TRADE POLICY REVIEW MECHANISM

UNITED STATES OF AMERICA

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the report by the United States of America for the 1991 review by the Council is attached.

NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.
A. TRADE POLICIES AND PRACTICES

(I) Objectives of Trade Policies

United States policy remains as fully committed to multilateral trade liberalization and expansion as at any time during the last fifty years. Detailed objectives of United States trade policies were laid out in the report submitted by the United States Government for the initial review in 1989. The United States currently maintains these objectives, and many of the measures mentioned in the report would be positively effected by a successful conclusion to the Uruguay Round.

(II) Description of the import and export system

Exporting from the United States

The US Department of Commerce's Bureau of Export Administration (BXA) controls and licenses exports and re-exports of dual-use commodities and technical data from the United States. Dual-use items are chiefly used for civilian purposes, but may also have military application. Export controls on military items are administered by the Department of State's Office of Defence Trade Control.

BXA administers export controls under the legislative authority of the Export Administration Act of 1979, as amended, for reasons of national security, foreign policy or short supply. The Export Administration Regulations (EAR) (Title 15, Code of Federal Regulations, Parts 730-799) contain the guidelines and procedures necessary to carry out these export controls. The Commerce Control List, Part 799 of the EAR, specifies the dual-use commodities and technical data under the Department of Commerce's jurisdiction.

The controls are implemented through a licensing system that uses a variety of export licences and authorizations. Exports or re-exports of commodities or technical data that are controlled for national security, foreign policy, or short-supply reasons must be approved under a validated export licence issued by the Department. A licence application need not be submitted for items qualifying for shipment under a General Licence.

Sectoral trade policies

Textiles: The United States continues to conduct an import restraint programme for textiles and apparel under a multilaterally-agreed derogation from the GATT. This programme was recently extended through 31 December 1992. Under this programme the United States maintains restraints on one or more textile or apparel products with forty countries.

Steel: In 1989, the United States extended the existing Voluntary Restraint Agreements for a transitional two-and-a-half years, through March 1992. The extended VRAs, which consist of market share arrangements and/or quotas or in a combination thereof, permit increases in export levels for countries undertaking commitments to eliminate trade distorting
practices. These commitments have been negotiated in bilateral consensus agreements to eliminate subsidies, tariffs and non-tariff barriers in the steel sector. It is not expected that the VRA Programme will be extended after 31 March 1992.

Agriculture: Although there is no single act or statement outlining agricultural trade policy objectives, these objectives are described in several legislative contexts (e.g., the Food, Agriculture, Conservation, and Trade (FACT) Act of 1990, as amended by the Budget Reconciliation Act of 1990, the Food Security Act of 1985, as amended, the Omnibus Trade and Competitiveness Act of 1988, the Trade Agreements Act of 1979, the Agricultural Trade Development and Assistance Act of 1954, and the Agricultural Adjustment Act of 1933, as amended) and generally emphasize the importance of expanding exports of farm products to increase farm income. Also, the United States has supported the Uruguay Round of Multilateral Trade Negotiations to reform agricultural policies in three separate areas (i.e., import access, internal support, and export subsidies) to bring these measures under strengthened and more operationally-effective GATT rules and disciplines. Absent a complete Uruguay Round settlement, domestic support programmes in certain sectors, such as dairy, cotton, peanuts, and sugar are dependent on the existence of import fees or quota restrictions to prevent imports from materially interfering with the operation of the programme.

Bound tariffs are a primary form of import protection for most agricultural products. Quantitative import restrictions for certain dairy products, peanuts, certain cotton products, certain sugar-containing products, and fees for refined sugar, certain sugar syrups, and certain molasses are implemented in accordance with provisions of the 1955 waiver to obligations under Articles II and XI of the GATT; QRs, including VRAs and OMAs. The quotas set on sugar imports under the Sugar Headnote Authority (Additional US Note 2 to Chapter 17 of the HTS) were converted to tariff rate quotas as of 1 October 1990, in compliance with Presidential Proclamation No. 6179, of 13 September 1990. In some years, meat exporters have been limited through voluntary restraint agreements in order to avoid more restrictive import quotas under provisions of the Meat Import Act. The average tariff rate for all dutiable and non-dutiable agricultural products is 3.2 per cent ad valorem.

The Food, Agriculture, Conservation, and Trade (FACT) Act of 1990, as modified by the Budget Reconciliation Act, continued the US policy of seeking to improve US agricultural trade competitiveness and modified US support programmes to make them more flexible. Principal features of the act included new rules for calculating deficiency payments and continuance of several export programmes. If a GATT agreement has not been concluded by 30 June 1992, the Secretary of Agriculture will be required to increase export subsidies by US$1 billion annually, much of which would be funded through the Export Enhancement Program (EEP).

The Targeted Export Assistance (TEA) Program was renamed the Marketing Promotion Program (MPP) in the 1990 Act. All agricultural commodities and products are eligible for export promotion assistance. Funding for the MPP
will continue at the minimum level of US$200 million for each fiscal year, 1991 through 1995.

The Export Enhancement Program (EEP) will continue through 1995. Operating guidelines have been replaced by formal regulations. The authorized funding level will be a minimum of US$500 million annually in either CCC commodities or cash.

An additional change in US policy was the creation of a new programme to maintain the competitiveness of upland cotton. This programme was authorized under Section 103 B(a)(5)(F) of the Agriculture Act of 1949, as amended by Section 501 of the 1990 Act. The programme features a three-step procedure: an adjustment in the calculations used to determine the loan repayment rate, a generic certificate programme, and a special import quota, which is in addition to and separate from the existing Section 22 import quota.

(III) The Trade Policy Framework

(A) Domestic laws and regulations governing the application of trade policy

The following is a description of US statutory provisions related to import relief. Key provisions are summarized below:

<table>
<thead>
<tr>
<th>Section</th>
<th>Statute</th>
<th>Common name</th>
<th>Basis for action</th>
<th>Administering authority</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Trade Act of 1974</td>
<td>Escape clause</td>
<td>Increased imports which are a substantial cause of serious injury (product-specific from all sources).</td>
<td>US International Trade Commission (ITC) (recommendation); President (final action); US Congress (disapproval of Presidential action if different than ITC recommendation).</td>
<td>Tariff increases, tariff-rate quotas, quantitative import restrictions, orderly marketing agreements, expedited adjustment assistance.</td>
</tr>
<tr>
<td>406</td>
<td>Trade Act of 1974</td>
<td>Market disruption</td>
<td>Increased imports from a Communist country which are a significant cause of material injury (both product-specific and country-specific).</td>
<td>ITC (recommendation); President (final action); US Congress (disapproval of Presidential action if different than ITC recommendation).</td>
<td>Tariff increases, tariff-rate quotas, quantitative import restrictions, orderly marketing agreements, expedited adjustment assistance.</td>
</tr>
<tr>
<td>303, 703 and 705</td>
<td>Tariff Act of 1930</td>
<td>Countervail</td>
<td>Import sales benefiting from foreign subsidies (both product- and country-specific).</td>
<td>US Department of Commerce (Commerce subsidy determination); ITC (injury determination where required by international obligations).</td>
<td>Countervailing duties equal to the amount of net subsidies.</td>
</tr>
<tr>
<td>733 and 735</td>
<td>Tariff Act of 1930</td>
<td>Dumping</td>
<td>Import sales at less than fair value resulting in material injury (both product- and company-specific)</td>
<td>Commerce (dumping determination); ITC (injury determination).</td>
<td>Anti-dumping duties equal to margin of dumping.</td>
</tr>
<tr>
<td>337</td>
<td>Tariff Act of 1930</td>
<td>Unfair import practices</td>
<td>Unfair methods of competition injuring a US industry or restraining or monopolizing US trade and commerce - usually a patent infringement (product-specific).</td>
<td>ITC (order); President (veto authority).</td>
<td>Exclusion from entry into US, or a cease-and-desist order.</td>
</tr>
</tbody>
</table>
### Section 22

**Agricultural Adjustment Act of 1933, as amended**

<table>
<thead>
<tr>
<th>Common name</th>
<th>Basis for action</th>
<th>Administering authority</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports of an article are materially interfering or likely to interfere with a programme of the US Department of Agriculture.</td>
<td>US Department of Agriculture (recommendation); ITC (recommendation); President (final action).</td>
<td>Import fees of up to 50 per cent ad valorem or quantitative restriction reducing allowable imports of the article to a level not less than 50 per cent of the quantity imported during a representative period.</td>
<td></td>
</tr>
</tbody>
</table>

### Section 332

**Tariff Act of 1930**

<table>
<thead>
<tr>
<th>Common name</th>
<th>Basis for action</th>
<th>Administering authority</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigate US foreign trade and its effect on industries and labour or to provide assistance to the US Congress and the President or United States Trade Representative (USTR) upon request.</td>
<td>President, House Ways and Means Committee, Senate Finance Committee, either branch of the US Congress or the Commission.</td>
<td>“All appropriate and feasible action” including retaliation in the form of suspension or withdrawal of trade agreement benefits, imposition of tariffs, fees or other import restrictions.</td>
<td></td>
</tr>
</tbody>
</table>

### Section 301

**Trade Act**

<table>
<thead>
<tr>
<th>Common name</th>
<th>Basis for action</th>
<th>Administering authority</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violation of US rights under a trade agreement, or any foreign act, policy or practice which is unjustifiable, unreasonable, or discriminatory and burdens or restricts US commerce.</td>
<td>USTR (recommendation); President (final action).</td>
<td>“All appropriate and feasible action” including retaliation in the form of suspension or withdrawal of trade agreement benefits, imposition of tariffs, fees or other import restrictions.</td>
<td></td>
</tr>
</tbody>
</table>

### Section 232

**Trade Expansion Act of 1962**

<table>
<thead>
<tr>
<th>Common name</th>
<th>Basis for action</th>
<th>Administering authority</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports which threaten the national security (product-specific from all sources).</td>
<td>Commerce (recommendation); President (final action).</td>
<td>Such action as the President deems necessary to safeguard the national security.</td>
<td></td>
</tr>
</tbody>
</table>

### Section 2

**Trade Act of 1974**

<table>
<thead>
<tr>
<th>Common name</th>
<th>Basis for action</th>
<th>Administering authority</th>
<th>Remedy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases in imports that have contributed importantly both to (a) the total or partial separation of a significant number or proportion of workers from their firm and to (b) a decrease in production or sales of the firm.</td>
<td>US Department of Labor (investigation, determination, and provision of benefits).</td>
<td>Assistance in the form of trade adjustment allowances, training, and other employment services, and job search allowances.</td>
<td></td>
</tr>
</tbody>
</table>

(B) **Summary description of the process of trade policy formulation, as well as responsibilities and institutional functioning of bodies primarily involved in this process**

**Administration of the Steel Import Programme**

**Existing authority:** The Tariff and Trade Act of 1984 authorized the President to take such actions as may be necessary and appropriate to enforce quantitative limits, restrictions, and other terms agreed to in the steel VRAs. It also specifically authorized enforcement of export licences as a condition of entry.
The authority was made conditional on an affirmative annual determination by the President that major steel companies, taken as a whole, had reinvested substantially all of their net cash flow from steel product operations back into modernization and research and development of steel operation, taken sufficient action to maintain international competitiveness (quality, cost of production, employment costs, productivity), and committed annually 1 per cent on net cash flow to worker retraining (unless waived by the President). The Steel Trade Liberalization Program Implementation Act of 1989 extended this enforcement authority until 31 March 1992.

Responsibilities and institutional functioning of bodies involved with the administration of trade policies

The US Department of Agriculture

The US Department of Agriculture (USDA) has responsibility for ensuring that US trade policy decisions take full account of agricultural interests. It also has statutory responsibility for day-to-day operations with respect to export market development programmes and international trade policy issues for agricultural products. Key among the laws which USDA has direct responsibility for are: Section 22 of the Agricultural Adjustment Act of 1933, as amended; the Food, Agriculture, Conservation, and Trade Act of 1990, as amended by the Budget Reconciliation Act of 1990; the Meat Import Act of 1979; PL-480; the CCC Charter Act; and the operation of a technical office on standards-related activities with respect to agriculture.

The US Department of Commerce

A principal responsibility of the US Department of Commerce is to foster, promote, and develop the foreign and domestic commerce of the United States. The administration of programmes regulating and promoting international trade is the immediate responsibility of the Under Secretaries for International Trade and for Export Administration.

International Trade Administration: The International Trade Administration was established to foster the global competitive position of US business. ITA seeks to (1) create an international trade environment which will allow US industry maximum access to international markets for its goods and services, (2) increase the level of American business involvement in the international market-place, by encouraging and enabling US companies to take full advantage of export and investment opportunities, and (3) to provide effective enforcement of US trade laws against unfairly traded imports.

US and Foreign Commercial Service: The US and Foreign Commercial Service operates a global network of marketing assistance and information to aid exporting companies in the United States. The US and Foreign Commercial Service counsels US firms on exporting opportunities, develops product specific overseas market research, provides services to identify and qualify overseas opportunities for US companies, develops data on
foreign markets, supplies information on US goods and services to prospective foreign buyers, and represents US firms interests with foreign governments as appropriate. It also works closely with State/local and private sector organizations in outreach efforts, "certified" trade fairs, State or industry-sponsored trade missions, and other export expansion activities.

(C) **Bilateral, multilateral, regional and preferential trading arrangements**

**Arrangement regarding International Trade in Textiles**

During 1990, the United States had bilateral textile agreements with thirty-nine countries and two US insular possessions, as shown in Table 2. Not all of these agreements were concluded with signatories to the MFA. The United States negotiates agreements with non-MFA signatories under the authority of section 204 of the Agricultural Act of 1956. The United States has established 147 categories for purposes of setting restraint levels on US textile imports. These categories comprise groupings of numbers in the US tariff schedule covering textile yarns, fabrics, apparel, and made-up articles and miscellaneous textiles. The number of categories under restraint varies widely from country to country; some large suppliers may have as many as 141 categories subject to restraint, while new suppliers may have limits on as few as one category. In addition to limits on specified categories, during 1990 twenty-one of the US agreements had group or aggregate limits providing broader limits on imports.

During 1990, 85 per cent of US textile and apparel imports by quantity were from MFA signatories. These imports totalled 10.3 billion SME, an increase of only 0.7 per cent over the volume of such imports in 1989. Of the countries with which the United States had bilateral agreements, the leading suppliers were China, Taiwan, Hong Kong and Korea. Together these four accounted for 40 per cent, or 4.9 billion SME, of textile and apparel imports, a decline of 3.2 per cent from 1989 levels. Imports from the EC, the major unrestrained source, amounted to 1.1 billion SME, or 9 per cent of the 1990 total, and recorded a decline of 6 per cent from 1989 levels.

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1 Measured in square metres equivalent (SME), the standard unit of measure used in the administration of the Textile Trade Agreements Programme. In this system, imports of non-fabric products are converted to a SME basis. For example, 1 kilogramme of cotton yarn equals 8.5 SME and one dozen men's and boys' woven shirts equals 20.1 SME.
<table>
<thead>
<tr>
<th>With specific restraints</th>
<th>Expiration date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>31/03/92</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>31/01/93</td>
</tr>
<tr>
<td>Brazil</td>
<td>31/03/92</td>
</tr>
<tr>
<td>China</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>31/05/92(MOU)</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>31/05/92</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>31/05/92</td>
</tr>
<tr>
<td>El Salvador</td>
<td>31/12/92</td>
</tr>
<tr>
<td>Fiji</td>
<td>31/12/92(MOU)</td>
</tr>
<tr>
<td>Egypt</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Guatemala</td>
<td>31/12/92</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>31/12/95</td>
</tr>
<tr>
<td>Hungary</td>
<td>31/12/91</td>
</tr>
<tr>
<td>India</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30/06/92</td>
</tr>
<tr>
<td>Jamaica</td>
<td>31/12/92</td>
</tr>
<tr>
<td>Japan</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Korea</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Macau</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Malaysia</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Mexico</td>
<td>31/12/92(MOU)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Peru</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Poland</td>
<td>31/12/92</td>
</tr>
<tr>
<td>Philippines</td>
<td>31/12/91</td>
</tr>
<tr>
<td>Singapore</td>
<td>31/12/95</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>30/06/92</td>
</tr>
<tr>
<td>Thailand</td>
<td>31/12/93</td>
</tr>
<tr>
<td>Turkey</td>
<td>31/12/93</td>
</tr>
<tr>
<td>Uruguay</td>
<td>30/06/92</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>31/12/92(MOU)</td>
</tr>
</tbody>
</table>
MFA Non-Signatories with which the United States has Bilateral Agreements

With specific restraints

<table>
<thead>
<tr>
<th>Country</th>
<th>Expiration date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guam</td>
<td>31/10/92</td>
</tr>
<tr>
<td>Haiti</td>
<td>31/12/93</td>
</tr>
<tr>
<td>Mauritius</td>
<td>30/09/92</td>
</tr>
<tr>
<td>Nepal</td>
<td>31/12/93</td>
</tr>
<tr>
<td>Nigeria</td>
<td>31/12/92(MOU)</td>
</tr>
<tr>
<td>Northern Mariana Islands</td>
<td>31/10/91</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>31/12/91(MOU)</td>
</tr>
<tr>
<td>Taiwan</td>
<td>31/12/95</td>
</tr>
<tr>
<td>USSR</td>
<td>31/12/92</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>31/12/93</td>
</tr>
</tbody>
</table>

Summary: Total 41 agreements: 14 expiring in 1991
18 expiring in 1992
6 expiring in 1993
3 expiring in 1995

Note: MOU - Memorandum of Understanding

Generalized System of Preferences (GSP)

In 1990, US$11 billion worth of imports entered the United States duty-free under the GSP programme. Ten beneficiaries supplied 80.4 per cent of all US imports that received duty-free treatment under the GSP Programme in 1990: Mexico, Malaysia, Thailand, Brazil, Philippines, Israel, India, Argentina, Yugoslavia, and Macau. Since 1989, Hungary, Poland, Czechoslovakia and Namibia have been named GSP beneficiaries. In 1991, Panama, Bahrain, Chile, Paraguay, and the Central African Republic were reinstated as GSP beneficiaries, having previously lost that status. In addition, Liberia and the Sudan have been suspended for failing to provide internationally accepted worker rights. Kiribati, Mauritania, Mozambique, Tuvalu, and Vanuatu were designed as least-developed countries for the purposes of GSP, joining thirty-one already on this list, and are now eligible to waive competitive need criteria. As the result of the 1990 Annual Review, concluded in July 1991, and of the Special GSP Review for Bolivia, Colombia, Ecuador and Peru concluded on 23 July 1990, 157 products were added to the eligible list and nine were removed, and an additional sixty-eight products were removed for graduation and competitive need reasons.

Countries are graduated from the GSP Programme when their per-capita GNP exceeds a certain level (US$10,463 for 1990). "Competitive need" limits provide a ceiling on GSP benefits for each product and country. A country will automatically lose its GSP eligibility with respect to a product (i.e. an eight-digit tariff category) if these limits are exceeded.
and a waiver is not granted. For 1990, the general percentage and dollar limits were 50 per cent and US$93,604,020, respectively. Countries that were found during the 1986 general review to be "sufficiently competitive" in certain products are subject to lower competitive-need limits of 25 per cent and US$36,546,313 for those products.

Recent changes to GSP Law: "The Support for East European Democracy (SEED) Act of 1989", signed on 28 November 1989, removed Poland from the list of countries which may not be designated as GSP beneficiaries.

The Customs and Trade Act of 1990, signed on 20 August 1990, removed Czechoslovakia and Germany (East) from the list of countries which may not be designated as GSP beneficiaries. A review to consider Czechoslovakia’s eligibility was initiated on 4 December 1990 and was concluded in early 1991. East Germany is no longer eligible for consideration as a beneficiary since its unification in a single Germany on 3 October 1990. A review to consider the eligibility of Bulgaria was initiated in August 1991, and a review to consider the eligibility of Estonia, Latvia and Lithuania was initiated in September 1991.

The 1990 Act also amended the Trade Act of 1974 to include the requirement that an imported article must be produced by a GSP beneficiary country in order to receive GSP duty-free treatment. Section 226 of Title II, Sub-title B of the Act amended the GSP Law by imposing a statutory requirement for "substantial transformation" to conform with a similar statutory requirement contained in the Caribbean Basin Economic Recovery Act (CBERA). The GSP law already required that 35 per cent of the appraised value of a GSP-eligible article consists of the value of materials produced in the beneficiary country plus the direct cost of processing in such country. The same 35 per cent standard applies to the products of certain associations of eligible beneficiary countries, such as customs unions or free-trade areas. The new amendment provided that imported materials may be included in the 35 per cent provided they are transformed in the beneficiary country into a new and different article of commerce.
## TABLE 3

US Imports for Consumption Under the GSP for Leading Beneficiaries

<table>
<thead>
<tr>
<th>Rank beneficiary</th>
<th>GSP-eligible imports</th>
<th>GSP duty-free imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total imports</td>
<td>GSP eligible</td>
</tr>
<tr>
<td>(Million dollars)</td>
<td>Per cent</td>
<td>Million dollars</td>
</tr>
<tr>
<td>------------------</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>1. Mexico</td>
<td>30,172</td>
<td>12,465</td>
</tr>
<tr>
<td>2. Malaysia</td>
<td>5,272</td>
<td>1,923</td>
</tr>
<tr>
<td>3. Thailand</td>
<td>5,294</td>
<td>2,012</td>
</tr>
<tr>
<td>4. Brazil</td>
<td>7,976</td>
<td>2,700</td>
</tr>
<tr>
<td>5. Philippines</td>
<td>3,383</td>
<td>1,007</td>
</tr>
<tr>
<td>6. Israel</td>
<td>3,313</td>
<td>1,282</td>
</tr>
<tr>
<td>7. India</td>
<td>3,191</td>
<td>486</td>
</tr>
<tr>
<td>8. Argentina</td>
<td>1,509</td>
<td>484</td>
</tr>
<tr>
<td>9. Yugoslavia</td>
<td>773</td>
<td>383</td>
</tr>
<tr>
<td>10. Macau</td>
<td>736</td>
<td>297</td>
</tr>
<tr>
<td>Top ten total</td>
<td>61,619</td>
<td>23,039</td>
</tr>
<tr>
<td>Total</td>
<td>27,196</td>
<td></td>
</tr>
</tbody>
</table>

Caribbean Basin Economic Recovery Act (CBERA)

The Caribbean Basin Initiative (CBI) is the most generous tariff preferences programme currently provided by the United States. CBI provides duty-free treatment to all products except those specifically excluded by law. Those excluded are most textiles and apparel, canned tuna, petroleum and petroleum products, most footwear, most leather goods and certain watches. CBI also provides additional non-tariff benefits, such as technical assistance, tax incentives for US companies and trade and investment promotion programmes.

CBI countries face few barriers entering the US market; 50 per cent of all imports from CBI beneficiaries enter duty free under CBI or m.f.n. rates; other goods were subject to average duties of 7.7 per cent in 1990. Imports of products eligible for CBI have increased by 250 per cent, growing from US$582 million in 1983 to US$1.5 billion in 1990. Increases
have been greatest in non-traditional products, both CBI and non-CBI eligible, with growth from US$1.9 billion in 1983 to US$4.4 billion in 1990. Due to decreases in our imports of petroleum products from three CBI countries, total US imports from CBI beneficiaries fell from US$8.8 billion in 1983 to US$6.1 billion in 1988. This overall trend has since been reversed; total imports increased by 24 per cent since 1988, to US$7.5 billion in 1990. Export growth in the region has been uneven.

Some countries have shown great progress in diversifying their economies and assisting private business take advantage of the CBI programme. For example, Jamaica's non-traditional exports have grown by 61 per cent since the CBI began; Costa Rica's by 360 per cent; the Dominican Republic's by 322 per cent.

United States exports to the region have grown from US$5.9 billion in 1983 to almost US$9.5 billion in 1988. In 1984 the US ran a trade deficit with the region of US$2.4 billion; in 1990 that had changed to a surplus of nearly US$2.0 billion. The investment components of the CBI have also been effective. A 1990 Department of Commerce study determined that since the inception of the CBI, 789 new investments in CBI countries have been undertaken, totalling an estimated US$2.2 billion and creating more than 142,000 new jobs.

**The Steel Import Programme**

**Current status:** The centre-piece of the President's programme remains the negotiation of an international consensus on the elimination of unfair trade practices in the steel sector. The United States concluded a series of bilateral consensus agreements to impose discipline over subsidies and improve market access. The current negotiations seek to incorporate these goals into a multilateral consensus agreement.

In 1989, steel VRAs were extended for two-and-a-half years through March 1992, with an overall negotiated restraint level of 19.4 per cent of United States apparent consumption in the first half of the agreements and 20.4 per cent in the second half. Overall quota levels for the extended VRAs were liberalized with the increase allocated to countries that made firm commitments to eliminate trade distorting practices. No new countries have been added to those already covered by VRAs.

Product coverage of the VRAs is comprehensive, including specialty steel products and semi-finished steel. Inclusion of specialty steel in these VRAs represented liberalization of trade in this sector, since quantitative restrictions on specialty steel exports from non-VRA countries (e.g. Sweden and Canada) were ended on 30 September 1989. With regard to semi-finished steel, export ceilings were liberalized to more adequately address the needs of steel consumers. Tolling is allowed provided that a double substantial transformation is performed in the United States, and both the imported and exported product are covered VRA products. This tonnage does not count against agreed ceilings. Short supply regulations have been developed to assure a transparent and fair process.
Operation of the Automotive Products Trade Agreement

Status report: Two-way trade under the agreement grew to US$53.4 billion in 1990, up from US$51.5 billion in 1988. Under the Auto Pact, the United States charges no duty on imports of new or used vehicles and original-equipment parts if they are of Canadian origin as defined in the US-Canada Free Trade Agreement (FTA).

Canada established a record surplus in automotive trade with the United States in 1990. United States exports to Canada declined by 9.3 per cent, while imports from Canada remained stable. This translates to a record US deficit of US$7.4 billion in automotive trade with Canada since the implementation of the Pact in 1965.

Despite the FTA, the Auto Pact remains as a distinct agreement because Canada does not implement the Pact as a bilateral agreement. Under the Auto Pact, Canada will continue to offer duty-free entry to qualified automotive products irrespective of the country of origin to certain importing automotive manufacturers, as long as they meet the specified performance requirements. Under the FTA, Canada will also phase out duties on US automotive products not already duty free under the Auto Pact that meets the FTA rule of origin. The United States uses the FTA rule of origin to implement the Auto Pact. Once bilateral duties are eliminated under the FTA, the benefits provided under the Auto Pact for automotive imports in the United States will be indistinguishable from those under the FTA.

TABLE 4

US-Canadian Automotive Trade, 1964-1990

(In million US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>US imports</th>
<th>Canadian imports (1)</th>
<th>Canadian imports less US imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>16,940</td>
<td>14,110</td>
<td>-2,831</td>
</tr>
<tr>
<td>1984</td>
<td>23,047</td>
<td>18,462</td>
<td>-4,585</td>
</tr>
<tr>
<td>1988</td>
<td>29,229</td>
<td>26,411</td>
<td>2,818</td>
</tr>
<tr>
<td>1989</td>
<td>30,268</td>
<td>25,322</td>
<td>-4,946</td>
</tr>
<tr>
<td>1990</td>
<td>30,389</td>
<td>22,973</td>
<td>-7,416</td>
</tr>
</tbody>
</table>
Rules of origin: The FTA rule of origin is based on change in Harmonized System tariff classification. It specifies in terms of tariff classification the changes that third-country imports must undergo to qualify for FTA tariff treatment. For vehicles and specified assembled parts, the rule includes a requirement that 50 per cent of direct processing costs (i.e. direct costs of manufacturing and the cost of materials) be attributable to US and Canadian manufacturing operations.

The issue of an increase in the rule of origin from the current 50 per cent to 60 per cent has been discussed at several meetings of the US-Canada Trade Commission since implementation of the FTA. In August 1990, the Automotive Select Panel (mandated in the FTA) recommended to the US and Canadian Governments that the rule of origin be raised to 60 per cent. The Canadian Government remains unwilling to make this change.

Duty remission: Concerning duty remission for foreign-owned automakers located in Canada that is conferred in proportion to the amount of Canadian-built parts that are purchased for their production operations in Canada, such programmes are now in effect only with Honda, Toyota, and Hyundai. These programmes are set to expire no later than 1 January 1996 under the FTA with Canada.

United States-Israel Free Trade Area Agreement

The US-Israel Free Trade Area Agreement, the first free trade agreement (FTA) entered into by the United States, became effective on 1 September 1985, with the first of a series of tariff reductions and eliminations. Over a ten-year period, the agreement will eliminate tariffs on all trade between the two countries. Israel enjoyed duty-free treatment on a most-favoured-nation (m.f.n.) basis or under the US Generalized System of Preferences (GSP) on 90 per cent of its products before 1985. The FTA assures Israel's producers continued duty-free access to the US market. The FTA covers all products traded between the two countries, as well as intellectual property rights and trade-related investment requirements. The FTA also contains a non-binding declaration on trade in services.

Imports are divided into four categories for the purpose of phasing out customs duties. Each category follows a different staging pattern based on the sensitivity of domestic products to imports. Tariffs on the first two categories were eliminated on 1 September 1985 and 1 January 1989, respectively. Duties on the third category (mostly textile products on both countries' lists) are being phased out with complete elimination on 1 January 1995. Duties on the fourth category were frozen at the m.f.n. rate at least until 1990. The duties that apply after 1990 are to be determined after consultations between the two governments and will, nevertheless, be eliminated on 1 January 1995. The two governments have not reached agreement on phasing out the tariffs before 1995.

Since the implementation of the FTA in 1985, bilateral trade has roughly doubled from approximately US$3.8 billion to approximately US$6.2 billion in 1990. The United States is regaining market share in
Israel, rising to over 18 per cent last year from less than 15 per cent in 1985. Of the US$3.3 billion of US imports from Israel in 1990, just US$111 million was dutiable. US$852 million entered duty-free under provisions of the FTA. The remaining imports entered duty-free under other trade provisions, e.g. US$493 million under GSP provisions, and US$1,593 million m.f.n. duty free. For the US, roughly 50 per cent of HTS items had duties immediately eliminated, and roughly 50 per cent are being gradually eliminated through 1995. Thus for most of these products duties are currently very low. The US has maintained the original tariff level on forty-eight HTS items for which duties will drop to zero in 1995. Israel has a much smaller number of HTS items where duties are eliminated on a sliding scale, perhaps 10 per cent. Israel lists 274 items for which duties remain unchanged until they drop to zero in 1995.

Concerning non-tariff barriers (NTBs), there has been some progress. Substantial progress has been made in eliminating many Israeli non-agricultural NTBs in the areas of licensing, national treatment of imports in assessing purchase tax (an excise tax), and in applying similar standards to both domestic and imported goods. There has been less progress in removing NTBs to US agriculture and food exports, or in liberalizing Israeli Government procurement practices. Despite the NTBs, US agricultural exports to Israel have grown from US$270 million in 1985 to US$311 million in 1990. Reducing agricultural NTBs is a high priority for the US. At the July 1991 meeting between the Free Trade Agreement Joint Committee which monitors the agreement, both sides agreed to work to strengthen the FTA guidelines covering agricultural trade, and their consultations are planned for the fall to discuss agricultural trade and to explore potential improvements in the agreement in this sector.

Enterprise for the Americas

On 27 June 1990, the President announced the Enterprise for the Americas Initiative (EAI), laying out a comprehensive new policy for the hemisphere with trade, investment, debt and environmental elements. The fundamental objective of this economic initiative has been faster growth for all the participating countries, including the United States. The EAI was prompted by the desire to establish a more reciprocal approach to US economic relations with the other countries of the western hemisphere.

In describing the trade component of the initiative, the President set out the long-term goal of a hemispheric free trade zone, with "framework agreements on trade and investment" serving to begin the liberalization process. The first step in this process will be the negotiation of a free trade agreement with Mexico (as notified to Congress on 25 September 1990). Most other countries of Latin America and the Caribbean have started down this road by concluding framework agreements with the United States. With country-by-country variations, these agreements set out some basic principles of trade relations, create a bilateral consultative mechanism and establish an immediate action agenda for trade liberalization.
The consultative mechanisms provided for in these agreements have already met at least once for most countries. Initially, their discussions have focused on addressing specific trade issues between the countries and exchanging information, such as import barriers and trade restrictive policies. Only after a process of careful preparation, identification and, if possible, resolution of specific trade problems will it be possible to determine which country groupings or countries are prepared to take the next step toward negotiation of a free trade agreement. Given the complexity of the issues involved, we expect this to be a long-term process.

In the interim, the early meetings under the framework agreements will be used to outline the US vision of an eventual system of free trade in the hemisphere. At a minimum, inclusion in this agreement would require a stable macroeconomic environment and established market-oriented trade and economic policies. We also believe that the FTA partners should be full participants in the multilateral trading system, and signatories to the relevant GATT Codes.

The EAI is fully consistent with US support for multilateralism. The objective is to encourage economic and trade liberalization within the western hemisphere. All agreements under the EAI must be consistent with Article XXIV of the GATT, and the US will not support common external tariffs or other measures that are inconsistent with multilateralism. All our EAI-related discussions have stressed the importance of the Uruguay Round and have emphasized the importance of taking an active role in the Round.

The FTAs eventually negotiated under this initiative should be broad in scope and consistent with obligations under the GATT. In particular, they should:

- be comprehensive, covering "substantially all trade", and eliminating tariffs, non-tariff barriers and other trade-distorting measures affecting the trade between participants;
- cover investment, services and intellectual property;
- provide for dispute settlement;
- be consistent with the terms of GATT Article XXIV, be notified to the GATT and not result in an increase in trade barriers towards non-member countries; and,
- be a two-way exchange among equals in its balance of rights and obligations.

Discussions in the consultative mechanisms set up under the framework agreements designed to liberalize bilateral trade should be mutually reinforcing, and designed from the outset to constitute steps along a path to a hemispheric free trade zone. These discussions will be accompanied by close consultations with the private sector through the Private Sector Advisory Committees. The actual establishment of free trade agreements with all the countries covered by the EAI is a long-term process that will extend well into the next decade.
North American Free Trade Agreement (NAFTA)

On 11 June 1990, President Bush and President Salinas endorsed the goal of a comprehensive FTA between the United States and Mexico. They directed their trade ministers to undertake the domestic consultations and preparatory work needed to begin negotiations. On 21 August 1990, President Salinas formally proposed that the two countries take the steps necessary to begin FTA negotiations, and on 25 September, President Bush notified Congress of his intent to negotiate an FTA with Mexico. After further consultations including Canada, the three governments decided to proceed with trilateral negotiations, i.e. to negotiate a three-way free trade agreement among the United States, Canada and Mexico. President Bush notified Congress of this decision on 5 February 1991. In May 1991, the US Congress extended the President's authority to negotiate such an agreement.

Negotiations were formally initiated on 12 June 1991. The first phase of the negotiations will concentrate on developing information, conducting domestic consultations and seeking advice from those concerned on the nature and scope of the negotiations, and on identifying the key issues for negotiation. The latter phase, which has only now begun in earnest, will be the negotiations themselves, which will be conducted in eighteen negotiating groups falling under six broad categories whose scope fulfils the mandate of the three Presidents for a comprehensive agreement. These groups include market access (tariff and non-tariff barriers, rules of origin and government procurement), trade rules (e.g. standards and safeguards), services, investment, intellectual property rights, textiles and apparel and dispute settlement. No deadline has been set for conclusion of the agreement.

(IV) The Implementation of Trade Policies

(A) US trade policy measures

Tariff quotas

The United States currently imposes tariff rate quotas on brooms of broom corn, certain tunas and skipjack, certain green olives, certain milk and cream, and sugar (changed from quota by Presidential Proclamation No. 6179, 13 September 1990, effective 1 October 1990). United States imports of brooms of broom corn, valued not over 96 cents each, in any calendar year prior to entry, or withdrawal from warehouse for consumption, of 121,478 dozen brooms classified under HTS Sub-headings 9603.10.40 to 9603.10.60, inclusive, are dutiable at a rate of 8 per cent ad valorem. United States imports of these products over the afore-mentioned total are dutiable at 32 cents each.

Imports of certain sugars, syrups and molasses classified in HTS Heading 1701 and Sub-headings 1702.90, 1806.10 and 2106.90 are subject to a tariff quota. This tariff quota became effective on 1 October 1990, in compliance with Presidential Proclamation No. 6179, of 13 September 1990.
The level of the quota is established annually by the Secretary of Agriculture in accordance with the rules established by that proclamation and incorporated in Additional US Note 3 to Chapter 17 of the HTS. Within the quota these sugars may be imported at the rate of US$0.014606/kg. less US$0.00020668/kg. for each degree under 100 degrees (polarimetric reading), but not less than US$0.00943854/kg. For quantities imported in excess of the quota the applicable tariff rate is US$0.37386/kg. less US$0.00529/kg. for each degree under 100 degrees (polarimetric reading), but not less than US$0.24161/kg.

QRs, including VRAs and OMAs affecting imports

Agriculture: As indicated in Appendices F and G of the 1989 report, the United States maintains a number of quantitative restrictions with respect to agriculture. In 1955, the United States received a waiver from obligations under Articles II and XI of the GATT to the extent necessary to prevent their conflict with actions the US Government is required to take under Section 22 of the Agricultural Adjustment Act, as amended. In recent years, import restrictions in place under the authority of Section 22 included those for several dairy products, peanuts, cotton of specified staple lengths, cotton waste (except cotton comber waste), refined sugar, and certain sugar-containing products. The quotas set on sugar imports under the Sugar Headnote Authority (additional Note 2 to Chapter 17 of the HTS) have been converted to tariff rate quotas as of 1 October 1990, in compliance with Presidential Proclamation No. 6179 of 13 September 1990.

On the basis of US International Trade Commission Investigation No. 22-51 concerning the Section 22 import quota restriction on cotton comber waste, the President issued Proclamation 6228 on 13 November 1990, which suspended indefinitely the import quota on cotton comber waste. Cotton comber waste is used mainly in the production of high-quality bond paper, currency paper, yarn, and certain medical supplies.

The Meat Import Law, amended by the Meat Import Act of 1979 provides for the imposition of import controls on certain fresh, chilled, and frozen beef; veal, mutton, and goatmeat products, if imports are expected to exceed 110 per cent of a formula quantity. Import controls under these laws have only been implemented once. The trigger level, derived from the quota level, has been set at 1,318.5 million pounds for 1991.

On 3 October 1989, the USDA began implementation of the first step in a three-step competitiveness procedure for upland cotton. Step 1 was codified in the 1990 Act, as were Steps 2 and 3 which began implementation on 1 August 1991. The legislation provides for: Step 1: a discretionary adjustment to the "adjusted world market price" (AWP) used in calculating marketing loan repayment rates for upland cotton; Step 2: a "user certificate programme", which compensates domestic users and exporters for the price gap between the five-day average of the lowest US Middling (M) 1.3/32 inch upland cotton quote, c.i.f. northern Europe (US Northern European quote) and the five-day average of the lowest world quotes of M 1.3/32 inch upland cotton, c.i.f. Northern Europe (World Northern European quote), and triggers when the US Northern European quote for
Upland cotton is at least 1.25 cents per pound above the World Northern European quote for four consecutive weeks; and Step 3: a "special import quota" in addition to the quota established under Section 22 of the Agricultural Adjustment Act of 1933, as amended. The "special import quota" is triggered when the US Northern European quote exceeds the World Northern European quote by more than 1.25 cents per pound, adjusted for the previous weeks Step 2 certificate rate, for ten consecutive weeks.

**Textiles:** Total US imports of textile and apparel products covered by the Multifibre Arrangement from all sources is estimated at US$28 billion or 12 billion square meters equivalent annually. Over 75 per cent of this trade is covered by bilateral agreements on textile trade.

**VRAs:** Machine tools - Export ceilings under the machine tool Voluntary Restraint Agreements (VRAs) negotiated with Japan and Taiwan in 1986 were not reduced as a result of consultations in 1990. Export limits remain at the levels negotiated in 1986. Taiwan's export ceilings reflect adjustments for over-shipments in prior years. There have been no requests made of other countries to limit exports of machine tools to the United States. No machine tool suppliers other than Japan and Taiwan have agreed to reduce their machine tool exports to the United States. We have no evidence to suggest that any other suppliers have taken measures to restrain these exports to the United States. The VRAs with respect to Japan and Taiwan are scheduled to expire at the end of 1991.

**Automobiles:** Japan's announced intent to limit exports of automobiles to the US market does not occur as the result of any US action or request. There are neither formal nor informal agreements or arrangements in this regard. There has been no arrangement or any other agreement concerning auto exports from Japan in place since the VRA expired in 1985. The US is on record as opposing the continuation of the Japanese restraint on autos. The Japanese Government makes no report to the US Government on the existence or level of any restraint nor on the types of vehicles that might be covered nor on whether the entire customs area of the United States is covered.

**OMAs:** Tungsten - The orderly marketing agreement (OMA) with the People's Republic of China (PRC) expired 30 September 1991. The United States has decided not to undertake any action against PRC imports at this time.

**Other non-tariff measures**

**Licensing**

**Department of Agriculture:** Sugar - To comply with Presidential Proclamation No. 6179, of 13 September 1990, establishing the tariff rate quota for raw and refined sugar, regulations were issued for a mandatory "Certificate of Quota Eligibility" system for imported sugar from quota countries. The certificate (issued to the shipper or consignee) must be presented to US Customs in order for the sugar to enter into the United States under the low duty of the tariff rate quota.
Specialty sugar certificates are issued for imports of sugars used for specialized purposes which are the products of countries with no base sugar quota allocation under the tariff rate quota. Sugar can be exempt from the tariff rate quota and imported under licences if such sugar is refined and re-exported, used in the manufacture and re-export of a sugar-containing product, or used in the manufacture of polyhydric alcohol for domestic non-food use.

Department of the Treasury: foreign asset control: The Office of Foreign Assets Control (FAC) of the Department of the Treasury administers economic sanctions and trade embargoes against foreign countries to deal with threats to the US foreign policy, economy, and national security, and to co-ordinate US policy with mandatory sanctions adopted by the United Nations Security Council. FAC acts under delegations of the President's wartime and national emergency powers, as well as under authority granted to the President by specific legislation, to impose controls on transactions with foreign countries. Currently, FAC administers assets freezes and comprehensive trade embargoes against Cuba, North Korea, Vietnam, Cambodia, Iraq, and certain residual asset blockings involving Iran, Panama, and the Baltic Republics, as well as restrictions on imports of Soviet gold coins. FAC regulations restrict offshore exports of strategic materials to certain present and former communist bloc nations, when US persons or their foreign branches or subsidiaries are involved. Transactions subject to FAC sanctions programmes are prohibited without FAC authorization.

Department of the Treasury: Bureau of Alcohol, Tobacco, and Firearms - Firearms and ammunition: Under the Gun Control Act of 1968, the US maintains a system of licenses controlling the manufacturing, importing, and dealing in firearms and ammunition. Generally, the purpose of this licensing system is to prevent the illegal possession and criminal use of firearms. Federal excise taxes are collected on these articles imported or manufactured for sale or business use.

Rules of origin

US-Canada Free Trade Agreement

Origin test:

(3) Direct importation

No tariff classification change occurs because goods and parts fall within the same tariff provisions or goods in an unassembled or disassembled form were classified as though they were the assembled article. In such cases the value of the originating materials plus the direct cost of assembly in either or both parties must be no less than 50 per cent of the products' total cost.
Government procurement

Trade policy measures and amounts

Amounts: United States Government procurement totals approximately US$200 billion. Procurement covered by the Government Procurement Code comprises approximately 10 per cent of US Government procurement, with the remainder of the goods contracts subject to the Buy America Act of 1933. The Buy America Act of 1933 does not apply to services contracts.

Technical barriers

Domestic implementation of the TBT Agreement (Standards Code): Seventy-three proposed US regulations subject to the Code were reported from 1 January 1989-31 July 1991 (as compared to forty-three proposed US regulations during 1986-1988). The average length of the comment period (number of calendar days between the date the notification was issued by the GATT secretariat and the closing date for comments) for US regulations was forty-seven days in 1989 and forty-nine days in 1990 (the average length of comment period has not yet been calculated for 1991).

Publications serve as an important mechanism for the US Government to present its activities under the Standards Code. In addition to the TBT News, which is published intermittently, the US also annually publishes GATT Standards Code Activities of the National Institute of Standards and Technology. These publications are available at the US inquiry point.

Operation of the Agreement: The United States routinely uses the TBT Agreement as a basis for bilateral trade-related standards discussions with other signatories. During the period under review, no formal complaint was brought against the United States.

Marketing orders: Marketing orders are established for domestic produce by the Secretary of Agriculture in response to a demonstrated market problem, e.g. the presence on the market of a significant amount of poor quality fruit, which weakens consumer demand. Typically, the Secretary could establish an order authorizing minimum grade, quality, and maturity regulations. These regulations are intended to increase consumer confidence and strengthen the market situation. Marketing orders are not a form of import relief or of import protection, but rather are a form of domestic market regulation.

Section 8e of the Agricultural Marketing Agreement Act of 1937 (AMAA) requires that the same or comparable requirements be applied to imports of any of twenty-three specified commodities produced in the United States whenever grade, size, quality, or maturity requirements are in effect for domestic output of these products under a Federal marketing order. Of the twenty-three commodities listed in the legislation, fifteen are currently under domestic marketing order regulations, and therefore imports of these products are subject to marketing orders under Section 8e import regulations.
In 1990, a bill was introduced to Congress (HR 4291) to extend Section 8e provisions to imports of kiwifruit, nectarines, and plums. While domestic output of these products was subject to marketing orders, they were not included among the commodities covered by Section 8e. The essence of this bill became Title XIII of the Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624). To implement P.L. 101-624, the Secretary of Agriculture has issued regulations which subject imported kiwifruit shipped from the port of origin after 16 March 1991, to the same minimum grade, size, quality and maturity requirements as California kiwifruit regulated under the Federal marketing order. Regulations to implement Section 8e for imported plums and nectarines are currently being developed. Subsequently, the legislation was amended to include pistachios and apples in the list of possible imports subject to marketing orders, but these products are not subject to Section 8e regulations at this time, since domestically-produced apples and pistachios are not currently subject to Federal marketing orders.

Concessionary export financing, export subsidies, and other Government assistance

Agricultural export credit guarantee programmes: The US Department of Agriculture's Commodity Credit Corporation (CCC) is authorized, under its charter act and related legislation, to develop and administer programmes to expand US agricultural export markets. This activity is supported by the GSM-102 and GSM-103 credit guarantee programmes. The Food, Agriculture, Conservation, and Trade Act of 1990 reauthorized these programmes for the 1991-1995 period. In addition, fish and fish products were made eligible and are now treated as agricultural products for the purpose of these programmes.

Generally, interest rate coverage under the GSM-102 Programme is at a fixed level of 4.5 percentage points of interest on covered principal of 98 per cent, with the commercial financing institutions exposed for the balance. Interest coverage under GSM-103 floats according to the average investment rate of up to 80 per cent of the most recent Treasury 52-week bill auction, as announced by the Department of Treasury. CCC determines the eligible interest at the time of the auction, or when the eligible interest is adjusted. Transactions under both programmes require an irrevocable letter of credit to be issued in favour of the exporter by a CCC-approved bank. United States exporters may assign the CCC payment guarantee to a United States bank or other United States financial institution which provides the financing.

The authorized ceiling on the shorter-term (one-three years) GSM-102 Guarantee Programme for FY 1991 is US$5.0 billion, with country allocations totalling US$4.6 billion. Actual sales registered in FY 1990 under the GSM-102 Programme amounted to US$4.0 billion. Comparable figures from FY 1990 were US$5.0 billion in country allocations and US$4.8 billion in actual sales. Historically, major country programmes were in place for Algeria, Egypt, Iraq, Korea, Mexico, and Pakistan. (The country programme for Iraq was suspended in compliance with Executive Order 12722 dated 2 August 1990). The primary commodities covered by the GSM-102 Programme include cotton, eggs, feed grains, oilseeds, protein meals, rice, vegetable
oils, wheat, and wheat flour. Many other commodities are covered by the programme, but make up a small share of the total financing extended. Among these products are breeding livestock, seeds for planting, dry edible beans and other pulses, hides and skins, wood products, tallow, yeast, and dairy products.

The FY 1991 (longer-term three-seven years) GSM-103 programme continues to operate under a US$500 million target ceiling. Total announced allocations for FY 1990 amounted to US$468.3 million, of which sales were registered for US$332.05 million. Comparable figures for FY 1989 were announced allocations of US$485.3 million and actual sales of US$425.53 million. Country allocations under the GSM-103 Programme involved Algeria, Argentina, Ecuador, El Salvador, Jordan, Morocco, Panama, Sri Lanka, Trinidad and Tobago, and Tunisia. Principal products covered by the programme were feed grains, rice, wheat and wheat flour, breeder livestock, vegetable oils and protein meals, and pulses.

Export restrictions

COCOM: The US imposes export controls for national security reasons in co-operation with other nations through the Co-ordinating Committee for Multilateral Export Controls, known as COCOM. (Note: COCOM member nations are Australia, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Greece, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Turkey, the United Kingdom, and the United States). These export controls are maintained to prevent the diversion of strategic products to proscribed destinations. The reduced strategic threat from the Soviet Union and the emergence of democratic governments in Eastern Europe enabled the US and its western partners to take steps to increase access by these countries to sophisticated Western technology. In June 1990, COCOM agreed to a significant reduction in export controls as well as the creation of a new "core list" of strategic items which became effective 1 September 1991. The new COCOM list reduces the scope of export controls by 50 per cent. This reduction is beyond the 33 per cent cut in the list agreed to by COCOM in June 1990.

Nuclear non-proliferation: Also in 1991, under the Enhanced Proliferation Control Initiative, the United States began efforts to strengthen export controls to prevent the proliferation of nuclear, chemical and biological weapons and the missiles capable of carrying them. On 13 March 1991, the United States Government published new export control regulations controlling the export of fifty chemicals as well as dual-use equipment and technical data that can be used to make chemical and biological weapons. In addition, on 15 August 1991, regulations were implemented requiring a validated licence when the exporter knows that the goods will be used for activities related to missiles or chemical and biological weapons in certain destinations.

Logs: United States logs are controlled under the terms of Section IV of the Customs and Trade Act of 1990, which contains export control
restrictions on lumber harvested from public lands (i.e. Federal and State) in the contiguous States west of the 100th meridian. The Export Administration Act imposes a prohibition on exports of unprocessed Western Red Cedar harvested from public lands. Determinations made in 1990 regarding endangerment of the Northern Spotted Owl made clear that new conservation measures would be required which would significantly reduce land available for the harvesting of public logs. It became equally clear that, in conjunction with those and other conservation measures, some additional restrictions, i.e. with respect to logs from Federal and State-held lands, would have to be placed on log exports. There are no controls on exports of unprocessed lumber harvested from private lands.

The Customs and Trade Act of 1990 seeks to mitigate any effects on trade in the following ways:

- The Act made permanent the annual prohibition on exports of timber harvested from Federal lands in the Western United States.

- The Act prohibits exports from State lands in the Continental United States, west of the 100th meridian. However, in the case of the State of Washington, which is the largest single exporter of logs harvested from State lands as much as 25 per cent of the annual harvest of logs from State lands continues to be available for export.

- As a result of the restrictions imposed by the Act, an estimated 500-600 million board feet of logs (mostly softwood logs) will no longer be available for export; this amounts to about 11-13 per cent of softwood log exports in 1989. However, foreign importers continue to have access to softwood logs harvested on private lands estimated at approximately 3 billion board feet in 1990.

- By comparison, the removal of land from harvest as a result of the Spotted Owl determination will likely result in a reduction in the log supply of the Pacific North-west of between 2.0 and 2.5 billion board feet, or about 15 per cent of the region's log supply.

- Foreign access to US log supplies will continue to be much freer than in most other markets.

(B) Programmes for trade liberalization

Andean Trade Preference Régime (ATPR)

In October 1990, and again in January 1991, the President forwarded legislation to Congress to create an Andean Trade Preference régime designed to help Colombia, Ecuador, Peru and Bolivia build their exports to the United States market as viable alternatives to drug trafficking. This legislation proposes to extend duty-free treatment to a wide range of exports from this region for a ten-year period. It is expected that this legislation will be enacted by the end of 1991.
Trade Enhancement Initiative (TEI)

On 12 July 1991, President Bush announced the Trade Enhancement Initiative for Central and Eastern Europe. An interagency team reviewed the needs of Poland, Hungary, Bulgaria and the Czech and Slovak Federal Republic (CSFR), and the existing trade impediments in the United States to their exports. Under this TEI, these countries will receive increased access to the United States market through a variety of market opening measures.

The TEI targets sectors for increased access to the Central Europeans that are relatively insulated in the United States, particularly textiles, apparel and steel. Steps are also being taken to assist these economies in exporting to the United States GSP seminars have been held to assist Central European officials with filing GSP petitions and increasing their usage of benefits. An expedited review of GSP petitions submitted by the Central Europeans has been granted, and the United States has agreed to review requests that had previously been denied.

Anti-bunching waivers on steel were granted for Poland, Hungary and the CSFR to allow these countries to shift their unused quota allotments to categories of products they could export. Steel quotas will be dropped entirely by 31 March 1992.

New bilateral textile agreements were concluded with Poland, Hungary and the CSFR which dropped quotas on several products and increased the quota allotments on remaining products covered by quotas.

Bilateral Agreement on Semiconductor Trade with Japan

The United States and Japan signed a government-to-government agreement on semiconductors, 11 June 1991 in Washington D.C. The new Arrangement entered into effect 1 August 1991, replacing the previous Arrangement, which expired 31 July. Under the anti-dumping provisions of the Arrangement, Japanese producers will collect their individual cost and price data for semi-conductors covered by the arrangement and provide it on an expedited basis to the USG if anti-dumping complaints are lodged. Separate procedures for obtaining information are provided for in the event of allegations of third country dumping. There will be no government involvement in the setting of semiconductor prices. Both governments also agree to encourage their industries to undertake a broad range of activities aimed at increasing sales opportunities for foreign suppliers and expanding the inter-industry initiatives begun over the past few years. In light of these efforts, the foreign share of the Japanese market is expected to increase to at least 20 per cent by the end of 1992. There is no market share guarantee.

Joint Announcement Concerning Exports of Amorphous Metal

The Joint Announcement of 21 September 1990 by the Government of Japan and the Government of the United States of America concerning exports of
amorphous metal to Japan provides, among other things, that Japanese
electric utilities will adopt principles for purchasing amorphous metal
transformers (AMTs) which provide that economic efficiency is the most
important element of decision-making consideration, and will evaluate AMTs
in terms of the total life cycle levelized annual cost method. The Joint
Announcement further provides that Japanese utilities will purchase from
Japanese transformer manufactures 32,000 AMTs over two years in order to
conduct field tests to determine the commercial adaptability of AMTs.
Furthermore, the Joint Announcement provides that Japanese steel producers
and utilities will honour the Japan Patent No. 1521363, until it expires.
It is the understanding of the Government of the United States of America
that the Government of Japan recognizes these steps by entities within its
private sector and will make efforts to encourage the implementation of
these steps by the relevant private parties.

B. BACKGROUND AGAINST WHICH THE ASSESSMENT OF TRADE POLICIES ARE CARRIED
OUT: WIDER ECONOMIC AND DEVELOPMENTAL NEEDS, EXTERNAL ENVIRONMENT

(I) The external economic environment

(A) Major trends in imports and exports

During 1982-87, US merchandise imports grew at an average annual rate
of 10.6 per cent, exports grew at a rate of 3.5 per cent, and the trade
deficit increased from US$36.4 billion to US$159.5 billion. After peaking
in 1987, the deficit declined during the next three years, falling to
US$108.1 billion in 1990 as export growth accelerated and import growth
slowed. In value terms, exports grew by 7.8 per cent in 1990 compared with
1989, whereas imports grew only 4.3 per cent. The corresponding rates in
volume terms were 8.7 per cent for exports and 3.5 per cent for imports.

The slowing of US export growth in the first half of the 1980s was
broad-based across most major countries and regions of the world while
imports of manufactured foods from Europe, Japan and the rest of Asia
increased rapidly. During the 1982-87 period the US merchandise trade
deficit grew, on average, by over a third each year. The growth in the
country's trade deficits with Western Europe (especially West Germany) and
Asia (particularly Japan and the four Asian NICs) was striking. Since 1987
the trade deficit with Europe has been eliminated and the deficits with
Japan and the Asian NICs have fallen by nearly one third. There has been
little progress in reducing the deficit in the trade with other areas, and
increases in the deficits with the OPEC countries and China have offset
some of the gains made elsewhere.

Most of the improvement in the trade deficit during 1990 occurred
during the first part of the year. During the second half of 1990, spurred
on by rapidly-increasing oil prices, the deficit rose, from US$21.9 billion
in the second quarter to US$33.0 billion in the third quarter and
US$30.7 billion in the fourth quarter. The merchandise trade deficit
decreased again in the first quarter of 1991 to US$14.8 billion, owing to a
sharp decline in the value of petroleum imports.
By broad product categories, the 1982-87 surge in imports was concentrated in finished manufactures - consumer goods, autos and capital goods. A sharp decline in the value of energy imports as oil prices fell helped keep imports of industrial supplies and materials virtually flat. In 1987-90 the growth of imports of manufactured goods, especially autos and consumer goods, slowed drastically while exports of capital goods and consumer goods boomed. In 1990 the global economic slowdown resulted in slower growth of all US export categories. Agricultural exports declined. Slow economic growth in the United States likewise resulted in very little import growth in all categories except energy (see tables on US Merchandise Trade, US Merchandise Trade with Major Partners: 1982-1990).

(II) Problems in external markets

As outlined in the annual publications National Trade Estimate Report, US trade opportunities and competitiveness are negatively affected by a wide range of measures implemented by other countries. The United States is committed to addressing these barriers in the context of the Uruguay Round, where possible, through the mechanisms available under the General Agreement, and where necessary bilaterally.