

The Agricultural Act of 1956 provided in section 204 for import limitation on agricultural products through negotiation with exporting countries. The President was given authority in a 1962 amendment to control imports from countries which were not parties to any agreements.

The Tariff Act of 1930 itself provided under section 337 for the exclusion from entry whenever the existence of an unfair trade practice has been established. Section 303 of the Tariff Act provided for the levying of countervailing duties when it has been found that any subsidy has been granted directly or indirectly upon the manufacture or production or export of an article being imported.

The Antidumping Act of 1921, as amended, provided for the levying of antidumping duties whenever it has been determined by the Tariff Commission that the class or kind of foreign merchandise is being or likely to be sold in the United States at less than its fair value.

In October 1963, a form of import control was provided through voluntary limitation by Australia, Ireland, and New Zealand on their exports to the United States of certain nonquota dairy products in 1964. The products, the imports of which were limited, were Colby cheese, fluid cream, and Junex, a 44-percent butterfat and 56-percent sugar product. In acknowledging these arrangements, the Secretary of Agriculture noted that if imports from all sources substantially exceeded the shipments of these three major suppliers, the United States would have to proceed to section 22 action.

This 1963 arrangement was the model later used in 1964 to control imports of meat products.

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The Trade Expansion Act

by IRWIN R. HEDGES

THE TRADE EXPANSION Act of 1962 gave the President authority to enter into trade agreements until June 30, 1967—a period of 5 years.

The heart of the act was section 201, which granted the President the authority to reduce the rate of duties existing on July 1, 1962, by not more than 50 percent. Based on 1961 imports, the value of agricultural imports subject to the 50-percent rule was about 1 billion dollars.

Under certain conditions, the President was authorized to go beyond a 50-percent reduction and eliminate duties entirely.

Section 202 gave him authority to do so on any article for which the duty existing on July 1, 1962, was 5 percent or less. Based on the value of agricultural imports for 1961, goods worth about 309 million dollars, or 651 million dollars including certain forest and naval stores, were imported at a duty of 5 percent or less.

Section 211 pertained to any article in which the United States and the European Economic Community together accounted for 80 percent or more of the free world exports. Agricultural products were specifically excluded from this provision, however.

In the trade agreements with the European Economic Community on agricultural items, the President under section 212 was given authority to

eliminate the duty if he determined that such action would tend to maintain or expand United States exports of like items.

Under section 213, duties could be eliminated entirely on tropical, agricultural, and forestry commodities if more than half of the world production was between 20° north latitude and 20° south latitude, if they were not produced in the United States in significant quantities, and if the European Economic Community made a commitment on a substantially non-discriminatory basis with respect to import treatment of the commodity that was likely to assure access to its markets comparable to our market.

The value of United States imports in 1961 of products subject to this provision amounted to 167 million dollars.

With the exception of the tropical, agricultural, and forestry products provision, in general, all tariff concessions granted had to be staged in five annual installments.

Section 225 provided for the reservation of certain items from negotiations: Those included in proclamations under the national security provision; those included in proclamations under the escape clause provision and in cases under the escape clause provision where the Tariff Commission by majority vote found injury or threat of injury from imports; and those included in the proclamation of the President's authority to negotiate international agreements limiting the exports from foreign countries and our imports.

Section 252 of the act was also of special interest to agricultural trade. It directed the President to do everything feasible within his power to obtain the removal of unjustifiable foreign import restrictions that impair the value of tariff commitments made to the United States, oppress the commerce of the United States or prevent the expansion of mutually beneficial trade; to refrain from negotiating further concessions in order to obtain the reduction or elimination

of such restrictions; and to the extent deemed necessary impose duties or other import restrictions on the imports from any country that imposed such unjustifiable restrictions against United States agricultural products.

The act did not change basically the procedure required before the President can enter into a trade agreement.

The act called for the President to publish a list of items that were being considered for tariff reductions. The list had to specify the pertinent statutory authority if more than a 50-percent reduction were offered.

Under the act, the Tariff Commission was required to make a study of and hold public hearings on the items appearing on the list. The Commission was required to make findings known to the President as to the probable effects of the proposed offers on the domestic producers.

The President was required to seek advice from the various departments of the Government with respect to the proposed trade agreement. The act also required the President to have public hearings by an agency or inter-agency committee concerning any proposed trade agreements.

The act provided for the appointment by the President of a Special Representative for Trade Negotiations to exercise direction over the negotiations and other activities authorized under the act. In effect, this created an officer, reporting directly to the President at Cabinet level, to be in charge of the negotiations. Formerly this function was assigned to the Department of State.

THE ACT was the most important piece of trade legislation since the passage of the original Reciprocal Trade Agreements Act of 1934.

That act, passed in 1934, threw back the tide of protectionism that reached its high water mark with the passage of the Smoot-Hawley Tariff Act of 1930 and committed the United States to a policy of trade liberalization. Under the authorities of the original Recip-

reciprocal Trade Agreements Act and successive amendments, United States tariffs were significantly reduced.

The principle of most-favored-nation treatment provided for in this act has been incorporated in all agreements negotiated under the General Agreement on Tariffs and Trade. This principle requires that any tariff reduction negotiated bilaterally with any one country automatically is extended to all other friendly countries. In practice, it has multiplied manifold the benefits of the tariff reductions that have been negotiated.

Since 1947 the United States negotiations, utilizing the authorities of the Reciprocal Trade Agreements Act, have been carried out within the framework of the General Agreement on Tariffs and Trade (GATT), an international organization established to work out rules of international trade and to police trade agreements.

The fifth round of tariff negotiations conducted under the auspices of the GATT, which was concluded in March 1962, was primarily with the European Economic Community (EEC). The purpose was to substitute the tariff bindings, which the six individual member countries of the EEC had with other countries, for one common external tariff (CET) on imports from all non-EEC countries.

In the course of the negotiations, the European Economic Community offered to make a general across-the-board cut of 20 percent in individual tariffs in exchange for a similar cut by other countries.

The United States, under its legislation, could negotiate only on an item-by-item basis and hence could not accept this offer. It was partly in response to this situation that President Kennedy sought and obtained from the Congress the broad tariff-cutting authorities contained in the Trade Expansion Act of 1962.

The Congress, in enacting the Trade Expansion Act of 1962, and the executive branch of the Government subsequently made it clear that the

negotiations had to include trade in agricultural products. In part, this reflected a feeling that the GATT negotiations in the past had not adequately dealt with agricultural trade.

The GATT negotiations before 1964 for the most part had focused on reductions in barriers maintained at the frontiers and hence had largely been concerned with tariffs. In agriculture, tariffs maintained against imports were frequently not the most significant factor restricting trade. Virtually all major trading nations had domestic farm programs that interfered with the free movement of goods internationally.

These programs were basically the agricultural counterpart of minimum wage laws, social security, labor legislation, postal and transport subsidies, and a host of other types of special-interest legislation. In addition, agricultural programs were frequently inspired by reasons of national security and the desire for social and political reasons to maintain a strong and independent farm population.

For whatever reasons they had developed, the existence of national agricultural programs seriously compromised the willingness of most nations to negotiate agricultural trade liberalization. By one means or another, ways had been devised to exempt from the rules of the GATT measures considered essential for the carrying out of national agricultural policies.

The United States was no exception, although it had followed a relatively liberal policy toward competing agricultural imports. Most competitive imports entered the United States over moderate fixed duties and no other barriers.

The United States did seek and obtain from the GATT a waiver of section 22 of the Agricultural Adjustment Act of 1933. This section directs the Secretary of Agriculture to recommend to the President the establishment of quotas on imports if he has reason to believe that imports are interfering or threaten to interfere with the operation of domestic price support

or production control programs. The waiver granted the United States simply provides GATT authorization in advance for invoking section 22 whenever required.

IN ACTUAL PRACTICE, the United States has received little advantage from its special waiver.

Article XI of the GATT permits any GATT member to impose restrictions on imports when necessary to the enforcement of governmental measures restricting domestic production or marketing of the like article. Only imports of cotton, wheat, peanuts, and certain dairy products were subject to section 22 restrictions in 1964. Of these, only dairy products were not subject to production and marketing restrictions and hence very likely could not be justified under article XI.

In practice, also, it has been customary for the GATT to approve members' requests to impose import restrictions under special circumstances such as to make effective domestic price-support programs.

Throughout Western Europe following the Second World War, agricultural protectionism gained ascendancy as an aftermath of the food shortages and privations suffered during the war. The United Kingdom, by means of a deficiency-payments program that guaranteed her farmers returns far above prices of competing imports, substantially increased domestic production at the expense of imports. She decreased the proportion imports represent of total consumption from 1939-1940 to 1961 as follows: Wheat from 77 percent to 62 percent; feed grain from 59 percent to 40 percent; meat from 52 percent to 36 percent.

The emerging Common Agricultural Policy (CAP) of the EEC loomed as the greatest obstacle to progress in liberalizing agricultural trade. In the last round of GATT negotiations, the European Economic Community refused to offer fixed tariff bindings on most agricultural imports that competed with its own domestic produc-

tion. The products affected included wheat, feed grain, rice, poultry, meats, and dairy products. Instead, it was announced that these products would be subjected to a system of variable levies and minimum import prices to be set later.

The variable levy system of the EEC, like the British system of deficiency payments, guaranteed its own producers an opportunity to supply the domestic market up to 100 percent of its requirements. The levy was simply the difference between the offering price on imports at the frontier and the domestic support or target price.

If prices at which imports were offered fell, the variable levy increased; the more efficient exporter could not improve his access to the EEC market by lowering his prices. This was in marked contrast to the situation in which a fixed duty was the sole or main protection against imports.

When fixed duties are the form of protection used, the efficient exporter can freely compete with domestic producers in supplying the market after paying the import duty.

THE POSTWAR TREND toward greater agricultural protectionism must be halted and reversed if we are to have more liberal international trade rules for agricultural products.

The negotiations that take place under the Trade Expansion Act, to have significance for trade in agricultural products, will have to deal with features of domestic agricultural policies, such as variable levies, deficiency payments, and price supports, that affect international prices and the quantity of products that move in world trade.

That would represent a new approach to trade negotiations, as was pointed out by Siccó Mansholt, Vice President of the Commission of the EEC at the GATT Ministers Meeting in Geneva in May 1963.

National agricultural policies, he said, are decisive for world trade, and the negotiations must deal with the critical elements of those policies.

Dr. Mansholt made it clear that in his judgment all participants, both importing and exporting nations, must be willing to include critical elements of domestic agricultural policies in the negotiations. The United States indicated it was willing to do so on a reciprocal basis.

The attitude of other industrialized countries toward the inclusion of critical elements of domestic agricultural policies in the negotiations will be crucial.

The European Economic Community, the United Kingdom, Canada, and Japan account for nearly 75 percent of United States commercial exports. If the other countries of western Europe are included, the percentage rises to almost 85 percent.

In industrialized countries, it is a fact that agricultural production under the influence of technology and scientific advancement is tending to increase more rapidly than consumption.

Where farm returns are maintained at artificially high levels, this is dramatically so—as indicated in the statistics on imports and production for the United Kingdom I cited. Japan is perhaps an exception, since her agricultural resources are meager in relation to her population and economy. Japanese demand for agricultural raw materials, and hence imports, may continue to increase.

We already have a very favorable trade in agricultural products with Canada. This is not expected to change significantly. The agricultural phase of the negotiations under the new Trade Expansion Act will focus on western Europe. Primarily that means the European Economic Community and the United Kingdom. In each instance, positive results will depend on the extent to which limits can be negotiated on the trade restrictive effects of domestic policies. With respect to the United Kingdom, that would involve limitations on the British system of deficiency payments; with respect to the European Economic Community, it would involve limita-

tions on the trade restrictive effects of variable levies and minimum import prices.

Under the variable levy system of the European Economic Community, the most crucial element of interest to exporting nations is the level of internal prices, since the variable levy is simply the difference between prices of imported goods at the frontier and the level of prices maintained on the domestic market. The higher domestic price levels, the higher the variable levies on imports, assuming no change in world prices. Efforts to negotiate maximums in variable levies, to be meaningful to exporting nations, must therefore focus on internal prices.

Under the CAP regulations of the EEC, the level of grain prices is crucial. Not only are grains the most significant commodity group, from a trade standpoint; the level of grain prices likewise affects directly the prices of all meats, dairy and poultry products, and hence the import levies on these products as well. This results from the fact that the largest single element in the levies on livestock and poultry products is likely to be a feed equalization fee, representing the difference in cost between EEC domestic and world prices of the quantity of feed required to produce a unit of livestock or poultry products. This is the procedure that has been adopted for the poultry regulation, and the same principle likely will be applied to the meat and dairy regulations.

Recognizing the difficulties inherent in negotiating rules of trade in major agricultural commodities and the inadequacy of conventional tariff bindings as a mechanism for this purpose, the GATT ministers at their meeting in May 1963 directed that special groups be established for the cereals, meats, and dairy products so as to develop international commodity arrangements for these products.

The United States first took the position that to the maximum extent possible agricultural products should be subject to the across-the-board

linear reduction formula adopted. The Trade Expansion Act permits the United States to negotiate reductions in tariffs up to 50 percent, and the policy is to use this authority to the maximum. The United States has indicated a willingness, however, to cooperate in working out the rules of trade for cereals, meats, and dairy products in special groups.

The success of these groups in executing their task may well influence the outcome of the entire negotiations under the Trade Expansion Act.

The United States has said that it cannot conclude another round of trade negotiations unless its major agricultural commodities moving into export markets are included in a meaningful way.

Countries that depend heavily on agricultural products for their export earnings, such as Australia, New Zealand, Argentina, and Canada, likewise would have difficulty in participating in a general round of tariff negotiations, unless they were assured improved outlets for their agricultural exports.

As a minimum, the United States and other agricultural exporting nations will be seeking maintenance of access to major commercial markets comparable to that which existed in a recent representative period of years.

If this is not attainable, it is difficult to see how the hopes for an era of more liberal and expanding international trade generated by the passage of the Trade Expansion Act can be realized.

With imagination and ingenuity, it should be possible to reconcile the legitimate objectives of national agricultural policies with the equally desirable objectives of freer trade. The United States intends to use the powers the Congress has provided under the Trade Expansion Act of 1962 to that end.

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The Requirements of Buyers

by JAMES O. HOWARD

WHETHER THEY are selling corn to consumers in England, cotton to spinners in Japan, or soybean oil to processors in Spain, American exporters must know the requirements of their customers. What works in the United States may not work in London, Hong Kong, or Accra. In some markets, it may be a matter of education. In others, it may be necessary to change the product.

The American food production and processing industry starts out with certain advantages in selling overseas. It is among the world's largest and has many years of experience in meeting the various needs of American consumers. Our well-developed canning industry has some excellent controls for flavor, color, sanitation, uniformity of pack, and packaging. Our system for marketing bulk commodities enables us to move products like grain and cotton over long distances at far less cost than most competing countries. Our large stocks, variety of types, and dependable sources of supply give us an important advantage over many countries. Our sanitary regulations and standards enhance the export of our agricultural products. Our market research, market testing, and market promotion have been watched with considerable interest overseas.

With all these advantages, one may well wonder that there should be any