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ACTION BY GOVERNMENTS RELEVANT TO THE PROVISIONS OF PART IV AND THE OPERATION OF THE ENABLING CLAUSE

Addendum

In response to GATT/AIR/1906 of 28 April 1983, the following communication, dated 25 October 1983, has been received from the delegation of the United States in connection with the implementation of Part IV and the operation of the Enabling Clause.

The United States continues to implement President Reagan's pledge to work with developing countries to make trade an effective force in their economic development. Since our last submission to the Committee, the United States has redoubled its efforts to engage its trading partners, including developing countries, in a dialogue within the framework of GATT which will lead to an expansion in world trade. Our efforts in this regard in the months preceding the GATT Ministerial and our active participation in the implementation of the decisions reached at the Ministerial meeting relating to developing countries represent a continuation of our efforts to further implement Part IV and the Enabling Clause in a manner beneficial to sustained economic growth.

The United States has taken the following specific actions, in addition to those described in previous submissions to the Committee, to further the implementation of Part IV and to improve the operation of the Enabling Clause.

Implementation of Part IV

(1) Reduction or elimination of customs duties on products of export interest to developing countries.

The United States has implemented several measures to reduce or eliminate tariffs on products of export interest to developing countries. Tariff reductions agreed to previously with several countries on a bilateral basis are being applied by the United States on an MFN basis and cover many products of export interest to developing country GATT members. The details of many of these concessions have been communicated to the Committee in prior notifications.

In addition, legislation has been enacted eliminating on a permanent basis existing duties applied to imports of yankee dryer cylinders, pipe organ parts, toy tea sets, casein blanks and prayer shawls; reducing on a permanent basis duties applied to imports of certain fourdrinier wire,

certain ceramic insulators, and chipper knife steel; temporarily suspending the duties applied to imports of certain bulk fresh carrots, carob flour, cantaloupes, hatters' fur, needlecraft display models, several chemical products, tartaric acid, copper scale, certain freight containers, certain clock radios, heat-set stretch texturing machines, hosiery knitting machines, double head latch needles, prostheses, small toys, and certain dolls and toy figures; extending temporary duty suspensions applying to certain red peppers, wood excelsior, several chemical products, photographic couples, natural graphite, cobalt, and bicycle parts; and temporarily reducing the duties assessed on imports of dicofol, sulfathiazole, and caffeine.

(ii) Reduction or elimination of fiscal duties or internal charges on such products.

The United States has not increased the amount of fiscal duties or internal charges assessed products of export interest to developing countries since the Committee's last review. As a general rule, such charges have little effect on developing countries' exports to the United States.

(iii) Removal of import restrictions applied on such products or changes in their administration; and

(iv) reduction or removal of other nontariff measures of interest to developing countries.

The additional tariff imposed on imports of certain canned mushrooms, in accordance with the provisions of Article XIX, was reduced from 15 per cent ad valorem to 10 per cent ad valorem, effective 1 November 1982, and will be eliminated entirely on 1 November 1983. The additional tariff imposed on imports of porcelain on steel cookware, in accordance with the provisions of Article XIX, was reduced from 15 per cent ad valorem to 10 per cent ad valorem, effective 17 January 1983, and is scheduled to be eliminated entirely on 17 January 1984. The temporary global quota imposed on imports of clothespins, in accordance with the provisions of Article XIX, is scheduled to be removed on 22 February 1984.

Currently, import restrictions pursuant to Section 22 of the United States Agricultural Adjustment Act of 1933, as amended, are in effect on four commodity groups: cotton of certain specified staple lengths, cotton waste and certain cotton products; peanuts; certain dairy products; and sugar. With the exception of sugar, these restrictions have remained unchanged since the Committee's last review. The import quota for the period October 1983 - September 1984 has expanded from 2.8 million short tons raw value to 2.952 million short tons raw value. It will be allocated among supplying countries. Current information on the status of restrictions maintained by the United States under Section 22, subject to the waiver granted by the CONTRACTING PARTIES under GATT Article XXV:5, was transmitted to the GATT and circulated in GATT Document L/5469.

(v) Any increase in duties, fiscal charges, quantitative restrictions and other trade barriers affecting the exports of developing countries and not covered in documentation for the Sub-Committee on Protective Measures.

The only new escape clause action affecting the exports of developing countries taken by the United States since the Committee's last review is the temporary imposition of additional tariffs and quantitative restriction on certain specialty steel products notified to the GATT in GATT Document L/5524 of 20 July, 1983. This action was cross-notified to the Sub-Committee on Protective Measures in COM.TD/SCPM/W/19.

No other additional tariffs have been imposed on products of export interest to developing countries since the Committee's last review.

(vi) Changes in "trade margins" of the kind referred to in Paragraph 3(a) of Article XXXVII, and

(vii) Measures falling within the provisions of Paragraph 3(b) of Article XXXVII.

There is no new information to convey to the Committee in this regard.

Operation of the Enabling Clause

Consistent with President Reagan's pledge, the United States has initiated efforts to obtain congressional authority to extend the U.S. GSP beyond its expiration in January 1985. Meanwhile, the United States has continued to make improvements to the base of benefits available under its GSP scheme.

Representative of the transparency with which the current GSP is administered, the United States initiated efforts to ensure that foreign and domestic parties' views received full consideration as we prepared a legislative proposal to extend the GSP. The United States solicited the views of interested parties regarding renewal of the programme through a series of public hearings and a written comment period during the month of April 1983. Comments were invited on a wide range of issues including the general operation of the programme, suggestions for modifications which would stimulate the growth of less developed beneficiaries, particularly the least developed, and the role of differentiation in an extended scheme. Testimony and submissions were received from several hundred interested parties, including a significant number of submissions from beneficiaries and representatives from their business communities. Those consultations provided the basis upon which the United States developed the parameters of its legislative proposal to extend the GSP for ten years.

Discussion on renewal of the U.S. GSP is in the very early stages in the U.S. Congress and can be expected to continue into 1984. In requesting new authorization from the U.S. Congress, the Administration has proposed special measures to benefit the least developed countries based on the special needs of their economies, provisions for the potential liberalization of the benefits available to all beneficiaries, and finally, provisions for further product-specific differentiation.

Since the last review, the United States has actively encouraged beneficiaries to maximize the benefits available in the current scheme and has expanded the base of benefits available to all beneficiaries through

the annual review process. In addition to providing assistance to beneficiaries through the GSP Information Centre in Washington and discussing GSP during bilateral consultations, U.S. representatives presented seminars in nearly a dozen beneficiary countries on the operation of the programme and encouraged their participation in the annual review process to obtain duty-free treatment for new articles of interest.

As in previous years, the United States expanded further the base of benefits available to beneficiary countries on 31 March 1983. These improvements were the result of the annual review procedure, a ten-month process beginning in June of 1982. Petitions to modify the list of articles eligible to receive duty-free treatment were accepted for examination and were considered during the review process, which included public hearings and a written comment period open to any interested party. The resultant changes from the 1982 review included the addition of 29 new products, several of which were agricultural products and other items requested by beneficiaries which until this year had not actively participated in the annual review process.

An additional 35 products valued at \$270 million from 23 beneficiaries previously excluded from duty-free treatment due to the statutory competitive need limits were redesignated to GSP eligibility. Finally, pursuant to the President's discretionary authority to waive competitive need on a product-specific basis in instances where trade is de minimis, 206 products from 35 beneficiaries were allowed to remain eligible.

Recognizing the importance of the GSP to beneficiary country development and the obligations of Part IV to assure that beneficiary countries share in the growth of international trade commensurate with individual economic development needs, the Administration implemented additional measures designed to reflect the competitiveness of some beneficiaries under a policy of product-specific differentiation. This policy was first implemented in 1981 to address the highly concentrated distribution of benefits among beneficiary countries and the growing competitiveness of some beneficiaries. Three elements are reviewed before such measures are applied: (1) the overall level of economic development of the beneficiary country; (2) the beneficiary's competitiveness in the particular product of concern, and; (3) the overall economic interests of the United States, including the potential for future redistribution of GSP benefits to less competitive beneficiaries, consumer benefits, and finally, the import sensitivity of the relevant domestic industry or producer. As in previous years, the vast majority of trade (nearly 90%) affected by product-specific graduation were items that had been excluded previously from duty-free eligibility due to the automatic competitive need limits of the GSP. It is important to note that such measures were taken after ample opportunity for public comment from interested parties in the annual review process.

The United States has revised and improved its GSP scheme seven times since the programme was implemented in 1976. As a result of these improvements, particularly the addition of some 250 products to the GSP, there has been a substantial increase in duty-free imports under the programme, from \$3.0 billion in 1976 to \$8.4 billion in 1982. This expansion of trade has enabled beneficiaries to generate foreign exchange needed to further development objectives as well as to learn how to compete in the large U.S. market.

On a final note, the United States is in the midst of its 1983 annual product review. Approximately 250 petitions requesting a modification of the list of articles eligible for duty-free treatment were received by 1 June 1983. We are considering 35 requests to add products to the GSP, 6 requests for the removal of products from duty-free eligibility and 8 requests for the removal of one or more beneficiaries from eligibility on various products. Public hearings were held the week of 26 September in Washington in which parties testified in support of or opposition to the requested modifications. Several beneficiaries or their representatives presented statements to the interagency panel which is examining the requested modifications. Pursuant to the statutory provisions of the GSP, any modifications resulting from the review will be implemented by Executive Order and will take effect on 31 March 1984.