MTN)

A. Organization of U.S. Negotiating Effort - Washington and Geneva

Following the 1973 ministerial meeting of major trading nations which resulted in the adoption of the Tokyo Declaration, the Executive Branch of the United States Government looked closely at organizational structures used in previous trade negotiations, especially that of the Kennedy Round, the most recent. The structural assumption had been that negotiations were best conducted by Washington-based experts who would travel to the negotiating arena, remain on a temporary basis while the talks were conducted, then return to their principal duties. Aside from the obvious personal difficulties imposed by this system, it was found that both the prolonged absences from the mainstream of Washington trade activity and the implicit communication and coordination burdens severely hindered the negotiators. Thus, it was concluded early on, well before the passage of the Trade Act of 1974, that for the next round of trade negotiations a permanent delegation would be assigned to Geneva to work with the Washington policy - making agencies.

The Office of the Special Representative for Trade Negotiations (STR) has since 1963 had an ongoing Washington organization with a small staff tailored for the coordination of agricultural and industrial aspects of trade policy consistent with the employment, financial and diplomatic interests of the United States. For the Multilateral Trade Negotiations (MTN) that staff was supplemented and provision was made for the assignment of forty individuals, including negotiators, analysts, and support staff to Geneva, Switzerland.

Both the Washington and Geneva operations are under the guidance of the Special Trade Representative who holds the title of Ambassador and has Cabinet-level rank. With his two deputies, who also carry the rank of Ambassador, he oversees both the domestic consensus-making and foreign negotiating functions of his Office, assigning them to Washington and Geneva, respectively.

The Washington organization includes two sections to manage the two-way flow of information and advice with the Congressional and private sector advisory committees mandated by the Trade Act of 1974, several sections to coordinate the development of negotiating positions on the various technical areas of negotiations with the Washington agencies involved, and a policy planning section to maintain the consistency and overall direction of the individual areas of the negotiations and provide a centralized data base of all advice and research available. Other sections manage the office's involvement in issues under existing trade agreements, bilateral trade negotiations and legal affairs. Finally, one individual, designated the Washington-Geneva Coordinator, attends policy level and advisory meetings in all areas bearing on the negotiations and reports directly to the MTN Delegation in Geneva.

Interagency coordination is managed through three tiers of committees chaired by STR, plus ad hoc working groups of those committees. Policy papers on the several areas of the negotiations and on other areas where STR coordinated United States Government trade policy are initiated in the Trade Policy Staff Committee (TPSC), chaired by an Assistant Special Trade Representative. Representatives from each Executive agency concerned with the issue, normally at the office-director level, sit on the TPSC in its private deliberations and when it holds public hearings on trade issues. At the next level, the Washington Deputy Special Trade Representative chairs the Trade Policy Review Group (TPRG), which inter alia determines the U.S. policy positions on important MTN issues and other trade matters (such as import relief cases and Section 301 complaints), including some moved up from the TPSC. To provide broad guidance for the negotiations and to resolve those occasional issues on which agreement cannot be reached in the TPRG, the Trade Policy Committee (TPC), chaired by the Special Trade Representative, meets at the Cabinet level.

The Geneva negotiating team offers input in the development of positions, both as background in the initial stages before TPSC consideration and in the final stages as comment on the TPRG positions before their approval by the Special Trade Representative. Its views on the prospects and means to achieve U.S. negotiating objectives are a key element in developing positions on trade issues. Thus the Washington organizational structure offers a process which determines the United States' interests on a specific trade issue, weighs that issue and those interests against other aspects of the negotiations and finds a balance between the desirable and the attainable.

The Geneva structure is also headed by a Deputy Special Trade Representative with the rank of Ambassador, who is stationed in Geneva with the MTN Delegation. The Delegation is organized on the project team advisory staff concept. With a relatively small staff of experts in specific trade areas, project teams offer the flexibility, close coordination and integrated staffing needed to deal with the broad range of issues covered in the MTN.

Each project team is headed by a project manager and may include specialists from related fields, who also serve on other project teams or as part of the advisory staff. Currently the project teams are set up to parallel the working groups of the MTN: tariffs, nontariff measures, sectors, safeguards, agriculture and tropical products. One of the other project managers focuses on the overall structure of the trading system and handles various trade reform issues in each area of the negotiations.

The advisory staff consists of the economic analysis team, country advisers and commodity advisers. The economic analysis staff provides analytical support to the negotiating teams, including economic examination and intepretations of the issues as they arise in the negotiations. They are also responsible for data management and for coordination of the Geneva international computer data base.

The country specialists have the responsibility of advising project managers on the economic, political, and strategic aspects of the country or countries under their jurisdiction.

The industrial and agricultural advisers are responsible for providing general industrial or agricultural advice to the delegation, as well as representing the general viewpoint of their respective sectors.

B. Domestic Preparations for the MTN

1. The Public List and Advice from the United States International Trade Commission (USITC)

Following the entry into force of the Trade Act of January 3, 1975, the Administration moved quickly to initiate the required procedures for obtaining advice concerning negotiations. The first step was the notification in the Federal Register on January 14 of the intention to participate in international trade negotiations, together with the items in the Tariff Schedules of the United States (TSUS) which would be considered for inclusion in the tariff aspect of the negotiations.

The notice indicated that every tariff item would be considered for duty modification or continuance to the extent of the authority provided in sections 101 and 109 of the Act and specified the relatively few items which were mandatorily excluded because they are subject to escape clause tariff relief or fall within the national security criteria of section 127. Specifically listed by tariff number were those dutiable items on which the January 1, 1975 rate was not more than 5 percent ad valorem or in the case of specific and compound rates, those for which the ad valorem equivalent was determined to be not more than 5 percent on the basis of the value of imports in the most recent representative period. The notice stated explicitly that although the items covered would be considered for inclusion in U.S. tariff offers, any article might also be reserved from the negotiations or might be subject to smaller reductions than those authorized by the Act.

On the same day that the public notice was published, it was sent to the United States International Trade Commission for its judgment as to the probable economic effect of continuance, reduction or elimination of U.S. duties or continuance of duty free or excise treatment on domestic industries producing like or directly competitive articles and on consumers.1/ Such advice was to be given for each individual tariff item and was, by statute, to be submitted within six months.

In preparing its advice to the President, the Commission held hearings in 21 cities, opening February 25 and concluding May 10. Over 1200 witnesses appeared and more than 600 written submissions were received. This material, combined with extensive research

1/ The public hearings and the advice provided by the Commission also covered the views of interested parties and the Commission's judgment as to the economic impact of providing duty free treatment on articles being considered for the Generalized System of Preferences under Title V of the Trade Act. See Chapter VIII below.

by the Commission's staff of experienced analysts in the various product fields, provided the basis for a report containing 60 volumes of basic data on approximately 6700 tariff items and seven volumes summarizing key facts and setting forth the Commission's advice for each item. This report was submitted to the President on July 14, 1975.

2. Public Hearings of the Executive Branch

In addition to the USITC hearings, the Trade Policy Staff Committee, chaired by the Office of the Special Trade Representative and with members from the Departments of State, Commerce, Agriculture, Treasury, Interior, Labor and Defense, plus an adviser from the USITC, held public hearings in Washington, D. C. and other cities throughout the country from June 3 through August 8. The scope included all matters relevant to the trade agreement negotiations, including not only the domestic impact of possible U.S. tariff concessions but the concessions the United States should seek from its trading partners and the position to be taken on nontariff measures. 1/

Additional public hearings were held in Washington, D. C. by the TPSC on September 16 and 17 covering four categories of nontariff measures being given multilateral consideration in the MTN. These hearings encompassed (a) subsidies affecting international trade and countervailing duties upon subsidized exports; (b) quantitative restrictions upon trade (including import prohibitions and "voluntary export restraints") and import licensing procedures; (c) standards, packaging and labeling, and marks of origin; and (d) customs valuation, customs nomenclature, customs procedures, and import documentation, including consular formalities and fees. Useful supplemental information was provided in testimony and written submissions on both agricultural and industrial nontariff measures.

3. Advice from the Private Sector

One of the most significant new features of the program for developing the U.S. position in the MTN is the important role being played by the private sector. In accordance with the provisions of the Trade Act, a formal committee structure was established to assure that U.S. negotiators have the benefit of information and advice from representative elements of the private sector on matters ranging from overall policy and negotiating objectives to technical aspects of bargaining on particular products.

Extensive consultations with the various groups were held during the year. Members of the staff of the House Ways and Means Committee and the Senate Finance Committee were invited to attend all meetings. To assist the advisory committees in their work, personnel and administrative services have been provided by agencies of the Executive Branch. Most of the Committees completed reports during the year and those reports are under careful study for continuing use as the negotiations proceed. On both policy and technical matters, this consultation process will continue throughout the MTN; activities in 1975 are summarized below.

a. Advisory Committee for Trade Negotiations (ACTN)

The Advisory Committee for Trade Negotiations, specifically provided for by section 135(b)(1) of the Trade Act, was established to provide high level overall policy advice on any trade agreement referred to in section 101 or 102 of the Act. The Committee is chaired by the Special Trade Representative and consists of 45 individuals representing a broad cross-section of government, labor, industry, agriculture, small business, service industries, retailers, consumer interests and the general public.

This Committee is a key element of the innovative institutional arrangements that have been adopted to assure that U.S. trade negotiators fully reflect a balanced view of the whole range of U.S. interests, and that U.S. negotiating positions in turn enjoy broad public support. The objective is to establish domestic consensus on how the United States can participate most effectively and successfully in negotiations with other countries concerning policy measures affecting internationally traded goods and services.

The ACTN complements other advisory committees that have been established as communication links between the negotiators and specific elements of the private sector. While the function of these other groups is to identify the specific interests of particular economic groups, the function of the ACTN is to identify the overall interest

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1/ The TPSC hearings also covered advice on the generalized system of preferences for developing countries discussed in Chapter VIII below.

of the United States and to assist the Special Trade Representative in the task of integrating individual U.S. negotiating objectives into a coherent, negotiating strategy. Members of the group reflect the many diverse economic interests of the United States. They are not chosen, however, as representatives of particular economic groups but rather as qualified individuals who can contribute to the formulation of a balanced assessment of U.S. objectives in trade negotiations.

Throughout the negotiations the Committee will play an important role in advising the Special Trade Representative on the development and implementation of an overall negotiating strategy. The pace of the Committee's work is expected to increase as individual issues become fully identified and the negotiations move further into the bargaining stage. As U.S. negotiators have to make the critical negotiating choices, they will look to the Committee for confidential advice regarding these choices, as well as the formulation of effective negotiating strategies.

In 1975, the first thirty-six members of the ACTN were appointed by the President. In keeping with the important responsibilities of the Committee, the appointees included: 20 heads of various industrial, small business and agri-business firms; five labor union leaders; five officers from major trade and agricultural associations; and six individuals from academic and other private sector areas. By the close of 1975, the remaining nine appointments were in the final clearance stages, and a full-time executive director had been appointed. The first meeting of the Committee was scheduled to take place in the White House early in January 1976.

b. Industry Advisory Committees

The Industry Policy Advisory Committee (IPAC) -- consisting of eighteen members representing a broad cross-section of the highest levels of U.S. industry -- held three meetings in 1975 (June, October, and December). The first and part of the second meeting concentrated on consulting with the members on a number of MTN issues, including product standards, subsidies/countervailing duties, access to supplies of raw materials, and the draft OECD Government Purchasing Code. A major part of the October meeting was devoted to providing members with briefings on the reports of the industry sector advisory committees (ISACs). In addition, the members were requested to provide the Government with information on foreign tax impediments to trade.

The December meeting dealt with a review of trends in U.S. trade and a general MTN policy discussion stimulated by specific questions provided to the members prior to the meeting.

The 26 Industry Sector Advisory Committees (ISACs), formed in 1974 by STR and the Department of Commerce with an industry representation of over 500 members, held a total of 76 individual meetings in 1975. Additionally, one plenary meeting of all ISACs was held in September to consult on the specific issues of codes for standards and for subsidies and countervailing duties.

The Senate Finance Committee and the House Ways and Means Committee are notified of each meeting.

By the end of the summer the 26 ISACs completed their first work phase, and each produced an Industry Sector Advisory Report (ISAR). These ISARs, based on a work format containing background information and questions related to the MTN, contain each committee's advice on specific MTN issues. The ISARs have been distributed to the United States delegation to the MTN in Geneva and are being examined and analyzed by the Executive Branch as a major source of informational input in the development of U.S. policy and objectives in the MTN.

ISAC meetings in the latter part of the year were devoted primarily to conducting in-depth reviews of MTN issues. Concurrent with this phase, an effort is being made to supplement the ISARs with additional or more specific information in response to questions which develop in the course of the governmental analysis. Such in-depth consideration of issues and modification of ISARs will be a continuing process largely based on MTN developments. Several ISACs have been consulted for comment on the initial GATT sector feasibility studies.

ISAC 27, composed of representatives from the retail sector, was organized and held its initial meeting in September. A draft of Part I (U.S. Industry Status and Outlook) of its ISAR was distributed to the members for their review, along with the format for Part II (ISAC Views and Supporting Information on Specific MTN Subject Areas).

All ISAC and IPAC members are kept abreast of MTN developments through direct mailings, including the Multilateral Trade Negotiations News, issued monthly by the Department of Commerce. In addition, an oral briefing on MTN developments is a standard agenda item for each meeting.

c. Agricultural Policy Advisory Committees

An Agricultural Policy Advisory Committee for Trade Negotiations was established in April 1975. Membership consists of 25 representatives of agricultural producers, processors, and traders and covers a broad spectrum of commodity groups and farm organizations. The Committee, which is co-chaired by the Secretary of Agriculture and the Special Trade Representative, met four times in 1975 (May 5, July 10, October 2, and December 4). In addition, members periodically received mailings containing relevant background information to assist them in formulating their advice to the government negotiators. The Committee has given its advice on a broad range of functional issues pertaining to the negotiations. These include subsidies and countervailing duties, a standards code, problems of supply access and export restraints, state trading, quantitative restrictions, safeguards, and import documentation. The work program will continue in 1976, with briefings and discussions on tariff reduction formulas and tropical products scheduled for a meeting in the latter part of February.

Eight Agricultural Technical Advisory Committees were established in April 1975. The eight groups represent the following commodity areas: cotton, dairy, fruits and vegetables, grain and feed, livestock and livestock products, oilseeds and products, poultry and eggs, and tobacco.

Each Committee is composed of representatives of agricultural producers, processors, and traders of the commodities covered, and includes a broad spectrum of representation. The size of the Committees is determined by the diversified range of commodities covered, and varies from approximately ten members for cotton and tobacco to approximately twenty members for fruits and vegetables and oilseeds and products. Each Committee has elected a Chairman and Vice Chairman. The Executive Secretaries of the Committees are from the Foreign Agricultural Service, USDA.

Each Committee met at least twice and some as many as four times in 1975. At their first meeting the Committees were asked to provide specific recommendations as to what offers the United States might be able to make in their commodity areas and what requests for concessions for particular products from individual countries would be beneficial to U.S. exports. All of the Committees forwarded their recommendations for requests and offers to the Special Trade Representative and the Secretary of Agriculture by the end of September 1975 and presented their recommendations orally before the Agricultural Policy Advisory Committee on October 2, 1975. The work of the eight Agricultural Technical Advisory Committees will continue during 1976 to provide detailed technical advice and information regarding trade issues which affect both domestic and foreign production and trade in their respective commodities.

d. Labor Advisory Committees

The committee structure for obtaining advice from labor consists of the Labor Policy Advisory Committee and six Labor Sector Advisory Committees, all established after consultations with representatives of organized labor. The policy committee is composed of 57 union presidents from AFL-CIO affiliates, the United Auto Workers, United Mine Workers, Teamsters, Longshoremen, the National Federation of Independent Unions and representatives from the AFL-CIO staff. In addition, all of the above unions are represented on at least one sector committee.

The policy committee provides overall labor views on broad negotiating issues. I.W. Abel, President of the United Steelworkers Union, and Harry A. Tulley, President of the Glass Bottle Blowers Association, are Chairman and Vice Chairman, respectively, of the policy committee.

Unions on the sector committees represent workers employed over the full range of U.S. industrial activity, including agricultural and service industries. In order to assure full representation in the advisory process, certain unions participate on more than one sector committee since they represent workers employed in different industrial sectors. The sector committees focus on the more detailed and technical aspects of the negotiations relevant to the products and services of interest to the group.

Since May 1975, union representatives have been consulting regularly with Department of Labor officials and U.S. negotiators on negotiating issues and developments in Washington and in Geneva. Background information and material designed to assist unions in preparing their advice are generally distributed to members prior to each meeting.

The Secretary of Labor and the Special Trade Representative opened the labor consultations program on May 14, 1975. The Secretary stressed the importance of the role to be played by the Committee and called on unions to be frank in giving their views and recommendations to U.S. negotiators. The Special Trade Representative described pertinent provisions of the Trade Act, reviewed the history of the Multilateral Trade Negotiations, and emphasized the relationship between employment and trade. Administrative and organizational matters were also discussed.

Negotiating issues, including tariffs and nontariff measures were outlined at a June 18 combined meeting of the policy and sector committees. Additional organizational aspects of the consultations program were also dealt with, including the election of officers. Each sector committee met in separate session during June 18-19 to receive additional briefings on negotiating issues and to deal with organizational matters, including the election of officers. Unions were specifically requested to begin submitting their formal advice and recommendations to the government on possible U.S. and foreign tariff concessions. Individual union submissions were consolidated into draft reports by the Department of Labor and reviewed at individual sector committee or subgroup meetings during September.

A combined meeting of the policy and sector committees was held on September 19 to discuss possible negotiation of international codes on subsidies and countervailing duties and on product standards.

At a combined meeting of the policy and sector committees on November 20, 1975, the chairperson of each sector committee (except that on services) briefed union representatives on the committee's advice and recommendations to U.S. negotiators on tariffs affecting products falling within the sector committee's purview. Members were also briefed on the status of MTN work on nontariff measures and on the sector approach to negotiations.

Another briefing seminar was held for the unions on December 18 to discuss various aspects of tariff negotiations including the issue of selecting a tariff formula, border tax adjustments, and safeguards.

The labor advisory committees are expected to provide advice on virtually all aspects of the multilateral trade negotiations. The first reports of the sector committees, which deal with possible U.S. and foreign tariff concessio s, were transmitted to STR in mid-December. Some unions also submitted advice on possible international codes on subsidies/countervailing duties and on standards. In-depth briefings by the government will continue and advice on the other negotiating issues will be developed in early 1976.

4. Congressional Liaison

The Trade Act of 1974 mandates a new cooperative relationship between the Executive Branch and the Congress in the formulation of foreign trade policy and the negotiation of international trade agreements. Under this new relationship, the post of Special Trade Representative was raised to Cabinet status by the 1974 law, and the incumbent was required to report directly to both the President and the Congress.

The new act sets out procedures for Congressional participation in, as well as oversight of, trade negotiations conducted by STR. Five members each, representing the House Ways and Means and Senate Finance Committees, are appointed at the beginning of each session of Congress by the Speaker of the House and the President of the Senate as official advisers to the U.S. Delegation to the Multilateral Trade Negotiations. Each committee has established a Trade Subcommittee and has designated staff advisers.

Further, the Act sets out special procedures for Congressional approval for all trade agreements dealing with the reduction or elimination of nontariff barriers to trade under the authority of section 102 of the Trade Act. Under these procedures, such agreements are to be considered on an expedited legislative "fast track" which bars amendments and parliamentary delays. This assures a prompt decision by the Congress approving or disapproving agreements negotiated by the President, after consultation with Congressional advisers.

During 1975, a number of Congressional advisers and staff attended and participated in sessions of the 92-nation Trade Negotiations Committee in Geneva, including the Chairman and minority members of the Ways and Means Committee and its Trade Subcommittee. Others, including the Chairman of the Senate Finance Committee and its Trade Subcommittee visted Geneva to meet with the U.S. Delegation, officials of the General Agreement on Tariffs and Trade (GATT), and representatives of other countries.

The Special Representative, Deputy Special Representatives, and other senior STR officials met regularly with the designated Congressional staffs, committees and subcommittees, and with other interested committees, members and staffs as well, to keep them informed of the progress of the multilateral negotiations and receive their advice and counsel. STR also issues monthly reports to the Congressional advisers on the status of the negotiations and related trade developments.

C. International Progress in the Negotiations

1. Trade Negotiations Committee

The Trade Negotiations Committee (TNC) was established at the ministerial meeting in Tokyo in 1973 to elaborate negotiating plans and procedures and to supervise progress in the MTN negotiations which the Tokyo meeting initiated. All countries participating in the negotiations (See Appendix B) are represented on the TNC.

The TNC met three times in 1975. At its February 11-13 meeting, it agreed on the creation of six groups to conduct the negotiations, without ruling out creation of additional groups in the future if necessary. These groups deal with tariffs, nontariff measures, sectors, safeguards, agriculture and tropical products. This meeting, the first after passage of the U.S. Trade Act, launched the formal bargaining stage of the negotiations.

At its second meeting in 1975, July 14-16, the TNC decided that it and its groups should make an effort to identify areas where concrete progress can be achieved. Many delegations commented on the fact that this negotiation is far more complex and includes a much larger number of participants than prior rounds of negotiations; they considered that in the circumstances much had been accomplished in five months of negotiations. Virtually all delegations called for prompt progress and serious commitments to the removal of obstacles to trade.

The TNC December meeting capped the preliminary negotiating stage. After a review of progress thus far, the Committee endorsed the target date of 1977, which the six heads of state had called for in their November meeting at Rambouillet, for completion of the MTN negotiations. There was general agreement that attainment of this objective implied carrying out many of the suggestions contained in the U.S. proposed goals for 1976, which were:

1 - agreements on tropical products
2 - a tariff formula as a starting point for substantial reduction in tariffs
3 - a framework for dealing with subsidies and countervailing duties
4 - a draft product standards code

5 - an agreed procedure for achieving meaningful liberalization of quantitative restrictions
6 - agreement on basic concepts for improved safeguard provisions
7 - a review and selection of sectors where complementary negotiations are feasible and will contribute to maximum achievable liberalization
8 - Parallel progress in achieving special and differential treatment for developing countries in the various elements of the negotiations
9 - negotiation of approaches on various issues which have not yet received adequate attention, such as export restraints, government procurement and tax practices affecting trade flows.

The principal issue in all three of the meetings was how, in light of substantive differences among the participants, to treat agricultural products in the negotiations. In the December meeting, a procedural solution was finally agreed upon which does not compromise any country's basic interests and will allow work to go forward. Substantive differences remain, however, between the United States and the European Communities, the two largest trading partners in the negotiations (See section 6 below).

2. <u>Tariffs</u>

The Tariffs Group met four times in 1975. It agreed to use a checklist, developed by the GATT Secretariat, as the basis for its discussion on elements of a tariff negotiating plan. One of the key elements of this plan is the tariff-cutting technique to be used in the negotiations.

Ten tariff-cutting formulas were submitted without commitment by several delegations for consideration by the Group. These tariff-cutting techniques can be categorized as (1) linear -- whereby all tariffs are cut by an equal percentage: (2) harmonization -- where the percentage reduction increases progressively as the level of the duty increas and (3) a combination of linear and harmonization elements. Several delegations indicated a preference for a tariff-cutting technique that includes a substantial degree of tariff harmonization. Several other delegations expressed strong reservations against any technique that establishes a tariff floor below which rates are not reduced. The United States, drawing upon preliminary analysis of advice received from domestic interests, stated at the October meeting that any tariff-cutting formula must result in substantially equivalent competitive opportunities among the developed countries. At year's end, the United States was in the process of developing its position on a formula or formulas, with a view to presenting a proposal to the Group in March 1976.

The United States also suggested that adjustments be made during the tariff-cutting exercise to take into account differing systems of customs valuation (e.g. FOB, CIF). Those countries, notably the U.S. and Canada, which generally use FOB value for customs valuation effectively apply lower duties than CIF valuation countries. The United States suggested that the Group consider making adjustments in the application of the tariff formula so that the CIF valuation countries would make deeper cuts to reflect the differences in valuation. The Group agreed to revert to this issue at its next meeting.

The Group also discussed in various degrees of detail other possible elements of a tariff negotiating plan, including staging of reductions over time, tariff escalation, exceptions procedures, and the relationship between tariffs and nontariff measures. The United States did not take a firm position on these issues in 1975 since domestic review procedures had not been completed.

On the question of which rates and dates to use as the basis for negotiations, the Group agreed that, for tariff items bound against increase under earlier trade agreements, the bound rates would serve as the basis for negotiations on these items. The Group discussed in some detail but has yet to agree upon base rates and base dates for those items which are unbound. The United States held bilateral discussions in 1975 with several key delegations to clarify the technical problems involved in base rates/base date questions.

In keeping with the Tokyo Declaration's concern for the trade, development, and financial needs of developing nations, there was extensive discussion in the Group on special procedures and priority treatment to advance the trade interests of developing nations, and at the end of the year, several proposals were before the Group for further consideration. An option submitted by the United States envisaged (a) notifications by developing countries to developed countries covering export products of interest to the notifying country and (b) notifications by developed countries indicating products of interest to them on which developing countries could make a contribution to the tariff negotiations. To facilitate progress in this area, the GATT Secretariat was requested to prepare a system for rapid evaluation of possible tariff-cutting techniques on the trade of developing countries.

3. <u>Nontariff Measures (NTMs)</u>

The Nontariff Measures Group is responsible for organizaing and monitoring the negotiations on NTMs, with the actual negotiations on particular measures to take place in subgroups that report to the parent Group. During its March meeting, four subgroups were established covering: quantitative restrictions and import licensing procedure; subsidies and countervailing duties; standards, packaging and labeling and marks of origin; and customs matters (valuation, nomenclature, procedures and import documentation). These categories or measures are not the definitive list to be included in the negotiations, and the Group agreed to consider the feasibility of taking up additional items at a later date. During subsequent meetings in October and December, proposals were made for adding new items to the NTM negotiations, including variable levies and minimum import prices, antidumping practices, government procurement and prior import deposits, but no agreement was reached. In addition to reviewing the work of the subgroups, the Group also had under consideration the development of procedures for conducting negotiations on NTMs which might not be covered by a multilateral solution.

a. Quantitative Restrictions (QRs)

Quantitative restrictions negotiations involve a wide spectrum of measures, including among others quotas, embargoes, discretionary licensing and mixing regulations. At its initial meeting in April the QR Subgroup considered possible negotiatig approaches to these restrictions and decided that, as an initial step, bilateral and plurilateral consultations should be conducted between countries maintaining restrictions and countries notifying a direct trade interest in those restrictions. This would enable participants to gain a better understanding of the nature of specific QRs, i.e., how they work, why they are employed, etc. Under this procedure, the United States in 1975 submitted notifications on QRs maintained by 35 countries and the EC and received QR notifications from 15 countries and the EC. Consultations were conducted throughout the summer and fall, but the bulk had not been concluded by the time of the October meeting of the Subgroup. Therefore, the consensus at the end of the meeting was that until the consultations were completed, no further decisions were possible with regard to the possibility of formulating additional procedures for the consultations and/or the possibility of working out general solutions on QRs.

The Subgroup also began work on import licensing procedures with a review of the draft texts on Automatic Import Licensing and Licensing to Administer Import Restrictions developed by the Committee on Trade in Industrial Products (CTIP), one of several GATT groups that prepared for negotiations prior to establishment of the TNC groups. Participants have submitted written proposals for modification of these texts and have been invited to illustrate specific problems or difficulties encountered in the area of licensing procedures.

b. Subsidies/Countervailing Duties

An initial meeting was held in June, during which previously stated positions on this subject were reiterated. The United States condemned the use and proliferation of trade-distorting subsidies and cited the inadequacy of current GATT provisions in this area (Art. VI and XVI). Other participants criticized the United States' use of its countervailing duty law to offset subsidies on the ground that the U.S. law is not in conformity with GATT Article VI, which allows countervailing only when the foreign subsidy causes injury. (However, since the U.S. law predates the GATT, its provisions are covered by the "grandfather clause" and U.S. countervailing actions thus are not in violation of U.S. obligations under GATT.)

Subsequently, the Subgroup had a useful exchange of ideas at its November meeting, based upon written submissions filed by several participants. The United States presented a paper outlining a comprehensive framework for negotiating rules on all subsidy practices, including those that result in import replacement and in third-country market distortions, and specifying the conditions under which measures to offset the subsidy could be employed. Basically, the U.S. proposal would divide all subsidy practices into three categories: a) a prohibited category would include those subsidy practices where benefits, directly or indirectly, favor exports in a way that is not at least equally enjoyed by the same goods produced and consumed domestically; such practices would be subject to offsetting measures without any conditions; b) a conditional category would include subsidies that are equally paid or bestowed on exported merchandise and similar domestic merchandise or that favor domestic sales over exports; such practices would be subject to offsetting measures only under certain conditions such as an injury test; and c) a permitted category would consist of practices having a minimal impact on international trade and agreed as permitted; such practices would not be subject to any offsetting action. In order to illustrate the problems caused in international trade by subsidies, the United States made notifications on a number of subsidy practices of other negotiating participants and indicated it would notify additional practices in early 1976.

Submissions by other delegations primarily focused on the use of countervailing duties and proposed approaches based upon existing GATT Articles on the use of countervailing duties (Article VI) and subsidies (XVI). Although there were substantial differences in basic positions, some points of possible agreement emerged during the meeting. The Subgroup agreed that extensive bilateral contacts would be useful to develop these points further prior to the next meeting and invited additional submissions and modifications of original presentations in light of the discussions.

c. <u>Standards (Technical Barriers to Trade)</u>

This Subgroup agreed to base its deliberations on a "Draft Code of Conduct for Preventing Technical Barriers to Trade" developed by the Committee on Trade in Industrial Products. In addition, the Subgroup agreed that the draft code would cover problems encountered in connection with packaging and labelling regulations. Essentially, the draft code sets out the steps that a country should take to ensure that its standards do not result in barriers to international trade. It would encourage the adoption of international standards, where appropriate. It would also ensure that all interested adherents to the code have an opportunity to contribute during the formulation of a national standard by another adherent. It also would require adherents to establish mechanisms for providing information and assistance to other adherents. Meetings of the Subgroup were devoted to a detailed examination of the draft and numerous suggestions were made for its improvement. In addition, the Subgroup was working with definitions in the standards area developed by the United Nations Economic Commission for Europe, an active organization in this field, for adaptation to the draft code in order to ensure maximum clarity and international acceptability.

Marks of origin were subject to brief discussions, since the bulk of the Subgroup's efforts had been directed at examining the draft code. Some delegations, including the United States, indicated that the consideration of this topic might be deferred until after work had progressed further on the draft code or be referred to the Customs Matters Subgroup. The Subgroup agreed, however, to invite delegations to submit proposals on this topic, including how marks of origin should be dealt with in the negotiations.

d. Customs Matters

The activity in this Subgroup is closely linked to the extensive work underway in the Customs Cooperation Council and the United Nations Economic Commission for Europe. Initial discussions focused on the fact that the United States and Canada are the only major trading countries that have not adopted the Brussels Tariff Nomenclature (BTN) system. The United States has maintained that its system is more modern than the BTN and that different nomenclature systems, per se, do not constitute barriers to trade. The Subgroup generally agreed that work in the Customs Cooperation Council on a harmonized commodity code provided a significant opportunity for the development of a modernized international nomenclature, and BTN member countries indicated their willingness to examine amendments to the BTN (See Chapter X F).

The initial sessions also included discussion of the Brussels Definition of Value (BDV), which is used by some ninety countries. The United States, Canada, and New Zealand are among the countries that do not apply the BDV. The United States has taken the position that any changes in its valuation system made in the course of the multilateral trade negotiations will require appropriate reciprocity. The Subgroup solicited and received written submissions from several participants suggesting elements that they wished to have included in any new set of international rules on customs valuation adopted in the MTN. After consideration of these suggestions, the Subgroup decided to concentrate its efforts on four elements, the first three of which were suggested by the United States: judicial and administrative review procedures; publication of laws, regulations and administrative decisions; precise and fair handling of non-arm's length transactions; and neutrality of valuation system/systems.

With regard to import documentation, several countries responded to the invitation of the Subgroup to submit lists of what they considered to be excessive information requirements in other countries' customs forms. In addition to its extensive submission on this matter, the United States also submitted a list of items that are not information requirements but are related requirements that are unduly burdensome to trade. These lists were to provide the basis for detailed discussion on the justification for specific customs or related requirements and the problems and possibilities of removal. In addition, there was general support in the Subgroup for the elimination of consular formalities and fees.

On the issue of customs procedures, concern was expressed with certain practices, particularly those of the United States, alleging unreasonable delays in formal customs clearances and excessive penalties for errors in customs documentation. In response, the United States suggested that countries might wish to take up the specific complaints with the U.S. Customs Service.

e. Government Procurement

The United States and other industrialized countries have been engaged in an effort within the Organization for Economic Cooperation and Development (OECD) to develop an international government procurement code, which would open government markets to competitive international trade to the greatest extent possible. This effort is an outgrowth of discussions in the OECD some years ago, which showed that government markets were closed to foreign suppliers and that procurement systems were not being used by governments to obtain best value for funds expended. Deliberations in the OECD Trade Committee Working Party during 1975 resulted in progress on some key elements of a code and a narrowing of differences on others. More importantly, the deliberations signaled the ability of certain countries to commit themselves for the first time to negotiation and compromise.

In the MTN context, a proposal was submitted to the Nontariff Measures Group in December to establish a subgroup to deal with government procurement issues. While this proposal had some support, it was determined that establishment of such a subgroup was premature. The United States will continue to favor discussion of government procurement in the MTN when it is determined that the issue is ready for such discussions.

4. Sectors

In establishing the Sectors Group the TNC directed it to carry out an examination of the possibilities for the coordinated reduction or elimination of all barriers to trade in selected industrial sectors as a complementary technique to those developed in the Tariffs and Nontariff Measures Groups.

At the first of its meetings in 1975, the Group agreed that the best way to begin its work was to assemble information with respect to selected sectors or product groups.

Accordingly, the Group asked the GATT Secretariat to assemble data on trade, tariffs, nontariff measures, production and consumption relating to products in the ores and metals sector, including steel and aluminum. The Group also requested from the Secretariat an examination of product sectors in which developing countries have a trade interest. Subsequently, the Secretariat distributed documents containing sectoral analyses of developing country interests in the fishery, wood and wood products, hides and skins and articles thereof, and the pulp and paper sectors.

The Secretariat's work in these sectors formed the basis for the Group's discussions at its other two meetings in 1975. At its last meeting, in November, one delegation offered a comprehensive negotiating plan for the copper sector. Other delegations, however, believed that the data collected thus far in the ores and metals sector was insufficient. The Secretariat was requested to update the existing material and to obtain projections of supply and demand for selected metals so that the Group would be in a better position to assess the potential for sector negotiations for such products. The Group also agreed to ask the Secretariat to begin a compilation of data, similar to that collected in the ores and metals sector, for certain other industrial sectors, including chemicals, heavy electrical machinery, and electronics, which were proposed by the United States. Thus, by the end of 1975, work had been initiated on all five sectors identified as candidates for sector negotiations in the course of Congressional consideration of the Trade Act.

5. Safeguards

The Safeguards Group, in accordance with the Tokyo Declaration, was engaged during 1975 in "an examination of the adequacy of the multilateral safeguard system, considering particularly the modalities of application of Article XIX (the escape clause of the GATT) with a view to furthering trade liberalization and preserving its results." During the year the Group held three meetings of about a week each in April, June-July, and November.

The United States, pursuant to sections 107 and 121 of the Trade Act, is seeking to obtain internationally agreed rules and procedures which permit the use of temporary import relief measures to ease adjustment to changes in domestic markets due to the expansion of international trade. The United States believes that an effective and equitable safeguard system must, first, take into account all forms of import restraints countries use in response to injurious competition and, second, include principles and procedures governing temporary actions taken to prevent or remedy serious injury.

In 1974 a two-phase work program, proposed by the United States, was accepted by the Group, and work was initiated on the first phase. At the April 1975 meeting, the United States reaffirmed its goal of developing a system applicable to all products and all restrictions, and reiterated that this should be achieved through a methodical two-stage program: an initial examination of the present system and practices, followed by definition of the elements of an improved system.

The GATT Secretariat supported this work with reports on: governmental responses to a U.S.-proposed questionnaire on national safeguard practices; the range of safeguard-type actions taken under GATT Article XIX, under other GATT articles, or without reference to GATT; safeguard actions affecting developing country exports; and the uses of GATT Article XXVIII (permanent tariff modifications). This research greatly facilitated the Group's discussion, at the June-July meeting, of the problems in the present system, and the initial phase of the work program was virtually completed.

The second phase, consideration of the possible elements of a new system, began at the November meeting where the Group discussed in detail a list of questions on that subject. Special attention was given to the subjects of surveillance and dispute settlement and additional Secretariat studies were to be prepared on these topics. The November discussions continued the flexible, pragmatic approach adopted by the Group regarding the mandate for its work. In order to permit the fullest possible discussion, no decisions were taken in 1975 on the adequacy of the present system or specific negotiations necessary to improve it.

The Safeguards Group did not have the pre-MTN background work and research that some of the other working groups in the Tokyo Round inherited from the GATT Committee on Trade in Industrial Products and other fora. The first phase of the Group's work program was designed to remedy this by establishing a data base and history of safeguard practices and actions. The work has highlighted the various avenues other than Article XIX that countries use for safeguard action, and the unequal incidence with which the safeguard discipline falls on countries. In light of this work, it was expected that in 1976 the exploration of an improved system could be directed to specific elements and concrete proposals.

6. Agriculture

Discussions in the Agriculture Group throughout 1976 centered on the procedural dispute between the European Community and the United States over where negotiations on agricultural products should take place.

The U.S. position has been that negotiations in agriculture should take place primarily in the Tariffs and Nontariff Measures Groups and other functional groups. This is based on the view that the objective of the negotiations in agriculture and industry alike is the liberalization of trade restraints and that this can best be accomplished through an across-the-board approach to these restraints. To the extent that discussions do take place in the Agriculture Group and subgroups, the results should be folded into deliberations of the Tariffs and Nontariff Measures Groups.

The EC position on the other hand, has been that trade in agricultural products has such "special characteristics" that negotiations should take place only in the Agriculture Group and in its subgroups and has sought to preclude the discussion or consideration of agricultural issues in any group other than the Agriculture Group. The EC approach to negotiations in agriculture stressed the need to organize world markets for different commodities.

Achievements in the Agriculture Group's first meeting, which included sessions in late March, mid-April and May, were limited by this divergence of view. A compromise was thought to have been achieved at the May session when it was agreed that the Group would treat tariffs and nontariff measures relating to agricultural products "in conjunction with" the work in the Tariffs and Nontariff Measures Groups. The United States interpreted this agreement to mean that tariffs and nontariff measures of a general nature affecting agriculture could also be taken up in the Tariffs and Nontariff Measures Groups. This meant, in the U.S. view, that any country would be free to raise a matter relating to agriculture in the other negotiating groups and that the Agriculture Group would not have exclusive jurisdiction over agricultural issues. The Group also agreed at its first meeting to establish negotiating subgroups for grains, meat (including live animals) and dairy products to deal with all the elements relevant to trade in these products.

The Agriculture Group met again in July to review the progress of work in the three product subgroups and to lay out its future work program. The Group discussed the procedures that might be adopted (1) in respect of products not covered by the three product subgroups; (2) for the conduct of bilateral consultations on QRs affecting agricultural products (the general question of QRs is being handled by a specific QR subgroup under the Nontariff Measures Group), and (3) to take into account the particular interests of developing countries.

At this meeting, and at the subsequent meeting in September, widely divergent opinions were expressed on the future work program, and the Group did not go beyond the general consideration of several proposals which were put forward to deal with these questions. Differences of opinion again arose between the United States and the EC. The EC once more supported an autonomous role for the Agriculture Group and its subgroups, reopening the question of the May compromise agreement. At issue was the nature of the link between the Agriculture Group and other negotiating groups, and the mechanism for the resolution of differences between groups when such differences arise.

The United States put forward a four-point work program at the September meeting which it hoped would put an end to procedural disputes and move the Group into concrete work on substantive matters. Specifically the proposal would have permitted countries to hold consultations on quantitative restrictions in agricultural trade under the auspices of the Agriculture Group so long as the results of the consultations were reported simulataneously to the Subgroup on Quantitative Restrictions and any other relevant groups or subgroups. In addition, the U.S. proposal would have allowed Group Agriculture to proceed with work on the examination of formulae which had been submitted to the Tariffs Group, and the applicability of the draft standards code to agriculture. The fourth point of the U.S. proposal would have provided for the examination of specific barriers to trade in agricultural products outside the purview of the existing grains, dairy, and meat subgroups, through the use of a notification and consultation procedure. The proposal suggested special attention to the trade barriers notified by the developing countries. The U.S. proposal was favorably received by virtually all delegations except the EC, which continued to insist on the antonomy of the Agrigulture Group, leading again to a procedural deadlock.

At its fourth session in December, the Agriculture Group adopted a proposal in line with the procedural suggestions by the Chairman of the Trade Negotiations Committee, setting aside, at least temporarily, the fundamental differences between the United States and the EC. The Group agreed to undertake a process of information, examination, and dialogue with respect to all tariff and nontariff measures affecting trade in agricultural products other than those covered by the product subgroups. Countries are to notify the GATT Secretariat of other countries' tariff or nontariff measures concerning products of interest to them. These notifications will be circulated with a view to the holding of bilateral or plurilateral consultations.

This agreement was intended to permit work on agricultural products to proceed, taking into account the possibility of bilateral consultation, the need for all the negotiating groups to work in concert, and the need to consider the particular problems of the developing countries. It does not, however, resolve the fundamental differences of view between the United States and the EC on how to liberalize agricultural trade.

a. Grains: This Subgroup has held three meetings, in May, June and October. The major achievement of the first meeting was agreement on an initial work program consisting of three interrelated topics: (1) market stabilization; (2) the expansion and liberalization of trade; and (3) objectives concerning developing countries. This program represented a balanced treatment of the various proposals which had been made. The European Community proposed that the Subgroup agree to negotiate a comprehensive international grains agreement which would stabilize prices within a wide band by means of stock actions on the part of participating countries. The United States and other grain exporters stressed that trade expansion and liberalization should be the goal, and the United States proposed a work program to examine the national measures that have prevented the realization of this goal. Developing countries proposed that they receive differential and preferential treatment in commercial grain trade as well as in food aid. At the second meeting of the Subgroup, the EC provided additional details on how its proposed international grains agreement would work and the United States put forward more detailed proposals on how the Subgroup should proceed in order to lay the basis for trade liberalization.

At its October meeting, the United States proposed that the Subgroup adopt a negotiating procedure that would permit it to move quickly to explore concrete solutions to grain trade problems as soon as general procedural issues affecting the Agriculture Group and its subgroups are resolved. In essence, the United States suggested that countries notify high priority grain trade problems having a direct bearing on their trade interests, and suggest desired solutions to these problems. Based on these notifications, the Subgroup would identify and deal with major categories of grain problems of priority concern to countries, utilizing whatever procedures were deemed to be useful -- whether bilateral or multilateral. Solutions relevant to grains under consideration in other MTN groups (such as the Tariffs Group and the Nontariff Measures Group and subgroups) would also be considered by the Subgroup at the appropriate time. The U.S. proposal was thoroughly discussed, as were key elements of the proposal of the EC for a comprehensive international grains agreement and papers submitted by other countries. The Subgroup agreed to continue these discussions at its next meeting in January 1976. (On grains see also Chapter V B).

b. Meat (including live animals): This Subgroup met during June and agreed on a two-phase work program. The first phase began in October with a step-by-step examination of trade measures and a country-by-country examination of market structures and trade practices. Topics discussed included health and sanitary regulations of various countries, the U.S. meat import law, and import restrictions of the EC and Japan. The Subgroup was to meet again in February 1976 to (1) extend its first-phase examination to additional countries, and (2) begin the second phase of its work program. In this second phase the Subgroup will consider countries' proposals related to (1) expanding and liberalizing trade; (2) concerted action by importers and exporters and international cooperation; and (3) the treatment of developing countries. As in the grains meeting, the United States had proposed that the Subgroup concentrate its efforts on the expansion and liberalization of trade. This was supported by major exporting countries but resisted by the EC which said that its Common Agricultural Policy was not negotiable and that the main objective ought to be the "coordination" of the actions of importers and exporters. The Subgroup's work in 1975 was on bovine meat and live cattle, although it was agreed that the responsibility of the Subgroup extends to all meat.

c. Dairy Products: The Subgroup first met in June and, like the Meat Subgroup, agreed on a two-phase work program. In October the Subgroup undertook an intensive examination of the structure and characteristics of world dairy trade and of the policies of major trading countries. It also discussed the effects of the GATT

Arrangements concerning non-fat dry milk and butterfat, as well as the OECD gentlemen's agreement on powdered whole milk. Analytical work will continue at a February 1976 meeting, after which the Subgroup will proceed to the second phase of its work by looking into countries' proposals relating to: (1) the expansion and liberalization of trade; (2) the stabilization of trade through the improvement and extension of already existing international cooperation devices as well as new approaches; (3) improved conditions of competition in international markets; (4) special treatment for developing countries; and (5) forms of international cooperation. The EC has stressed the need for an international dairy arrangement with minimum and maximum prices for milk powders, butter, and butterfats; for cheese, the EC did not foresee price arrangements but rather multilateral rules to regularize and expand trade. Australia and New Zealand have expressed general interest in an international dairy arrangement, but emphasized the need for concurrent trade liberalization. The U.S. position has been consistent with its approach for other agricultural commodities -- that trade liberalization and an end to trade-distorting measures should be the major goal.

7. Tropical Products

During 1975 substantial progress was made towards one of the goals set in the September 1973 Tokyo Declaration, in which the countries participating in the Multilateral Trade Negotiations agreed to give tropical products special and priority treatment. The products discussed in this Group are principally supplied by developing countries and removal or reductions of barriers to trade in these products will improve the trade and development opportunities for the developing countries.

Three meetings of the Tropical Products Group were held in Geneva during 1975. Procedures were agreed upon for developing countries to submit to other participants in the negotiations lists of products on which they wished tariff and nontariff concessions to be made. In the meeting of the Group in October 1975 it was agreed that by March 1, 1976, the developed countries would respond to the requests of the developing countries with initial lists of tentative offers to eliminate or reduce some of the barriers to trade listed by the developing countries. The United States agreed to this date, subject to having completed the internal domestic procedures required by the Trade Act of 1974. The procedures adopted in the Group to date have been flexible, allowing substantial opportunity for informal bilateral consultations to define specific trade interests and possible areas for negotiations.

The United States received over 30 request lists from developing countries, including nearly 700 products. These requests were being reviewed by U.S. Government agencies at the end of the year. They will consider the advice received from the United States International Trade Commission and information received in hearings held by the Trade Policy Staff Committee during the year in determining those products which will be subject to negotiation in the Tropical Products Group, in return for concessions sought by the U.S. In addition, consultations are being held with U.S. private sector advisory groups, including representatives of industry, agriculture, and labor, and with several committees of the U.S. Congress to seek their advice. In the meantime, bilateral consultations are underway in Geneva between the U.S. Delegation and delegations from countries which have submitted requests.

The United States expects that its response in the Tropical Products Group will consist of most-favored-nation tariff concessions, where appropriate and where suitable contributions are received from the developing countries participating in the negotiations. While it is anticipated that nontariff barriers to trade in tropical products will be discussed and further clarified in the Group, action on specific measures thus identified is expected to take place in the appropriate MTN group. Some other developed countries, however, have indicated that their responses in the Tropical Products Group will be either wholly or largely through inclusion of products of interest to developing countries in their systems of generalized preferences.

The Tropical Products Group negotiations, including bilateral consultations and meetings of the Group, will continue to receive priority attention. It is hoped that agreement can be reached in 1976 on a list of tariff reductions on products covered by these negotiations as well as on appropriate contributions from the developing countries, all of which possibly could be implemented well ahead of the close of the negotiations.

8. Trade Reform

Section 121 and other parts of the Trade Act of 1974 outline improvements in international trading rules the President should seek in "conformity with principles promoting the development of an open, nondiscriminatory, and fair world economic system." These range from substantive rules on safeguards, balance of payments measures, subsidies, and supply access to procedural items like improved consultation, dispute settlement, and decision-making in the GATT. Together they reflect the view that the United States can benefit from seeking improvements in the framework governing the conduct of international trade.

At a relatively early stage of Tokyo Round work, the United States took a pragmatic approach toward key components of a trade reform effort. As described elsewhere in this report, work was underway in 1975 in TNC Groups on several nontariff barrier problems, on subsidies, and on safeguards. The issues of consultation, dispute settlement, and decision-making arise in each of these contexts and for the time being, were best dealt with therein. (On preliminary approaches to supply access issues see Chapter V). The question of improved rules for handling trade measures taken for balance of payments purposes was the subject of preliminary examination in the GATT Balance of Payments Committee and, more recently, in the newly created GATT Consultative Group of 18. This question remains on the agenda of both the Group of 18 and the GATT Council.

As for other "Trade Reform" subjects, additional items may be brought in as the Tokyo Round in general gathers momentum. Paragraph nine of the Tokyo Declaration provides that "consideration shall be given to improvements in the international framework for the conduct of world trade which might be desirable in the light of progress in the negotiations" but cautions that "care shall be taken to ensure that any measures introduced as a result are consistent with the overall objectives and principles of the trade negotiations and particularly of trade liberalization." This language reflects a cautious attitude on the part of many MTN participants toward the question of revising the trading rules.

IV. U.S. PARTICIPATION IN MULTILATERAL (OTHER THAN MTN) AND BILATERAL EFFORTS TO REDUCE FOREIGN TRADE BARRIERS AND DISCRIMINATION

For many years, the United States has been seeking international agreement to the reduction of trade barriers and elimination of discrimination in trade. The American position has been based on certain fundamental ideas, notably that countries will normally accord one another unconditional most-favored-nation treatment of imports, that they will cooperate to reduce trade barriers and refrain from impairing commitments indirectly through restrictive valuation, specification, or documentary requirements, or by resorting to quantitative restrictions, internal tax measures, subsidies or other special measures. Broad lines of agreement have been achieved, although the trading system makes special provisions for exceptions to its general rules on trade matters so as to take account of customs unions and free-trade areas, special needs of developing countries, and other new situations.

Since 1947, the General Agreement on Tariffs and Trade (GATT) has provided the main forum both for a series of negotiations on reductions of trade barriers and for the interpretation of trade obligations and their enforcement (the MTN discussed in Chapter III is the seventh such negotiation). The 83 contracting parties of GATT meet once a year in plenary session and more frequently in the GATT Council, which has evolved into something of a plenary body for the more routine GATT work. There are various GATT standing committees and from time to time ad h panels and working parties are established to develop recommendations on particular problems. In 1975, following a preliminary exchange of views in 1974, a Consultative Group of 18 was established on a provisional one-year basis, to facilitate execution of joint responsibilities in following international trade developments; forestalling, whenever possible, sudden distrubances that could represent a threat to the multilateral trading system; and carrying out appropriate coordination with other international agencies in the context of the international adjustment process. This Group was intended to be consultative only and was to provide a balanced high-level body to consider current developments in economic policy and any proposals for modification of arrangements to deal with problems of broad international economic concern.

Another forum in which multilateral trade problems are handled is the Organization for Economic Cooperation and Development (OECD), comprising the major industrialized countries of Western Europe, the U.S., Japan, Canada, Australia and New Zealand. In the

OECD, as its name implies, not only trade but also various other economic topics are discussed, generally on a consultative basis. The focus is on general policy lines rather than technical specifics, with notable exceptions such as the government procurement work discussed in Chapter III of this Report.

Trade matters were also addressed in the Seventh Special Session of the UN General Assembly in a very general framework. However, there was widespread recognition that specific solutions would have to be worked out in individual fora such as GATT. The newly formed CIEC commissionson development and raw materials also have trade matters on their agendas. (See also Chapter V).

Certain problems affecting trade with developing countries are also discussed in the United Nations Conference on Trade and Development (UNCTAD), a UN body formed in the early 1960's in response to developing countries' desire to have a forum focusing on their particular needs. It was in the UNCTAD framework that the generalized preference system, implemented at the end of 1975 by the United States, was developed and agreed (See Chapter VIII).

A trade-barrier reduction of considerable interest to the United States, which had been the subject of repeated bilateral and multilateral representations in many forums, was the conclusion in 1975 of the Lome' Agreement between the European Community and 46 African, Caribbean and Pacific countries formerly dependent territories of EC members. From the United States' point of view, one of the most significant aspects of the new treaty, which replaced the Yaounde' and various other agreements, was the ending of the obligation of developing countries to provide preferential treatment in their markets to imports from the EC. These reverse preferences had long put U.S. exports at a competitive disadvantage.

Not all trade disputes between countries require or are susceptible to GATT action, even where both countries are parties to GATT. Much day-to-day consultation is carried on bilaterally by the United States, both in Washington and abroad with a view to developing mutually acceptable solutions to avoid or minimize trade restrictions. The first subsection below covers national differences which were resolved at the bilateral level.