As one of the early results of the Uruguay Round, it was agreed in April this year that a trade policy review mechanism be established in the GATT. Its purpose is to enable a regular collective evaluation of the full range of trade policies of individual GATT members. The evaluation is conducted on the basis of two reports - one by the government of the country concerned and the other by the GATT Secretariat.

Attached are the summary sections of the reports on the trade policies of the United States of America prepared by the United States Government and the GATT Secretariat. They will be considered at a meeting of the Council on 14 December 1989.

These two reports, together with a record of the Council discussion, will be made available early in 1990 as a single publication, price 80 Swiss francs, from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland.
Objectives of trade policies

- U.S. trade policy seeks the reduction of trade distortions and barriers, at home and abroad, so that market forces are free to operate and trade expansion can occur. U.S. trade policy, in common with overall U.S. policy, is grounded in a belief in the rule of law and the efficacy of market-oriented economies.

- In order for trade policy to contribute to sustained, non-inflationary growth in the United States and abroad, it should ensure the free flow of goods and services across international borders; permit and encourage market-oriented adjustment to economic change; and restrain Government actions to gain commercial advantage by unfairly manipulating the conditions of competition.

- In general, U.S. policy seeks to eliminate unfair trading practices, protectionist measures and other trade-distorting policies, at home and abroad. When trade actions are required to facilitate the domestic adjustment of a U.S. industry to rapid economic change, these actions should be temporary and promote overall U.S. competitiveness.

- The first priority of U.S. trade policy is to conclude successfully the Uruguay Round of Multilateral Trade Negotiations by December 1990. Successful completion of the Uruguay Round should strengthen the multilateral system, improve the GATT as an institution, expand access to all countries' markets for goods and services, and extend GATT disciplines to new areas such as services, investment, and intellectual property rights.

Description of the import and export system

- The U.S. Customs Service, an agency under the U.S. Department of the Treasury, assesses and collects all duties, taxes, and fees on imported merchandise; enforces customs and related laws; and administers certain navigation laws and treaties. All goods imported into the United States are subject to duty or duty-free entry in accordance with their classification under the applicable items in the Harmonized Tariff Schedule of the United States.

- For reasons of national security, foreign policy, or short supply of certain domestic products, the United States controls the export of all goods and technology through two types of export licenses:
General Licenses and Validated Licenses. A General License is a broad grant of authority by the Government to all exporters for certain categories of products for which no application is required and no documentation is issued. A Validated License is a specific grant of authority from the Government to a particular exporter to export a particular product, service, or technology.

In certain cases, an export license application submitted to the U.S. Department of Commerce is reviewed by other U.S. Government agencies and other Governments (through COCOM) prior to final approval. Generally, referrals to other agencies are limited to certain commodities and technologies. The U.S. Department of Defense reviews license applications involving national security. The U.S. Department of State reviews applications if there are foreign policy concerns; the U.S. Department of Energy reviews applications regarding nuclear proliferation issues; and the Department of Agriculture reviews applications for short supply situations with respect to agricultural products.

The Trade Policy Framework

Domestic laws and regulations governing the application of trade policy

- The United States maintains a number of laws and regulations governing the application of trade policies. Sections 201-204 of the Trade Act of 1974 concern investigations by the U.S. International Trade Commission (Commission) with respect to whether an article is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to a domestic industry. Under section 406 of the Trade Act of 1974, the Commission conducts investigations to determine whether imports of an article produced in a Communist country are causing market disruption with respect to a domestically produced article. Chapter 2 of title II of the Trade Act of 1974 concerns trade adjustment assistance for eligible workers in the United States in the form of trade readjustment allowances, training and other employment services, and relocation and job search allowances.

- Under subtitle A of title VII and section 303 of the Tariff Act of 1930, countervailing duties can be imposed on sales of imported products that receive foreign export or domestic subsidies. Subtitle B of title VII of the Tariff Act of 1930 provides that antidumping duties will be imposed when a class or kind of foreign merchandise is being, or is likely to be, sold in the United States at less than fair value, and when an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry is materially retarded, by reason of imports of that merchandise.

- Under the provisions of section 22 of the Agricultural Adjustment Act of 1933, as amended, if the Secretary of Agriculture has reason to
believe that an article is being imported into the United States under such conditions and in such quantities as to render or tend to render ineffective or materially interfere with any program or operation undertaken by the U.S. Department of Agriculture (USDA), or to reduce substantially the amount of any product processed in the United States from any agricultural commodity covered by a USDA program, the Secretary so advises the President who may request the Commission to investigate. Following receipt of the Commission's report, the President may impose, when necessary, quantitative restrictions or fees.

- Under section 332 of the Tariff Act of 1930, the Commission investigates U.S. foreign trade and its effect on industries and labor and provides assistance to the President, the United States Trade Representative, or the U.S. Congress.

- Section 301 of the Trade Act of 1974 addresses violations of U.S. rights under a trade agreement, or any foreign act, policy or practice which is unjustifiable, unreasonable, or discriminatory and burdens or restricts U.S. commerce.

- Under section 232 of the Trade Expansion Act of 1962, the Secretary of Commerce conducts investigations to determine whether articles are being imported into the United States in such quantities or under such circumstances as to threaten to impair national security.

Summary description of the process of trade policy formulation and review

- U.S. trade policy development is a cooperative effort involving consultation among the President, the U.S. Congress, and the private sector. The Office of the United States Trade Representative functions as the co-ordinator in this effort. It manages the private sector advisory system, consults regularly with Congress, and chairs the inter-agency committees which develop trade policy within the Executive Branch of the U.S. Government.

- U.S. Government agencies have a variety of responsibilities with respect to the administration of U.S. trade policies. The Office of the United States Trade Representative, in co-ordination with other agencies, is responsible for setting and administering overall U.S. trade policy and for conducting negotiations. The U.S. Department of Agriculture works to promote U.S. exports of agricultural products, reduce foreign barriers to trade, administer agricultural support programs, and ensures that U.S. trade policy decisions take full account of agricultural interests. The U.S. Department of Commerce works to strengthen the international trade and investment position of the United States and implement key U.S. trade laws and regulations. The U.S. Department of Labor seeks to ensure that U.S. international economic and trade policies take into account the impact on U.S. workers. The U.S. Department of the Treasury is responsible for international economic policy and
financial affairs and policy toward foreign direct investment in the United States. The U.S. Department of State works with other agencies to ensure that U.S. trade policy decisions include a thorough consideration of their impact on individual bilateral relations with other countries and on overall foreign policy objectives.

Bilateral, multilateral, regional, and preferential trading agreements

- The United States participates in a number of multilateral, bilateral, regional, and preferential trading agreements. The Arrangement Regarding International Trade in Textiles limits international trade in textiles, including apparel, primarily through negotiation of bilateral agreements between importing and exporting countries. The U.S. Generalized System of Preferences is a temporary tariff preference scheme designed to offer non-reciprocal duty-free treatment for designated articles of beneficiary developing countries. The Caribbean Initiative is designed to encourage economic development in the Caribbean Basin by providing a combination of trade preferences, aid, and investment incentives to eligible countries.

- U.S. imports of steel products are subject to voluntary restraint agreements, which are in the form of market share arrangements and quotas, or a combination thereof.

- The Automotive Products Trade Act of 1965 implemented a bilateral agreement between the United States and Canada that removed duties on trade between the two countries in new motor vehicles and original-equipment parts. The United States received a waiver from the GATT in 1965 to implement this agreement.

- The U.S.-Israel Free-Trade Area Agreement will eliminate tariffs on all trade between the two countries over the next ten years.

- The U.S.-Mexico Framework Agreement, a non-preferential arrangement, established principles governing trade and investment relations between the two countries and consultative mechanisms to resolve disputes.

- The U.S.-Canada Free Trade Agreement eliminates all tariffs and many trade barriers between the United States and Canada and also provides a consultative framework for resolving disputes.

The Implementation of Trade Policies

Trade policy measures

- The United States maintains a number of trade policy measures, including tariffs; as well as certain quantitative restraints, VRAs, licensing requirements, government procurement provisions, technical barriers; and safeguard antidumping, and countervailing actions. In addition, the U.S. Government provides for certain export subsidies and free trade zones.
Overall estimates of U.S. protection

- The unweighted average U.S. tariff is 6.2 per cent. The share of U.S. tariffs bound in the GATT is 98 per cent. Average tariffs range from 1.0 per cent in mineral fuels to 10.3 per cent in textiles and clothing. In 1986, 15 per cent of U.S. imports from industrial countries and 17 per cent from developing countries were affected by quantitative restrictions.

Program in existence for trade liberalization

- The Super and Special 301 provisions of the Omnibus Trade and Competitiveness Act of 1988 are part of the U.S. Government’s overall trade strategy to open markets and expand international trade. The U.S. Government will use Super and Special 301, like other trade policy tools at our disposal, to create an ever-expanding multilateral trading system based upon clear and enforceable rules. The Super 301 process will enable the U.S. Government to advance general trade policy objectives through concrete, focused initiatives. U.S. negotiators have made substantial progress in obtaining improvements in intellectual property protection from various trading partners in connection with the Special 301 provisions.

Prospective changes in trade policies and practices

- On July 25, 1989, the President announced the Steel Trade Liberalization Program. The centrepiece of the program will be the negotiation of an international consensus on the elimination of unfair trade practices in the steel sector. In addition, the new steel policy calls for a transitional extension of the steel voluntary restraint agreements for two and one-half years to be followed by the elimination of VRAs. Until March 31, 1992, the program is designed to restore free market forces to global trade in steel, ending Government interference.

Relevant Background Against Which the Assessment of Trade Policies are Carried Out

Wider economic and developmental needs, policies, and objectives

- The U.S. Government’s primary economic objective is sustained non-inflationary growth, including growth in employment, both in this country and globally. The U.S. strategy for growth is to rely on private sector competition in open markets, rather than to seek to target industries or sectors for special protection or assistance. As such, we perceive our trade policy of fostering market opening at home and abroad, and of strengthening and broadening the scope of GATT disciplines on the multilateral trading system, as central to attainment of our growth objectives.

- Within this context of promoting sustained non-inflationary growth on a global basis, a major goal is to promote the maximum employment,
production, and purchasing power of the American people. In accordance with the National Labor Relations Act of 1935, the U.S. Government fully supports the workers' rights to organize and bargain collectively, and freedom of association. The Fair Labor Standards Act, as amended, establishes minimum wage, overtime pay, record keeping requirements, and child labor standards.

- Under the Occupational Safety and Health Act of 1970, each covered employer has the statutory general duty to furnish each employee with a workplace free from recognized hazards that can cause serious physical harm and to comply with safety and health standards established by the Department of Labor. In addition, the United States undertakes a number of job training and retraining programs which are not directly related to trade flows, but which nevertheless may help workers displaced by changes in international competition.

The external economic environment

- During 1982-87, U.S. merchandise imports grew at an average annual rate of 10.6 per cent, exports increased at a rate of 3.5 per cent, and the trade deficit rose from US$36.4 billion to US$159.5 billion. After peaking in 1987, the deficit declined by US$32.3 billion to US$127.2 billion in 1988 as export growth accelerated and import growth slowed. By product category, the 1982-87 surge in imports was concentrated in consumer goods, autos, and capital goods.

- Virtually all non-fuel commodity prices decreased during the 1980s. In U.S. dollar terms, prices declined steadily during 1980-86 from historically high levels, rebounded strongly in 1987 and through mid-1988, then showed little change during the rest of 1988 and 1989.


- The U.S. dollar (relative to its major trading partners, on a trade-weighted basis), after appreciating sharply during 1980-85, depreciated during 1985-88, reaching its 1980 level early in 1988. The movements in the dollar were consistent with, and in a proximate sense were a major cause of movements in U.S. exports and imports. The widening trade deficit of the early 1980s occurred as the dollar was rising and the 1988 decline in the trade and current account deficits followed, with a lag, the weakening of the dollar.

- After contracting substantially in 1982, the U.S. economy recovered quickly and strongly, posting real GNP growth rates well in excess of those recorded in other industrial countries. This growth reflected developments in domestic demand growth rates. During 1983-86 (the
period during which the U.S. current account deficit grew substantially), real total domestic demand growth in the United States averaged 5.3 per cent; the comparable figure for the rest of the OECD was 2.8 per cent, and 2.3 per cent for the European Community.

- U.S. external account trends have also been significantly affected by developments outside the OECD industrialized countries. In particular, the onset of severe debt servicing difficulties in the Latin American countries in 1982 sharply altered the U.S. balance of trade with the region, which previously had been a strongly growing market for U.S. exports.

Problems in external markets

- Significant trade barriers impede U.S. exports to foreign markets. U.S. firms involved with or producing goods, services, investment, and intellectual property rights are adversely affected by barriers in over thirty-four countries and two regional trading bodies (the European Community and the Gulf Co-operation Council). These foreign practices are documented in the Office of the United States Trade Representative's 1989 National Trade Estimate report. The report provides, where feasible, quantitative estimates of the effect of foreign trade practices upon U.S. exports.
(1) The United States in World Trade

294. The United States is the world's largest single economy in terms of total output, the world's largest import market and ranks second among exporters of merchandise. The importance of international trade to the United States has steadily grown. Between 1970 and 1988, the ratio of merchandise trade (exports plus imports) to United States gross domestic product increased from 8.5 to 16.1 per cent.

295. Because of its large share in world trade, the trade policies and practices of the United States inevitably influence the trading system. The United States has been instrumental in shaping the multilateral trading system in successive GATT rounds. The present Administration has confirmed the United States long-term commitment to the multilateral trading system and has made it known that it considers a successful conclusion of the Uruguay Round the top priority of United States trade policy.

296. From the 1982 recession until 1987, rapidly expanding imports, boosted by the growth of private consumption, a mounting federal budget deficit and (until early 1985) a rising dollar, resulted in fast growth in the trade and current account deficits. The fall in the trade deficit from US$160 billion in 1987 to a projected US$110 billion in 1989 has come from a resurgence of exports that was associated with a substantial decline in the dollar from its 1985 peak. However, in absolute terms the trade deficit may remain large for some time to come. In this situation the making of trade policy in the United States has become more closely intertwined with the formulation of other national economic policies, in particular fiscal and monetary policies.

(2) Institutional Framework

297. Under the United States Constitution, the Legislative Branch (Congress) holds the power to regulate commerce with foreign nations. Over the years, Congress has delegated the conduct of trade policies and negotiating power in trade matters to the Executive Branch, in many cases subject to specific objectives and time limits. Within the Executive Branch, responsibility for trade policies is shared among various agencies. Congress, however, closely follows the making and execution of trade policies and, through the legislative process, constantly exerts its constitutional power. The private sector brings its views to bear on the formulation and carrying out of trade policy through intensive "lobbying" of Congress, through myriad contacts with the Executive Branch, and through
other channels. Thus, United States trade policy formulation involves a complex process of co-ordination and inter-action of different interests.

298. The trade policy of the United States is conducted on the basis of elaborate and detailed trade laws and regulations. Trade policy formulation, in general, follows a structured and transparent procedure, including public debates in Congress, public hearings (usually open to affected foreign parties) and the involvement of an independent official institution (the International Trade Commission) in advising on import relief. It is normal practice to publish trade policy decisions. A number of government agencies, such as the International Trade Commission, the Federal Trade Commission, the Office of Management and Budget and the Congressional Budget Office, as well as private research bodies provide both the Administration and the public with accounts of the impact of specific trade measures (see Appendix VII). However, except for the estimates of Producer Subsidy Equivalents and Consumer Subsidy Equivalents provided by the Department of Agriculture, as in most other countries, there is no regular official report on estimates of overall levels of assistance to individual industries and the impact of protection on output, employment and trade.

(3) Trade Policy Trends

(i) Character of trade policies

299. The United States has traditionally been a strong supporter of the m.f.n. principle and opposed to discriminatory trade policies. The Trade Agreements Act of 1934 extended to all trading partners on an m.f.n. basis all tariff and trade concessions granted in bilateral trade agreements. Subsequent trade laws have qualified this provision to allow for the withdrawal or suspension of m.f.n. treatment in certain cases. At present, only a few countries among GATT contracting parties are denied most-favoured-nation treatment by the United States (Cuba, Czechoslovakia and Romania); trade with Nicaragua is embargoed.

300. Unlike some other countries the United States trade legislation does not provide for unilateral tariff reductions.

301. In 1976, the United States became a participant in the Generalized System of Preferences for developing countries. The United States GSP scheme is time-bound and expires in 1993. Like other GSP schemes, the United States scheme is discretionary. The list of developing countries and products eligible for duty-free treatment is reviewed annually. The Trade and Tariff Act of 1984 extended the criteria for determining the GSP treatment of individual countries to include considerations other than those directly related to trade.

302. The Caribbean Basin Initiative of 1983 provides for additional benefits for Caribbean countries which are not available for other GSP beneficiaries.
303. The first free-trade agreement concluded by the United States under Article XXIV was with Israel in 1985. In October 1987, the United States concluded negotiations with its main trading partner, Canada, leading to the United States-Canada Free Trade Agreement, effective on 1 January 1989. Free-trade agreements are subject to examination and review by the GATT.

(ii) Type and incidence of trade policy measures and recent evolution

304. Over a broad range of products, the incidence of tariffs and non-tariff measures in the United States is low. However, certain sectors of the United States economy, such as sugar, dairy and several other agricultural products, textiles, clothing, steel, machine tools, automobiles and semi-conductors, enjoy relatively high levels of protection. Some of these restrictions are long standing. Other restrictions are of more recent origin.

305. For most products, tariffs are the principal instrument of protection. Except in certain areas considered as sensitive, tariffs are normally low. Tariff escalation is present in several product areas, including certain agricultural products. The high degree of tariff binding both for industrial and agricultural products (99.8 per cent and 90 per cent of tariff lines respectively) provides an element of security and predictability for consumers and business at home and abroad.

306. In recent years, there has been little by way of elimination of quantitative restrictions and other non-tariff measures. In 1986, the "Manufacturing Clause" in United States copyright legislation was allowed to lapse in pursuance of a GATT Panel report. Export subsidy programs in agriculture have been greatly expanded by the Food Security Act of 1985, with the stated purpose of countering large-scale subsidization by other trading partners, but with the effect of contributing to the distortions in world markets for agricultural products.

307. For the most part, the United States Federal authorities do not maintain special domestic support policies for specific sectors. Important exceptions include several domestic support measures in agriculture (such as through the 1985 Food Security Act), government support for research and development in manufacturing industries (particularly through the Department of Defense and in sectors such as machine tools, semi-conductors and aerospace), preferential government procurement policies, and general support to firms and workers through the Trade Adjustment Assistance programs.

308. In the last few years, the United States trade and current account deficits (although fundamentally linked to domestic macro-economic imbalances), together with problems of sectoral adjustment, have intensified pressures for increased protection.

309. In a number of cases, the United States Administration has succeeded in defusing domestic pressures for increasing trade restrictions. For example, in 1984, the President of the United States refused to grant Section 201 import relief to the copper industry on the grounds that import...
restrictions would create a differential between United States and world copper prices, and thus harm the United States copper-using industries. When, one year later, the President refused to grant import relief to the non-rubber footwear industry the reasoning was that import relief would incur costs to consumers, and adversely affect United States' exports through retaliation by foreign suppliers; moreover, providing relief would not promote adjustment of the domestic industry. The Omnibus Trade and Competitiveness Act of 1988, as finally signed by the President, did not contain many protectionist elements that were in the original versions of the bill.

310. Despite these and earlier attempts to resist protectionist pressures, the number of sectors receiving protection, and the restrictive actions taken in the framework of sectoral arrangements, have increased over the years (Table VII.1). Some of the protective arrangements mentioned in Table VII.1 cover imports from many or all supplying countries. Others take the form of import restraints applying to individual trading partners. In some of the product areas concerned, notably agriculture, textiles and clothing, the import restrictions and the bilateral quota arrangements are covered by GATT waivers or have been negotiated under the Multifibre Arrangement. In other areas, the actions have been taken only on the basis of United States trade law.

(iii) Import relief

311. Successive United States trade laws have extended the degree of discretion and interpretation which can be used by the Administration in the conduct of trade policy, including the interpretation of GATT rules and disciplines. In some cases, the laws have provided for "solutions" not covered by, or contrary to, GATT rules and disciplines. In other instances, the laws have sought to broaden the scope for the pursuit of wider economic or foreign policy objectives. Thus, in the 1988 Omnibus Trade and Competitiveness Act, stricter conditions of reciprocity were introduced in the government procurement provisions, while in the use of the injury test in subsidy investigations the range of criteria allowing for positive findings have been extended. Anti-dumping and countervailing duty laws have been tightened to prevent circumvention of the laws and have facilitated the use of these instruments. In this context, changes in the 1988 Omnibus Trade and Competitiveness Act include the authority given to the United States Trade Representative to revoke the injury test in countervailing duty investigations from countries which violate a commitment made under the MTN Agreement on Subsidies and Countervailing Measures. The Act also gives authority to the International Trade Commission to consider in their investigations producers or growers of an agricultural raw material as being part of the domestic industry producing the processed product. Furthermore, the potential duration of import relief has also been extended. Until recently import relief under Section 201 could be provided for no more than five years. With the Omnibus Trade and Competitiveness Act of 1988, the duration of import relief has become a maximum of eight years.
312. Section 201 of the Trade Act of 1974 (the "escape clause") provides domestic procedures for United States measures under GATT Article XIX. Between 1950 and 1989, the United States granted import relief to domestic industries under Article XIX of the GATT in 27 cases, most of which involved tariff increases (23 cases). Nine of the actions were taken in the 1970s, and four in the 1980s. The Article XIX actions taken in the 1970s and 1980s were terminated within four to five years. Currently, all but one of the United States' Article XIX measures (specialty steel) have been terminated.

313. Section 201 also allows for remedies not provided for under the General Agreement, including the negotiation of orderly marketing agreements (OMAs). Orderly marketing agreements under Section 201 were negotiated on colour televisions with Japan (1977) and on footwear with Taiwan and the Republic of Korea (1978). The OMAs were terminated within three and four years, respectively.

314. On several occasions, the Administration has chosen to negotiate remedies which rely on voluntary restraint arrangements (VRAs) for which likewise there is no provision in the GATT. For example, in September 1984, the President of the United States rejected import relief under Section 201 to the steel industry as not being in the national interest and, instead, directed the United States Trade Representative to negotiate voluntary restraint arrangements with countries whose exports to the United States had increased because of perceived unfair trade practices. Recently, the President announced that the VRAs in the steel sector will be prolonged by a further two-and-a-half years, only half the period requested by the industry. In May 1986, the President deferred a formal decision on Section 232 action (national security) on machine tool imports, and directed that VRAs be sought with leading foreign suppliers, while later warning a number of other countries on the need to keep export levels to the United States in check. In these cases, import restrictions have been regarded by the United States as more detrimental to the national interest than export restraints concluded with trading partners. In contrast to OMAs under Section 201, no statutory provisions exist concerning the duration of such arrangements.

315. Overall, recent developments point to a decline in recourse to escape-clause actions (Section 201; Article XIX), and an increase in the number of anti-dumping and countervailing-duty orders in effect and in the number of voluntary export restraints (VRAs).

54 The President said that VRAs in the steel sector will end in March 1992, provided there are improved international disciplines in the areas of pricing behaviour and subsidies in the steel sector. Trade in steel is subject to policy interventions of various kinds on the part of numerous other countries. The United States has stressed that the preferred route to pursue this issue is in the framework of the Uruguay Round.
316. Another point to be noted is the simultaneous use of different trade remedy laws. For example, in regard to some electronic and other imports from Japan and the Republic of Korea, or textiles and clothing imports from Hong Kong, multiple trade remedy laws were invoked by competitors in the United States, including, by one industry or another, anti-dumping and countervailing duty laws, Section 337 of the Tariff Act, Section 201 of the Trade Act of 1974, anti-trust laws and VRAs. For exporters, such practices cause trade-inhibiting uncertainty because, irrespective of the findings of the investigations, lengthy (and costly) legal procedures are involved.

317. It is difficult to come to any prima facie assessment as to whether the increase of anti-dumping or countervailing duty action is related to an increased incidence of, or injury from, dumping or subsidization on the part of United States trading partners.

318. It is also difficult to come to any prima facie assessment whether the other measures described in this report have served to facilitate the process of adjustment in the industries concerned. This is in part because, while measures under Section 201 were limited to a few years, others have been granted for much longer periods. Protection has created vested interests in its continuation both in the protected sectors themselves and in competing or complementary sectors. A case in point is the sugar import quota which not only meant a loss in tariff revenue (relative to an equivalent tariff), but also has promoted the interests both of domestic sugar producers and of producers of other types of sweeteners. Also, United States voluntary restraint arrangements may create vested interests in exporting countries. For example, while the export restraints in automobiles may have given breathing space to United States producers for modernizing their factories and products, the continued existence of these restraints also suggests that some benefits may have accrued to Japanese producers, for example through increases in export unit values.

319. In addition, since the measures outside GATT Article XIX have been quantitative restrictions rather than tariffs, there is not sufficient transparency about the costs and benefits of protection, nor any ready basis for determining the impact of the measures on prices and on the decision of investors in allocating economic resources.

(4) Trade Disputes

320. The United States has had a very active rôle in GATT dispute settlement procedures both as complainant and as a party complained against. The United States has also actively pursued efforts to bring about improvements in the existing GATT dispute settlement mechanism through the establishment of stricter time-limits for the establishment of Panels and the streamlining of procedures.

321. Since 1970, the United States invoked Article XXIII:2 of the GATT (Panel request) in 34 cases. In the great majority of cases, the reports of the Panels were adopted by the Council or the dispute was settled bilaterally before Panel proceedings were concluded. Currently, the report
of the Panel established at the request of the United States on Canada's restrictions on imports of ice-cream and yoghurt (the first consideration by the Council in October 1989) is pending.

322. The United States has emphasized the importance of not allowing domestic difficulties to stand in the way of setting up Panels or adopting and implementing Panel Reports. In line with this approach, in the great majority of cases brought against the United States and dealt with in Panels, the United States accepted the adoption of the Panel report even when the finding was against the United States. In four recent cases (Superfund tax, June 1987; customs-user fee, February 1988; sugar, June 1989; and Section 337, November 1989), the reports have been adopted by the GATT Council, but the United States has not yet implemented the findings.

323. Reflecting a widespread perception in Congress and the Administration about the inadequacy of international rules and procedures, United States trade laws have increasingly provided for bilateral or unilateral measures as a complement to, or substitute for, GATT procedures. A case in point is the recent revision of Section 301 of the Trade Act of 1974 with the introduction of "Super 301" and "Special 301". Action may be taken under Section 301 on the grounds that a foreign trading practice is "unjustifiable", "unreasonable" or "discriminatory". There are established criteria for the interpretation of these terms, but they can be applied in a discretionary manner, in particular as far as the term "unreasonable" is concerned. Under the Omnibus Trade and Competitiveness Act of 1988, "unjustifiable" practices (defined as violation of trade agreements) have become subject to "mandatory" retaliation.

324. Under the Section 301 process, if an investigation involves a trade agreement (including GATT), the formal dispute settlement procedures under such an agreement should first be followed. In particular, the USTR is not required to take retaliatory action if the CONTRACTING PARTIES to the GATT have determined, or a GATT Panel finds, that the rights of the United States under a trade agreement are not violated. If the dispute is not resolved within certain time-limits, the USTR is required to take retaliatory action, subject to certain exceptions. Under Section 301, such retaliatory action need not fulfill the GATT requirement of prior approval by the CONTRACTING PARTIES, nor need it be GATT-consistent.

325. In two recent disputes, hormones in beef and intellectual property rights, the United States has considered it necessary to take retaliatory action. Trading partners, however, have seen these actions as a lack of commitment on the part of the United States to multilateral rules and procedures.

326. United States initiatives to reduce barriers to its commerce have encouraged some trading partners to seek bilateral solutions outside the GATT framework and have been seen by the United States as producing a number of concrete results. At the same time, the use of Section 301, in particular "Super 301", has aroused a great deal of anxiety on the part of United States trading partners, and the use made of the authority given to
the United States Administration over the coming months will continue to be a matter of serious concern.

(5) Trade Policies and Foreign Trading Partners

327. Throughout most of the 1980s, a rapidly expanding import market has provided ample export opportunities for United States trading partners, reflected in the increase of the United States share in world merchandise imports from 13.4 per cent in 1982 to 15.6 per cent last year. Between 1982 and 1988, the dollar value of total merchandise imports into the United States increased by 80 per cent while world merchandise trade (excluding the United States) was up by 50 per cent. United States imports from Asia and Western Europe expanded particularly rapidly while imports from OPEC countries declined absolutely, reflecting petroleum price developments.

328. The growth of merchandise imports, or the current level of per capita imports in the United States, does not, however, mean that United States trade policies have had no distorting impact on trading patterns and trade flows from its trading partners. In many product areas United States tariffs are by and large low and a number of product areas are virtually free from non-tariff barriers. However, in assessing the importance of recent United States trade developments it is also necessary to take into account the non-tariff measures that are in existence, the growth of sectoral protection, the impact of export subsidization programmes on third-country products, the uncertainty arising from increased use of United States trade laws, and the potential for trade friction.

329. The United States has remained the world's single largest import market for products from developing countries. Import growth has been particularly rapid in the area of manufactures. At the same time, several items of major export interest to developing countries are subject to a variety of import restraints in the United States (for example, dairy products, sugar, textiles, clothing, and steel), or are adversely affected by United States agricultural subsidies, particularly through the Export Enhancement Programs (for example, wheat, feedgrains, dairy cattle, rice). GSP treatment for developing countries has been increasingly determined on a case-by-case basis. Since 1988, for a variety of reasons, 11 countries were removed and five countries suspended from GSP eligibility.

330. Turning to markets abroad, United States merchandise exports stagnated during the period 1982 to 1986, reflecting such factors as the decline of United States international price competitiveness associated with the strong appreciation of the dollar in the first half of the 1980s and the drop in demand from oil-exporting countries as well as heavily-indebted countries. Following the sharp decline of the dollar between early 1985 and 1987, the dollar value of exports increased by 12 and 26 per cent, respectively, in 1987 and 1988. There have also been some reductions of barriers facing United States exports and an overall trend towards liberalization in a number of countries.
331. Despite its recent export performance, the trade policies of the United States have been influenced by a perception that United States efforts to keep its market open have not been matched by corresponding efforts on the part of major trading partners. It is the declared intention of the United States to seek multilateral solutions for difficulties with its trading partners in the framework of the Uruguay Round. However, a major concern of all trading partners remains the question of consistency between its efforts to seek improvements in multilateral rules and disciplines through the Uruguay Round and the bilateral or unilateral initiatives outside the GATT framework to promote United States trading interests.
Table VII.1
Sectoral measures affecting United States' imports

<table>
<thead>
<tr>
<th>Arrangements</th>
<th>Year of introduction</th>
<th>Current situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>GATT waiver for certain agricultural products</td>
<td>1955</td>
<td>Continuing</td>
</tr>
<tr>
<td>VRA with Japan for cotton textiles</td>
<td>1956</td>
<td>MFA agreements with 29 countries and VRAs with 10 non-MFA signatories</td>
</tr>
<tr>
<td>GATT waiver for the Auto Pact with Canada</td>
<td>1965</td>
<td>Continuing</td>
</tr>
<tr>
<td>VRAs with Australia and New Zealand for meat</td>
<td>1968</td>
<td>Currently imports below trigger levels (the latest VRAs were for 1987 and 1988 with Australia and New Zealand)</td>
</tr>
<tr>
<td>VRAs with Japan and the EEC for steel</td>
<td>1969</td>
<td>VRAs with 19 countries and the EEC(10) until 30 September 1989, which are to be extended until 31 March 1992</td>
</tr>
<tr>
<td>OMA with Japan for specialty steel</td>
<td>1976</td>
<td>Safeguard action (tariffs and quotas) under GATT Article XIX</td>
</tr>
<tr>
<td>OMAs with the Republic of Korea and Taiwan for non rubber footwear</td>
<td>1977</td>
<td>Terminated in 1981 (auto-limitation by the Republic of Korea&lt;sup&gt;1&lt;/sup&gt;)</td>
</tr>
<tr>
<td>OMA with Japan for colour televisions</td>
<td>1977</td>
<td>Terminated in 1980 (self-imposed export restrictions by the Republic of Korea&lt;sup&gt;1&lt;/sup&gt;)</td>
</tr>
<tr>
<td>VER by Japan for passenger cars</td>
<td>1981</td>
<td>Continuing (the United States has not requested it since 1985)</td>
</tr>
<tr>
<td>VRAs with Japan and Taiwan for machine tools</td>
<td>1986</td>
<td>Continuing (valid until 31 December 1991)</td>
</tr>
<tr>
<td>Arrangements with Japan for semi-conductors</td>
<td>1986</td>
<td>Continuing (valid until 31 July 1991)</td>
</tr>
<tr>
<td>OMA with China for tungsten products</td>
<td>1987</td>
<td>Continuing (valid until 30 September 1990)</td>
</tr>
</tbody>
</table>

<sup>1</sup>The Government of the United States has denied any knowledge of the existence of such a measure.