

GENERAL AGREEMENT ON TARIFFS AND TRADE

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THE UNITED STATES TRADE EXPANSION ACT OF 1962

Statement Made by the United States Delegate at Committee III on 3 May 1962

Document L/1754 gives a brief description of the Bill which is being considered by the United States legislature. The following statement has been made by the United States representative in Committee III when the question of tariff reductions of interest to less-developed countries was discussed.

The current decade has been characterized as a Decade of Development. In Committee III and in other forums, the United States has participated in the discussion and analysis of the problems of the developing countries. Within our Government we have considered various lines of action that could assist these countries. We have considered how we could best contribute to the expansion of their trade and the enlargement of their export market opportunities. Some of the thought that has been devoted to this subject is reflected in the legislative proposals made to the Congress of the United States by President Kennedy on 24 January 1962.

The Congress is now called upon to consider the revision of our basic trade agreements legislation. For us, this revision has the greatest significance, since as you know, our Constitution reserves to our Congress the power to regulate commerce and to raise and lower tariffs. What we do in this field in the coming years will be largely dependent on the decision of the Congress regarding the delegation of authority to enter into trade agreement negotiations and to proclaim changes in tariff duties. Any negotiations for changes in United States tariff duties must await the new authority which has been requested. As proposed to the Congress by President Kennedy the Bill for the Trade Expansion Act of 1962 provides essentially four types of new tariff authority:

1. General authority to reduce duties by as much as 50 per cent in agreements with other countries;
2. Special authority to reduce or eliminate certain duties in relation to the European Economic Community;
3. Special authority to eliminate low duties;
4. Special authority to reduce or eliminate duties on tropical products in relation to the less-developed countries.

As regards the first authority, the President would be empowered to negotiate, on the basis of mutual benefit, trade agreement reductions of up to 50 per cent in United States duties existing on 1 July 1962. The authority would be applicable to any of our free world trading partners and it would be applicable, in principle, to almost all of the Articles included in our existing tariff Schedules. The 50 per cent would be computed from those duties which will result from the full reductions made pursuant to the recent Geneva negotiation, even though they may not come fully into effect until some time after 1 July 1962 because of the staging process.

In addition to this authority available for negotiations with any country, the Bill provides special authority to negotiate with the EEC for the mutual reduction or elimination of duties on a limited number of commodity categories in which the United States and the EEC together account for 80 per cent of world exports. There would also be authority to reduce or eliminate, in a trade agreement with the EEC, duties on agricultural commodities under certain circumstances.

A third authority would enable the President to offer in negotiations the reduction or elimination of United States tariffs that are now at 5 per cent or less ad valorem or which have an ad valorem equivalent of not more than 5 per cent.

Finally the proposed Trade Expansion Act would provide a special authority, in carrying out any trade agreement, to proclaim the reduction or elimination of any existing duty or other import restriction on any tropical agricultural or forestry commodity or primary product thereof not produced in significant quantities in the United States. This authority is conditional upon the President's determination that the European Economic Community has made commitments to make comparable reductions or eliminations in duties or other import restrictions with respect to each such commodity or product substantially without differential treatment. For the purpose of this provision, the Bill defines a "tropical commodity" as one the principal world output of which is in the area of the world between 20 degrees north and 20 degrees south latitude.

This last authority, relating to tropical commodities and products, is a very special provision. It stems from our desire to open markets in the advanced countries on a non-discriminatory basis to all of the producers of tropical products, in Latin America, in Asia, and in Africa. We know that this must necessarily be a gradual process and one which will require careful attention to the interests of all affected countries. Due account will have to be taken of long-established relationships between some of these countries. We have in mind a co-operative approach to these problems. The special provision in the proposed Trade Expansion Act will, we hope, increase our ability to participate in this joint effort.

The foregoing are the types of authority which the Bill provides to the President to reduce or eliminate duties. There are, of course, certain limitations on this authority. Under the proposed Bill, the President would not be permitted to make duty reductions or eliminations on any items on which

escape clause action has been taken pursuant to the present escape clause or to the modified escape clause in the proposed Act. Nor may the President reduce or eliminate tariffs on items on which restrictions have been imposed pursuant to the national security provision of the present Reciprocal Trade Agreements Act which is retained in the proposed Bill.

So much for the authority to reduce and eliminate tariffs and for the way in which this authority would be applied. Now I would turn briefly to those features of the new Bill designed to deal with the effect of imports on domestic producers.

An innovation in the Bill of particular interest to Committee III is the provision of assistance in order to facilitate the adjustment of United States firms and workers to the increased import competition resulting from tariff concessions. Such adjustment assistance would take such forms as loans, tax relief, and technical aid to injured firms and various allowances and re-training aid to injured workers. Only in extraordinary cases, where adjustment assistance may be inadequate, is it contemplated that relief will be sought under Article XIX. Such extraordinary relief would expire at the end of four years unless the President determines that the national interest requires its extension for a longer period.

There are several ways in which we would expect the exercise of the authority contemplated in the proposed legislation to be of benefit to less-developed countries.

First, the negotiation of trade agreements affording mutual benefits will increase the flow of international commerce and result in a greater demand for the raw materials of the new countries, as well as a more stable demand.

Second, all reductions in United States duties will be extended, on the most-favoured-nation principle, to the less-developed countries which are GATT contracting parties, and to others as well.

Third, the provisions relating to tropical products and to the removal of low duties (many of which are applied to primary products and simple manufactures) should be of particular benefit to the less-developed countries.

Fourth, the provisions relating to trade adjustment assistance should improve the stability of our trading relationships by facilitating our adjustment to international market forces, one of which we hope will be an increasing flow of exports from developing countries.

When my delegation left Washington the Ways and Means Committee of the United States House of Representatives had completed public hearings on the proposed Trade Expansion Act and was considering the Bill in closed session.

There are several further stages through which the Bill must pass before it could be enacted into law. As with any bill - and particularly one of considerable significance - there is considerable likelihood that the original proposal will be amended in the course of legislative consideration. We cannot, therefore, be sure of the eventual outcome.

The United States Congress each year reduces, eliminates, or suspends rates of duty or taxes on certain items unilaterally, without requiring reciprocal concessions. Many of these actions apply to imports from the less-developed countries. For example, since January 1959, by Congressional action, rates of duties, or taxes, were reduced, suspended or eliminated on thirty-five United States tariff import statistical categories favourably affecting in 1960 approximately \$180 million in exports from more than forty of the less-developed countries. Among the more important commodities affected are coconut meat, casein, amorphous graphite, coarse wools, various tanning extracts, horse meat, hair of the cashmere goat, and coconut, palm and palm kernel oils. Further action of this kind may be taken.

In recent years about 40 per cent of United States imports for consumption have been admitted to the United States free of duty. About 38 per cent of United States tariff rates (or ad valorem equivalent rates) are below 10 per cent and one fifth of the items on our tariff Schedule are duty free. The results of the 1960-61 Tariff Negotiations will also provide substantial new benefits to less-developed countries. To name but a few, reductions have, for example, been made on gelatin, olive oil, certain ferro-alloys, a great variety of primary steel manufactures, many metal articles, brier root and pipes, and a wide assortment of leather articles.

The United States will not rest content with its past performance. It looks forward to new opportunities to co-operate constructively in the GATT programme for the expansion of trade through the reduction of tariffs and the removal of other barriers to trade. As President Kennedy said in his Message to Congress on Trade, 24 January 1962, "...the United States and Europe together have a joint responsibility to all of the less-developed countries of the world and in this sense we must work together to insure that their legitimate aspirations and requirements are fulfilled. The 'open partnership' which this Bill proposes will enable all free nations to share together the rewards of a wider economic choice for all."