

RESTRICTED

LIMITED C.

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GENERAL AGREEMENT ON TARIFFS AND TRADE
Contracting Parties
Second Session

Request of the United States for a Waiver
under Article XXV of the General Agreement on
Tariffs and Trade in Respect of Preferential
Treatment for the Trust Territory of the Pacific.

The following statement is submitted to the CONTRACTING PARTIES by the United States delegation in lieu of that set forth in document GATT/CP.2/W.6, which is hereby withdrawn.

Scope of request. The United States requests that the CONTRACTING PARTIES, acting under Article XXV of the GATT, waive the obligations of the United States under Article I to the extent necessary to permit:

- a) the application of duty-free treatment to all products originating in the Trust Territory of the Pacific and imported into the customs territory of the United States,¹⁾ without obligation to extend the same treatment to the like products originating in the territories of the contracting parties; and
- b) the application to coconut oil processed from copra originating in the Trust Territory of the Pacific and imported into the customs territory of the United States of the lower rate of internal tax of 3¢ per pound presently applicable to coconut oil processed from copra originating domestically and in the Philippine Republic, without obligation to extend the same rate to coconut oil processed from copra originating in the territories of the contracting parties, which would remain taxable at 5¢ per pound.

Since the purpose of the request outlined above is to remove a burden to the exports of the Trust Territory and not to divert or add a burden to the trade of other countries, the United States does not propose to make any preference effective by, for example, imposing or increasing duties on like products of other countries.

1) The customs territory of the United States consists of the United States and its possessions except the Virgin Islands, American Samoa, the island of Guam, Wake Island, Midway Islands, and Kingman Reef.

Area and population of Trust Territory. The Trust Territory of the Pacific consists of the Marshall, Caroline and Mariana Islands formerly mandated to Japan under the League of Nations. There are about 98 islands and island clusters with a total land area of 846 square miles and a total population of 48,000 native inhabitants.

Trusteeship agreement A Trusteeship Agreement approved by the Security Council of the United Nations on April 2, 1947 declares the islands concerned to be a strategic area and designates the United States as the administering authority. Under this Agreement (Article 6) the United States is obligated to promote the best interests of the inhabitants.

Production and Trade. The economic importance of the islands is negligible. Before the war the exports of the islands, which went almost entirely to Japan, ranged from \$7,000,000 in 1932 to \$13,000,000 in 1935. The five main export commodities in 1936, and the export values for each, were as follows:

<u>Commodity</u>	<u>Value</u>
Sugar	\$ 6,497,000
Phosphate	1,428,000
Dried bonito	1,362,000
Copra	1,020,500
Alcohol	<u>382,500</u>
	\$10,690,000

Of the foregoing commodities only copra and phosphate are produced by the native population. The sugar, alcohol and dried bonito industries employed practically all Japanese. The future of these latter industries would therefore appear to be in doubt.^{2/}

In addition to these main commodities there is a small native production and export of trochus shells and of handicraft articles of wood, grass, leaves and porcelain. Handicraft exports are probably less than \$7,500 annually.

Copra Copra exports from the islands during the 1930's ranged from 10 to 15 thousand tons, mostly to Japan. Total United States imports of copra average more than 200,000 tons.

United States duties United States duties on the various articles exported from the islands prewar are

^{2/} Information is not presently available to the United States delegation as to the status of the Japanese population of some 50,000, i.e. whether they have returned or will return to Japan.

as follows:

<u>Commodity</u>	<u>Rate of duty</u>
Sugar	75 ¢ per 100 lbs.
Phosphate	Duty-free
Dried bonito	If unsalted 5/8¢ per lb. If salted and in containers weighing more than 15 lbs. with their contents 1¢ per lb. If salted and in containers weighing with their contents less than 15 lbs. 15% ad valorem.
Copra	Duty-free
Trochus shells	Duty-free
Handicraft articles	Various

Sugar imported into the United States is subject to an import quota allocated by areas. The waiver requested by the United States would not, therefore, affect imports of sugar.

While imports of copra are duty-free, there is an internal tax on the processing of coconut oil from copra of a) 5¢ per pound in respect of copra imported from all foreign sources except the Philippines and b) 3¢ per pound in respect of copra processed from domestic and Philippine sources.

Exceptional circumstances justifying waiver. The exceptional circumstances justifying the requested waiver are three:

1. The islands of the Trust Territory are geographically located in the midst of, and are to some extent in economic competition with, a large number of dependent territories of other powers (Australia, France, the Netherlands and the United Kingdom) all of which are accorded preferential treatment for their trade in the metropolitan territories of the powers concerned.
2. The islands of the Trust Territory were accorded preferential treatment in Japan prior to the war. With the inauguration of United States administration this preferential treatment will no longer exist. What is being requested therefore is not the creation of a new preferential system but the replacement of one system by another. The Havana Charter does not require that all preferences be terminated overnight and it would not seem equitable to single out this one small and economically weak area for more severe treatment than has been accorded other larger and economically stronger areas. To the extent that any contracting party would be at a disadvantage (which could only be slight) by reason of the creation

of a new preference in the United States, it would be compensated by the withdrawal of a preference in the Japanese market.

3. The preferences are "one-way" preferences, which is in contrast to the situation which exists with respect to many other dependent territories. There is no desire on the part of the United States to obtain preferential treatment for its exports. It should be noted in this connection that there is nothing in the GATT which would prevent the establishment of "two-way" free trade between the United States and the Trust Territory and it is only because a more limited arrangement is desired - one not involving preferences for US exports - that a waiver is needed.

