

# NOMINATION OF FREDERICK B. DENT

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HEARING  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
NINETY-FOURTH CONGRESS

FIRST SESSION

ON

NOMINATION OF HON. FREDERICK B. DENT TO BE SPECIAL  
REPRESENTATIVE FOR TRADE NEGOTIATIONS

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MARCH 18, 1975

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## NOMINATION OF FREDERICK B. DENT

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TUESDAY, MARCH 18, 1975

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D.C.*

The committee met, pursuant to notice, at 9:10 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman of the committee) presiding.

Present: Senators Long, Byrd, Jr., of Virginia, Nelson, Mondale, Hathaway, Haskell, Curtis, Fannin, Hansen, Dole, Roth, Jr., and Brock.

The CHAIRMAN. This hearing will come to order. Other Senators, I am sure, will be along as the hearings proceed. This is a very busy day for all of us.

This morning the Finance Committee conducts hearings on the nomination of Hon. Frederick B. Dent, presently the Secretary of Commerce, to serve as a Special Representative for Trade Negotiations, a position which bears the rank of Ambassador Extraordinary and Plenipotentiary and which was made a Cabinet level post by this committee in the Trade Act of 1974. The committee undertook to increase the salary and elevate the rank of the Special Trade Representative in the belief that it is essential that the U.S. trade negotiator stand on equal ground with the representatives of our trade partners.

Last month in Geneva, the process of international trade negotiations was commenced. Those negotiations, conducted under the authority of the Trade Act of 1974, will continue for the next 5 years. It is essential that the United States have the ablest and most experienced talent representing those interests at the negotiating table in Geneva. Our negotiator must be a man who possesses a comprehensive background in international trade, as well as an understanding of the process by which the private sector and the executive and legislative branches of our Government fashion U.S. foreign economic policy.

Mr. Dent has received the nomination of President Ford to serve in this post, and I am confident that if confirmed by the Senate, he will serve his country as well and as ably as he has as Secretary of Commerce. Mr. Secretary, we will be pleased to hear any statement which you wish to make. And let me say, Mr. Secretary, that I believe your nomination confirms our good judgment in insisting that this job should be a Cabinet level job because in my humble opinion, the responsibilities that you will have in this capacity are graver, more pressing, and more significant than those weighty and important decisions that you have made as Secretary of Commerce.

We are very happy to have you before our committee today. I see you are accompanied by the great Senator from South Carolina. I recognize Senator Thurmond.

**STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM  
THE STATE OF SOUTH CAROLINA**

Senator THURMOND. Mr. Chairman, if you would allow me to say a few words about Mr. Dent.

The CHAIRMAN. I would like to ask you one question. Did you make him a Republican when you joined the Republican Party, or was he a Republican prior to that time?

Senator THURMOND. Frankly, Mr. Chairman, I think he was Republican before I was. He has been a Republican a long time. I changed parties in 1964.

Mr. Chairman, gentlemen of the committee, it is a great honor for me to appear here in behalf of Mr. Frederick B. Dent. Mr. Dent is not a native of my State. He was born in Greenwich, Conn. He married the former Mildred C. Harrison, a very lovely lady who has been in large part responsible for his successes. And they have two sons and three daughters.

Mr. Dent graduated from St. Paul's School and from Yale University. He entered on active duty as an ensign with the Naval Reserve, and was released from active duty in 1946. He served on two different ships during that time.

In the spring of 1946, he entered the textile industry and he has been connected with textiles since that time.

In September of 1947 he moved to Spartanburg, S.C. and joined Mayfair Mills. Mayfair operates four plants in our State and has about 175,000 spindles and 3,800 looms. He became the president of this company in 1958.

Mr. Dent is not only an able businessman, but, in addition, he is a fine community worker. In Spartanburg he took an active interest in government affairs on both the local and national level. He served as chairman for the Spartanburg County Planning and Development Commission. He was a member of President Nixon's Commission on an All Volunteer Army. He was a member of the Department of Commerce's International Business Advisory Committee, the Labor Management Labor Textile Advisory Committee, and a member of the National Industrial Pollution Control Council.

Mr. Dent's talents have been recognized by many of the larger companies of this Nation and he has served as the director of the Crompton Co., the General Electric Co., the South Carolina National Bank, Scott Paper Co., and he is a member of the business council. He has also served as trustee and treasurer of the Institute of Textile Technology and a trustee of the Spartanburg Day School.

He was a trustee of the Mutual Life Insurance Co. of New York. In 1971, he was honored as the man of the year by the textile section of the New York Board of Trade.

On February 2, 1973, he was sworn in as Secretary of Commerce and I think it is generally conceded he has been one of the ablest Secretaries of Commerce that this country has ever had. In this capacity, he has been involved in international commercial matters regarding trade through trips to Far Eastern countries, and Eastern and Western European countries. He served as chairman of the U.S.-Polish and U.S.-Romanian Commercial Commissions and vice chairman of the U.S.-U.S.S.R. Commercial Commission. He has served as

a member of CIEP and chairman of the President's Interagency Export Expansion Council.

Mr. Chairman, I cannot imagine a man better qualified for this important position to which he has been appointed by President Ford than Mr. Dent. Mr. Dent is a man of character, he is a man of ability, he is a man of dedication, and it is with honor and pleasure that I present him to this committee this morning.

Thank you very much.

The CHAIRMAN. Thank you for a very fine introduction. We will insert Mr. Dent's biographical sketch in the record and I will now call on the nominee.

[Mr. Dent's biographical sketch follows:]

#### BIOGRAPHICAL SKETCH OF FREDERICK B. DENT

Frederick B. Dent—the son of the late Magruder and Edith Baily Dent—was raised in Greenwich, Connecticut. He is married to the former Mildred C. Harrison, and they lived in Spartanburg, South Carolina, before moving to Washington. They have two sons and three daughters.

Mr. Dent graduated from St. Paul's School and Yale University with a B.A. degree. Upon graduation in June 1943 he went on active duty as an Ensign in the U.S. Naval Reserve. His service was in the Pacific Theater on the U.S.S. PCE-873 and U.S.S. PC-1547 until released from active duty in 1946.

In the spring of 1946 he entered the textile industry with the firm of Joshua L. Baily & Company, Inc., selling agents for textile mills in New York City.

In September 1947 he moved to Spartanburg, S.C. and joined Mayfair Mills becoming its President in 1958. Mayfair operates 4 plants in South Carolina with about 175,000 spindles and 3,800 looms.

Mr. Dent has taken an active interest in governmental affairs at both the local and national level. He served as Chairman of the Spartanburg County Planning and Development Commission, and was a member of President Nixon's Commission on an All Volunteer Army. He also was a member of the Department of Commerce's International Business Advisory Committee, the Labor Management Labor Textile Advisory Committee, a member of the National Industrial Pollution Control Council.

His business affiliations included directorships of the Crompton Company, General Electric Company, the South Carolina National Bank and Scott Paper Company. He is a member of the Business Council. He also served as Trustee and Treasurer of the Institute of Textile Technology and as a Trustee of the Spartanburg Day School.

He was also a Trustee of the Mutual Life Insurance Company of New York. On November 11, 1971, honored as "Man of the Year" by the New York Board of Trade, Textile Section.

On February 2, 1973, he was sworn into office as Secretary of Commerce. In this capacity he has been involved in international commercial matters through trips regarding trade to the Far Eastern countries, Eastern and Western European countries. He has served as Chairman of the U.S.-Polish and U.S.-Romanian Commercial Commissions, and Vice Chairman of the U.S.-U.S.S.R. Commercial Commission. He has served as a member of CIEP and Chairman of the President's Interagency Export Expansion Council.

The CHAIRMAN. Mr. Dent.

#### STATEMENT OF FREDERICK B. DENT, SECRETARY OF COMMERCE

Secretary DENT. Mr. Chairman, I would like to thank Senator Thurmond for his very generous introduction, and I want to assure the committee that I have reviewed the Trade Reform Act of 1974, recognizing that it charts a new course in the relationship of the STR Office, the Congress, industry, labor, and agriculture in this country. And I concur with the philosophy and spirit of this new arrangement.

I look forward to working very carefully with the committee of five appointed by this Finance Committee, as well as the five members of the Ways and Means Committee in addition to the other members of this committee in pursuing the responsibilities of trade negotiations.

Of course I look forward, when you desire, to presenting testimony, facts and figures in an informal way, and I think that working together in the Congress and the executive branch we can, through the GATT trade negotiations create additional economic job opportunities for Americans across this country.

I think it is highly significant that in the past 2 years the exports of the United States have doubled from \$49 billion to \$100 billion per year in the fourth quarter of 1974. And in January they were running at a rate of \$114 billion. There is tremendous economic opportunity offshore for American business, agriculture, and labor, and I hope that working together we can take full advantage of this. I will be glad to respond to any questions.

The CHAIRMAN. Just to get the record straight, when did you first become a South Carolinian?

Secretary DENT. In 1947 we moved there.

The CHAIRMAN. Now prior to that time you were a resident of Connecticut?

Secretary DENT. Yes, sir.

The CHAIRMAN. And what was your age when you moved to South Carolina?

Secretary DENT. I was 25.

The CHAIRMAN. Well, your wife has such a deep Southern accent, one would assume that the two of you are southerners, but I see that you are an import to South Carolina.

Secretary DENT. Well, we were reexported. My father was raised in Alexandria, and her father was a North Carolinian.

The CHAIRMAN. We have an Alexandria in Louisiana, but was that Alexandria, Va.?

Secretary DENT. Looking to your right, we could perhaps just say Alexandria and leave it.

The CHAIRMAN. Mr. Secretary, some of us had thought that Ambassador Eberle was going to do this job for us, and when he worked with us in putting together this Trade bill, he made a number of commitments to the committee which do not appear in the written language of the bill. He indicated how he expected to administer these responsibilities and we relied upon that. I believe it can be said that the House Ways and Means Committee and the Senate as well relied upon it in passing that bill.

Former Ambassador Eberle submitted to this committee as well as to the House Ways and Means Committee a letter expressing his commitment as to future implementation of many sections of the Trade Act of 1974 beyond the literal language of those sections in the act.

I would ask that this letter be incorporated in the record at this point and I will make available a copy to you. The committee would like very much to have your identical commitment in writing on the same points of implementation and interpretation contained in former Ambassador Eberle's letter.

Would you be willing to supply the committee with your views with regard to this matter, and whether you feel that these commitments as to how we expected to proceed with that responsibility are viewed by you?

[NOTE.—The letter referred to follows. Secretary Dent subsequently informed the Committee by letter, dated Mar. 25, 1975, that "I have reviewed this letter and am in agreement with the views contained therein."]

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS,  
Washington, D.O., January 31, 1975.

HON. RUSSELL B. LONG,  
Chairman, Committee on Finance, U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: During consideration of the Trade Act of 1974, a major subject of interest to the Committee on Ways and Means on the House of Representatives and the Committee on Finance of the Senate and in some cases, to individual members of the House and Senate, was the manner in which specific provisions of the Trade Act should be implemented. I believe it useful to outline specific instances in which the provisions of the Act were further elucidated.

In most cases these matters are a part of the public record; in such cases I have attempted to identify the source. I have broken down the subject areas into several categories and listed them for your convenience in the attached memorandum.

Very truly yours,

W. D. EBERLE.

FURTHER BACKGROUND ON TRADE ACT PROVISIONS

A. NEGOTIATING AUTHORITIES

(1) Agreements on nontariff barriers arising out of the MTN to be submitted for approval by Congress (Senate Report, p. 22);

(2) Protection for U.S. dairy industry not to be subject to negotiation unless dairy policies of major competitors also "on the table" (House Report, p. 22);

(3) In the conduct of future negotiations, c.i.f. statistics will be utilized (see Senate Report, p. 12);

(4) Affirmative Congressional approval through regular legislative procedure will be sought for adoption of a new system of customs evaluation or the BTN (House Report, p. 25);

(5) It is not intended to use the authority in Title I to cut tariffs to zero for products where the sensitivity to imports is obviously great. As for the general tariff cutting authority of a partial character, there can be no assurance that partial tariff reductions would not be made but there can be assurance that such potential cuts would be weighed very, very carefully, would be subject to full consultation with advisers from the footwear industry, and their effects would be assessed against any other possible safeguard actions to moderate footwear imports which might by that time have been implemented under other provisions of the law (letter dated December 11, 1974, of Ambassador Eberle to Senator McIntyre, Cong. Rec., Dec. 13, 1974, S21430);

(6) In the event of an affirmative import relief finding by the International Trade (Tariff) Commission with respect to footwear, the Administration would move expeditiously to provide import relief if the procedures suggest the need for import relief and in connection with any import relief recommendation, particular attention would be given to the possibility of devising a suitable arrangement with foreign governments of major exporters of non-rubber footwear in order to relieve disruption to the domestic industry (see para. (5));

(7) No intention to adversely affect, in any way, as a result of multilateral negotiations under authority of the Trade Act, the multilateral textile agreement (MFA) or any bilateral agreements negotiated pursuant thereto; the Administration has no intention to renegotiate MFA structure under section 102 of the Trade Act; Eberle's statement that, based on present operation, he believes extension of MFA would be in the public interest (letter dated November 24, 1974, from Ambassador Eberle to Senator Talmadge, Cong. Rec., Dec. 13, 1974 at S21467);



(8) Assurance that no tariff cuts on textiles would be made without "full and prior consultation with the industry" (see para. (7) above) ;

(9) Understanding that existing administrative authority will not be used to implement any agreement resulting from trade negotiations under the Trade Act which affects the application of Section 22 of the Agricultural Act of 1933, and that any trade agreement affecting the application of Section 22 will be submitted for Congressional approval under Section 102. (Senate Report, p. 75) ;

(10) Every effort will be made so that citrus industry will be kept fully informed about negotiations on citrus (statement of Senator Chiles on Senate Floor Dec. 20, 1974, Cong. Rec., Dec. 20, 1974 at S22510).

#### B. NEGOTIATING OBJECTIVES

(1) *Sector Negotiations*.—Appropriate product sectors for negotiations which, to the extent feasible and consistent with the objective of maximizing overall economic benefit to the United States, are to be on sectoral basis are to include steel, aluminum, electronics, chemicals, and electrical machinery (Senate Report, p. 79) ;

(2) *International Safeguard Arrangement*.—Understanding that the Administration will submit to the Congress for approval criteria governing the imposition of import restrictions in connection with any safeguard agreement (Conference Report, p. 25).

#### C. PRENEGOTIATION PROCEDURES AND ADVISORY COMMITTEES

(1) The President and pertinent agencies in the Executive Branch will consider the impact of any proposed trade agreement concessions on Puerto Rico and U.S. Insular Possessions (Senate Report, p. 99) ;

(2) Public hearings in connection with trade negotiations will be held by the Trade Information Committee (TIC) of the Office of the Special Trade Representative and that the TIC will be composed of representatives from departments who will be actively engaged in negotiations (Senate Report, p. 100) ;

(3) U.S. trade negotiators shall keep the advisory committees established under Section 135 fully informed in connection with the Negotiations under sections 101 and 102 of the Trade Act (Conference Report, p. 29) ;

#### D. ADJUSTMENT ASSISTANCE

In a letter, dated July 31, 1974, from Assistant Secretary Yeutter of the Department of Agriculture to Senator Talmadge, "firm" for purposes of adjustment assistance, is interpreted as including agricultural enterprises, including sole proprietorships, and the requirement that a "significant number or proportion of workers" be total or partially separated may be met by the total or partial separation of an individual farmer in the case of a sole proprietorship. The letter further states that the requirement that increased imports of "articles like or directly competitive with articles" produced by a firm contribute importantly to injury may be met if the imported article is within the same price support program as the domestically produced article.

#### E. COUNTERVAILING DUTIES

(1) Assurance that the Office of the Special Representative for Trade Negotiations would not recommend any changes in quotas on dairy imports in connection with trade policy without prior consultations with Senator Mondale and representatives of the dairy industry insofar as they affect dairy farmers; statement that the United States has not made any assurances to the European Community of possible adjustment in the dairy import quota in connection with a compromise package on countervailing duties discussed with Senators Nelson and Mondale (letter from Ambassador Malmgren to Senator Mondale, Oct. 2, 1974, Senate Report, p. 189) ;

(2) Affirmation that the Treasury Department is committed to proceed immediately under the countervailing duty law should the EC reinstate import payments on dairy products suspended July 12 on cheese and suspended previously on other products; any finding, in connection with the possible suspension of countervailing duties, with respect to efforts by the EC to substantially reduce or eliminate the adverse effects on the U.S. dairy industry of any bounty or grant

on dairy exports will be made only after "very close consultations with domestic industry and concerned members of Congress." It would be necessary to clearly show that the problems of U.S. producers had been substantially relieved (letter from Assistant Secretary Macdonald of Treasury to Senator Mondale, Oct. 3, 1974. Senate Report, p. 189-191);

(3) Understanding that the imposition of countervailing duties with respect to non-rubber footwear will not be suspended unless an actual agreement restraining exports to the U.S. or voluntary understandings which would have the same effect has been undertaken by the exporting countries (or exporters therein) and assurance that, pursuant to the provisions of the Trade Act, the Administration will give immediate attention to devising some suitable form of arrangement with governments of other nations whose exports to the United States are significant causes of disruption to the United States footwear industry (letter dated December 26, 1974 from Ambassador Malmgren to Senator Hathaway, see also Congressional Record of December 20 at S22510).

#### F. TRADE WITH COMMUNIST COUNTRIES

Agreements with non-market economy countries under section 405 may not be renewed unless such country is party to an agreement with the U.S. providing for mutual exchange on agricultural commodity information, and fulfills the provisions of such agreement (Conference Report, p. 49-50);

#### G. GENERALIZED PREFERENCES

(1) Assurance that the interests of the Commonwealth of Puerto Rico and the U.S. Insular Possessions will be taken into account in making determinations with respect to sensitive articles for purposes of Generalized Preferences (letter of November 7, 1974 from Ambassador Eberle to Senator Long, Senate Report, p. 224);

(2) Congressional understanding that Israel, among others, could qualify for beneficiary status for purposes of Generalized Preferences under exception to exclusion of countries giving "reverse preferences" if assurances are given that steps to substantially eliminate by January 1, 1976 the adverse effects of such preferences will be taken (Senate Report, p. 221);

Secretary DENT. Senator, I would of course intend to honor commitments made by the executive branch to the Congress, providing they are consonant with the statutes of the United States. And if he has submitted this, I presume they are.

The CHAIRMAN. Well, a great deal of what Mr. Eberle had to say that he would keep this committee and the House Ways and Means Committee informed as to how these negotiations were going and what concessions he expected that he might find it necessary to make and what he thought he hopes to get in return. There was also some understanding of the problems of various industries, including the textile industry, with which you are very familiar, and the manner in which he expected to handle his responsibilities.

Now as far as I am concerned, there is nothing secret about all this. The press can have it, and so far as I am concerned, so can our partners with whom we will be trading. We view it as a two-way street. They are going to protect their industries to the extent they think those industries deserve it, and I hope we will do likewise. I am sure you intend to do that.

Secretary DENT. Yes, Senator, I certainly do, and I hope that if there are matters that have to come before the Congress, that we can agree in advance and never bring back something which will not meet with the approval of the Congress. I do not believe such a turndown is in our national interest. And consequently, the only way to avoid that

is to work very carefully with you in advance of these negotiations and during.

The CHAIRMAN. Now in addition to that, Mr. Secretary, we would very much like to have you provide this committee with an updated memorandum reflecting your own views as to what the United States negotiating objectives should be. This Congress and this committee in particular have long worked to insure the institutional independence of the Office of the Special Trade Representative. This has been a continuing theme in trade legislation and in congressional oversight in trade matters since 1962—the desire that the Office of the Special Trade Representative be kept separate and apart from other agencies of the executive branch, and is most recently reflected in the Trade Act. This intent of the Congress is rooted in our desire to have a hand in the fashion of U.S. trade policy.

The Constitution, as I am sure you know, vests in the Congress the authority to regulate trade with foreign nations and the executive acts, in many ways, as the agent of the Congress, in conducting trade policy of the United States. Recently there have been disturbing reports that individuals within the executive branch plan a comprehensive overhaul and reorganization of the foreign economic policy apparatus. We are deeply concerned that such a reorganization may work to frustrate the independence of the Office of Special Trade Representative which we have worked so hard to establish.

May we have your views on this subject and what steps, if any, you intend to take to insure the continued independence of this Office?

[The following paper was subsequently submitted in response to the chairman's question:]

#### UNITED STATES OBJECTIVES IN THE MULTILATERAL TRADE NEGOTIATIONS

With passage of the Trade Act of 1974, the Congress has not only provided the President with the requisite authority to enter into trade agreements, it has also set forth a number of general negotiating objectives. These objectives provide the basic framework guidance from which more detailed objectives can be developed for the multilateral trade negotiations (MTN). This memorandum briefly reviews the objectives set forth in the Trade Act and then, in a series of attached papers, describes, to the extent they have been developed, the more detailed objectives applicable to the principal subject areas of the MTN.

#### TRADE ACT OBJECTIVES

Sections 101 and 102 of the Trade Act provide the basic authority for the President to enter into trade agreements providing for the modification of U.S. tariff and nontariff barriers. In turn, Section 103 states that the overall negotiating objective of the United States under Sections 101 and 102 "shall be to obtain more open and equitable market access and the harmonization, reduction, or elimination of devices which distort trade or commerce." Further, to the maximum extent feasible, modification of agricultural trade barriers is to be undertaken "in conjunction with" the modification of industrial barriers.

An important corollary of this overall objective is found in Section 104 which provides that a principal negotiating objective shall be to obtain, to the maximum extent feasible, taking into account all trade barriers with respect to appropriate manufacturing product sectors and the agricultural sector, competitive opportunities for U.S. exports to developed countries equivalent to those furnished by U.S. markets. As a means of achieving this objective, it is further provided that, to the extent feasible and consistent with the objective of maximizing the overall economic benefit to the United States, negotiations are to be carried out on the basis of appropriate product sectors of manufacturing.

Another principal U.S. negotiating objective is contained in Section 107. This Section sets forth the goal of obtaining agreement on a new international safeguard mechanism which will permit the use of temporary measures to ease adjustment to changes in competitive conditions resulting from the expansion of international trade following international trade negotiations.

Finally, in Section 121, the President is instructed to take such action as may be necessary to bring past trade agreements "into conformity with principles promoting the development of an open, nondiscriminatory, and fair world economic system." A number of areas are suggested for appropriate action, including revision of certain provisions of the General Agreement on Tariffs and Trade (GATT), and revisions pertaining to the adjudication of commercial disputes and the use of special and reverse preferences, subsidies to promote exports or attract foreign investment, and controls over access to supplies.

These overall goals contained in the Trade Act will provide the basis for planning in the Office of the Special Representative for Trade Negotiations. More detailed objectives, consistent with these goals, have been and will continue to be developed for the negotiations. Our negotiations on both agriculture and industry will be carried forward in a number of functional areas including tariffs, non-tariff barriers, sectors and safeguards. In addition, special priority will be given to negotiations on tropical products. Some comments on these subjects are attached.

It will be important throughout the negotiations to seek new solutions to problems that have resisted solutions in the past. This is particularly the case in the field of agriculture. A successful negotiation, therefore, will yield more open markets abroad for our agricultural products.

The achievement of these goals will require extensive and continuing consultation with U.S. industry, agriculture, labor and other economic interests in our country. The Trade Act of 1974 provides an excellent statutory basis for such consultation and I intend to make maximum use of such advice in forming our negotiating plans and in carrying them out. Congressional advice and participation is a *sine qua non* for reaching the high goals outlined above. The Trade Act of 1974 provides the necessary policy and procedures for working with the Congress and I intend to make this partnership a reality.

#### NEGOTIATING OBJECTIVES ON TARIFFS

One of the major objectives of the multilateral trade negotiations will be to achieve further liberalization of tariffs on a basis of mutual benefit. Previous trade negotiations have greatly reduced the relative importance of tariffs as barriers to trade. Overall tariff levels in our major markets abroad are about 35 percent lower today than they were prior to the Kennedy Round of trade negotiations. However, over 60 percent of trade in industrial products among the major industrialized countries remains subject to tariffs, with an overall average tariff of about 10 percent. Overall tariff averages obscure the fact that tariff levels vary significantly among countries and that they remain significant obstacles to trade on many individual products and product categories, including areas such as agriculture and high technology goods in which the United States has a large export potential. Furthermore, tariff averages do not take into account the effects of regional preferential trading arrangements on third country trade, including that of the United States.

One of the principal goals of tariff negotiations will be to increase the potential for United States exports in European markets through the reduction of tariff discrimination inherent in the expansion of the European Community to include the United Kingdom, Denmark, and Ireland, and in the preferential trading arrangements between the European Community and other European and many developing countries. Fifteen years ago, less than 10 percent of all free-world developed country trade was subject to preferential tariffs, that is, duties lower than most-favored-nation levels. Today, over one-half of free-world developed country trade can be considered preferential, with about 75 percent and virtually all the increase of preferential trade accounted for by internal trade of the European Community, the EC arrangements with its Associated States, and bilateral trade agreements between the EC and certain countries. Even though external tariffs of the European Community average only about 8 percent on industrial products, they can have a substantially adverse impact on United States exports given the elimination of tariffs on trade among our major European competitors. Many European rates are also considerably higher than the

average. The reciprocal reduction of tariffs on a global basis is the only long-term effective means within a multilateral trading system to reduce the discriminatory aspects of these arrangements and the diversion of United States exports.

A second major goal of tariff negotiations is to increase the ability of United States exporters to capitalize on their potential for increasing sales in our major non-European markets, particularly Canada, Japan, and Australia. Tariffs in these countries are particularly high on many finished manufactures. Australia maintains duties averaging over 25 percent on manufactures; Canadian and Japanese duties on finished manufactures average about 15 and ~~18 percent~~ respectively. Many United States producers view Canada as a logical extension of our own domestic market but are unable to take full advantage of trading possibilities because of significant Canadian tariff protection on many products. Reductions of duties in these countries to more reasonable levels would enable United States exports of many products in which are highly competitive to expand in these markets.

In some cases, United States producers have faced significant import competition, frequently from developing countries, because restrictive tariff barriers in other industrialized countries have limited imports and thus encouraged exporters to concentrate on the United States market. Another objective of tariff negotiations is to reduce tariffs of other countries on such products, thereby relieving import pressures on domestic producers and workers.

Before the U.S. decides on a negotiating approach with respect to tariffs, we will have the benefit of the advice of the International Trade Commission, the industry, agricultural and labor advisory groups, and the benefit of hearings to be conducted by STR. Offers to reduce U.S. tariffs will not be made before this advice is fully analyzed and possible U.S. offers are weighed against the reciprocal advantages to be gained by reduction of foreign tariffs.

#### NEGOTIATING OBJECTIVES ON NONTARIFF BARRIERS

The United States would like fairer, as well as freer, trading conditions to emerge from the Multilateral Trade Negotiations (MTN). Nontariff barriers (NTBs) is one of the issues where the opportunities for achieving this objective are the greatest.

The GATT Secretariat has classified the more than 800 country notifications on NTBs under 33 categories (attached). For several years working groups have been meeting on these categories with a view to devising solutions. It is not realistic, however, to expect that solutions for all 33 of these categories will be developed, much less agreed. Consequently, it has been decided in Geneva to limit the initial work on nontariff barriers in the MTN to four broad areas. These areas are (a) subsidies and countervailing duties, (b) international standards, packaging and labelling, and marks of origin, (c) quantitative restrictions, including import prohibitions, so-called voluntary export restraints and import licensing procedures, and (d) customs matters, including customs valuation, procedures and nomenclature, import documentation, and consular formalities. While encompassing the bulk of the 33 categories, these areas will limit discussion to manageable proportions. Provision has been made, however, for taking up other topics as negotiations proceed. Additionally, the major area of government procurement, which the U.S. believes should be included in the MTN at the appropriate time, is presently being discussed in the Organization for Economic Cooperation and Development (OECD).

#### *Subsidies and countervailing actions*

The Administration is dissatisfied with the present GATT provisions on subsidies, which fail to provide an effective deterrent to their use. In the first place, these provisions differentiate between primary (mostly agricultural) and non-primary (mostly industrial) products. Secondly, the ban on export subsidies on non-primary products contains no definition of what measures constitute an export subsidy. There is only an illustrative list of practices. Furthermore, this ban applies only when the subsidy results in dual pricing.

The Administration wants to tighten up the present GATT rules. More comparable treatment should be given primary and non-primary products, particularly since some of the principal subsidy problems relate to agriculture. Guidelines on the use of subsidies should be developed and perhaps supplemented by a list of banned practices. The key issue is how far the United States and other coun-

tries are willing to go in limiting subsidies—export subsidies, domestic subsidies that stimulate exports, and domestic subsidies that result in import substitution.

The problem of foreign subsidies involves both imports and U.S. exports. Subsidized exports to the U.S. market can be countervailed against. However, there is no adequate remedy under the GATT with regard to third country markets. Under the present GATT rules an exporting country injured by such subsidization can request the recipient of subsidized products to impose a countervailing duty. However, that country may have no interest in imposing such a duty on its imports. Consequently, the injured exporting country may have to resort to competitive subsidization or retaliation under Article XXIII of the GATT.

The United States objective in this area is to negotiate an international code of conduct to control the use of subsidies and their trade distorting effects. Additionally, this code would provide guidelines for the use of countervailing duties.

#### *Product standards*

Product standards have been given high priority because of their growing importance in international trade, and because of our concern about European plans to conclude regional standards and certification arrangements on an exclusive basis, particularly with respect to electronic components and motor vehicles.

The international harmonization and certification of product standards can facilitate trade. Significant economies can be realized if exports can be designed and tested for a multi-country market rather than for a number of separate national markets with different standards and quality assurance requirements. However, if international harmonization and certification arrangements are exclusive, they can result in technical barriers to trade.

We seek in the negotiations to conclude new rules that would ensure that standards and certification are used to facilitate rather than to impede trade. Such rules would (1) encourage participation in standards writing in international organizations so as to harmonize standards on as wide a basis as possible; (2) encourage participation in international, as opposed to regional, certification arrangements for assuring conformity to standards; (3) formulate rules for regional standards arrangements so that, in standards writing and certification, these arrangements will not operate to restrict the trade of third countries; and (4) formulate rules that should be followed by national standards bodies so that standards writing and certification will not create unjustifiable obstacles to trade.

#### *Packaging and labeling regulations*

The movement in Europe and elsewhere toward the adoption of mandatory container sizes and detailed labeling regulations threatens to restrict U.S. exports. We want the same kind of rules as proposed for governing product standards to apply to packaging and labeling regulations.

#### *Marks of origin*

Complex and confusing regulations concerning the use of marks of origin can have a negative effect on international trade, although the marks of origin *per se* have no demonstrable effect in and of themselves. Accordingly, our objective should not be to eliminate marks of origin, but rather to remove the trade restricting aspects of different national practices through international harmonization.

#### *Quantitative restrictions*

Relatively few, although significant, quantitative import restrictions (QRs) are still imposed on developed countries, the United States wants all such restrictions inconsistent with GATT obligations to be removed. Restrictions inconsistent with the GATT but legally maintained because of waivers or accession protocols would be subject to negotiation—usually on a bilateral basis. The embargo by Canada on imports of used cars and planes is a good example of this category of QRs. We regard voluntary export restraints as safeguard measures and believe that they should be dealt with in the context of new rules on safeguards.

#### *Import licensing*

So-called "automatic" licensing should be abolished. Such licensing is sometimes used to restrict trade and, in any event, constitutes unnecessary red tape that deters trade. We also think it would be useful to develop rules governing licensing used to administer import restrictions that are legally maintained, such

as licensing requirements relating to the protection of public health and safety. (Licensing that is used to restrict trade, i.e., that has the same purpose and effect as QRs, should be dealt with in that context.)

#### *Import documentation*

The cost and red tape associated with import documentation requirements is staggering. The National Committee on International Trade Documentation and the Department of Transportation have estimated that these costs total billions of dollars annually. The Customs Cooperation Council and the Economic Commission for Europe are working in this area but progress is very slow. The United States wants an impetus to be given to the simplification and harmonization of import documentation requirements in the negotiations.

#### *Consular formalities*

The GATT Contracting Parties have in the past recommended the abolition of all consular formalities, i.e., requirements for presentation of commercial documents to consular officers and fees associated therewith. We want these formalities, which are maintained mostly by developing countries, to be abolished as part of the trade negotiations.

#### *Valuation and nomenclature*

Customs valuation and nomenclature have been included at the behest of our negotiating partners. We wish to continue the work of the Customs Cooperation Council (CCC) on development of an international standardized commodity code that will meet modern tariff nomenclature needs. Likewise, we wish to support present CCC efforts to remove the obstacles now preventing the U.S. from considering adoption of the Brussels Convention on Valuation, i.e., to support the CCC objective of broadening the Brussels definitions to include f.o.b. valuation. In MTN discussions, we plan to propose that discussions on valuation be directed toward the establishment of a common modern valuation system. A main topic for discussion in the MTN will be what, and how much, reciprocity will be required to encourage the United States to change its current valuation practices.

#### *Government procurement*

Government procurement systems vary widely in form but throughout the world they all have a "buy-national" bias and constitute major nontariff barriers to trade. GATT provisions are very weak in the area of public procurement. Because the U.S. system is more visible than the informal administrative methods and practices of other governments, the United States has been subject to strong criticism from other countries. The United States has, in turn, been pressing in the OECD for an international code under which governments would open their procurement to foreign suppliers.

We are seeking an international code that will safeguard the existing stake U.S. suppliers have in sales to foreign governments and improve access to the steadily growing public sector markets abroad. In particular, we want a requirement for published regulations, rules to discourage discrimination against foreign firms and products, and limitations on national exceptions from the proposed rules.

It is estimated that the U.S. Government now spends approximately \$7 billion a year on procurement of civilian goods and supplies. All other OECD countries combined spend an equal amount. Thus, a code on government procurement could open up a market of around \$14 billion to international competition. The ability of U.S. suppliers to compete for this procurement would, of course, determine the extent to which we could take advantage of these opportunities.

#### GATT CATEGORIES OF INDUSTRIAL NONTARIFF BARRIERS

1. Government participation in trade and restrictive practices tolerated by governments:

- A. Government aids.
- B. Countervailing duties.
- C. Government procurement.
- D. Restrictive practices tolerated by governments.
- E. State trading, government monopoly practices, etc.

2. Customs and administrative entry procedures :
  - A. Antidumping duties.
  - B. Valuation.
  - C. Customs classification.
  - D. Consular formalities and documentation.
  - E. Samples.
  - F. Repayment of duties.
  - G. Customs formalities.
3. Standards :
  - A. Industrial standards.
  - B. Health and safety standards.
  - C. Other standards concerning product content.
  - D. Requirements concerning marking, labelling, measurement and packaging.
4. Specific limitations :
  - A. Quantitative restrictions and import licensing.
  - B. Embargoes and other restrictions of similar effect.
  - C. Screen-time quotas and other mixing regulations.
  - D. Exchange control.
  - E. Discrimination resulting from bilateral agreements.
  - F. Discriminatory sourcing.
  - G. Export restraints.
  - H. Measures to regulate domestic prices.
  - I. Tariff quotas.
  - X. Others.
5. Charges on imports :
  - A. Prior import deposits.
  - B. Surcharges, port taxes, statistical taxes.
  - C. Discriminatory film taxes, use taxes, government controlled insurance rates, etc.
  - D. Discriminatory credit restrictions.
  - E. Variable levies.
  - F. Border tax adjustments.
  - G. Emergency action.

#### NEGOTIATING OBJECTIVES FOR SECTORS

A principal U.S. negotiating-objective under the Trade Act is to obtain, to the extent feasible, equivalent conditions of access, taking into account all trade barriers, with respect to appropriate product sectors of manufacturing and the agriculture sector. Further, as a means of achieving this objective, the Trade Act requires that, to the extent feasible and consistent with the objective of maximizing the overall economic benefit to the United States, negotiations are to be carried out on the basis of appropriate product sectors of manufacturing.

Any work on sectors in the negotiations is very much related to the formulation and implementation of general rules and procedures applying to the negotiation of tariffs and nontariff barriers. It will not be possible to determine the feasibility of using the sectoral negotiation technique without knowing what kind of rules of general application may be adopted.

The U.S. position has been that work on sectors should proceed in parallel with that on tariffs and NTBs. Accordingly, now that an initial work program has been set forth in these latter areas, the Administration is in the process of developing a more detailed position on sectors.

We are giving priority attention to the identification of product areas where the sectoral negotiating technique may be appropriate. For this purpose, our basic point of departure has been the list of sectors which the Finance Committee has identified as appropriate for this purpose. It will be our objective to reach agreement with our trading partners that priority attention should be given to the sectors on our final list, as well as perhaps additional sectors of interest to others, for purposes of having the GATT Secretariat carry out an examination of these sectors which will provide a common basis for further work. We will, of course, wish to hold open the possibility of modifying this list in the future in light of input from the private sector and developments in the negotiations.



We have requested each of our Industry Sector Committees to consider whether a sectoral approach would in their view be advantageous. We intend to approach sectoral discussions with the maximum degree of advice from and participation of U.S. industry.

*Negotiating objectives on agriculture*

I am very keenly aware of the disappointment in our agricultural community with the outcome of the Kennedy Round insofar as liberalization of trade in agriculture is concerned. New approaches are required in this negotiation if major progress is to be made this time. The Trade Act of 1974 provides scope for such new approaches.

Similar to our objective in the industrial area, one of the principal objectives of reducing tariffs and attacking nontariff barriers in the negotiations should be to obtain a more open and orderly trading system for agricultural products. In the past, governments have generally been unwilling to consider substantive trade liberalization for fear that this might reduce their ability to achieve such domestic objectives as food price and income stability.

Another important objective is the harmonization, reduction, or elimination of agricultural trade barriers and distortions in conjunction with the harmonization, reduction, or elimination of industrial trade barriers and distortions. While we have flexibility under the Trade Act in how we obtain this objective, it is important that agricultural trade be liberalized along with industrial trade.

The mutual benefits of economic interdependence are becoming increasingly understood. Because of this interdependence there is a need to develop some understandings or rules on the use of trade measures during periods of both surplus and inadequate food production. Consuming countries wish to be assured access to sources of supply during periods of inadequate production while exporting countries are interested in access to markets, particularly during periods of surplus production. Rules are needed to guide the orderly expansion and liberalization of world agricultural trade. The development of such rules is another important objective which we will pursue in the negotiations.

*Negotiating objectives on tropical products*

One of the principal aims of the developing countries in the trade negotiations is to achieve solutions to problems affecting their exports of tropical products. An important objective of the Trade Act is to promote the economic growth of developing countries and to expand mutual market opportunities between the United States and developing countries. The Tokyo Declaration underscores the importance of these negotiations to the economic progress of the developing nations. A major U.S. objective in this sector will be to assure that special and priority attention is accorded to the tropical products negotiations as called for in the Tokyo Declaration. We will wish to assure that meaningful and substantial progress toward trade liberalization is made at the earliest possible date.

NEGOTIATING OBJECTIVES ON A MULTILATERAL SAFEGUARD SYSTEM

One objective of the United States in the multilateral trade negotiations is to assist the lowering of trade barriers by developing an improved international safeguard system which will provide agreed procedures to follow and agreed measures that countries may take when particular domestic industries suffer injurious import competition. The objective is a system adhered to by all major trading countries. The safeguard system should govern the safeguard actions taken by these countries, thus putting them all on an equal basis with respect to the availability and conditions for recourse to safeguard actions. It should provide a greater degree of harmonization of safeguard practices and a framework countries can turn to assured of a greater degree of common acceptance.

The present multilateral safeguard system under GATT Article XIX has not worked well. Major trading countries, including the United States, have restricted imports with inadequate reference to the GATT. The absence of a functioning international safeguard system exposes all countries to arbitrary decisions by other countries. The lack of adequate international discipline in this area will become intolerable for all countries as trade barriers are liberalized further and imports increase. A new multilateral safeguard system is needed with established rules and procedures which countries will adhere to in practice as well as in theory.

Some international discussion of multilateral safeguard mechanisms has already taken place in the OECD and GATT. While these were useful preliminary explorations, the major discussion of a new multilateral safeguard mechanism will take place in the multilateral trade negotiations. In this regard, a safeguards group has been established. The safeguard group first met in Geneva on October 17-18, 1974, to begin preparatory technical and analytic work. The discussion was broad, and no attempt was made to reach agreement on the shape of a new multilateral safeguard system.

The Group did agree on the U.S. delegation proposal that work proceed in two phases and on the necessity for a survey among the participants on their safeguard practices. In the first phase, the Group is conducting a thorough study of the present system and the practices of participating states in order to identify the defects in the current system. The survey deals with protection against import injury, including use of Article XIX, voluntary export controls, and restrictive industry-to-industry agreements, and, in conjunction with other information available to the GATT Secretariat, forms a base for Phase I discussions.

In the second phase, the Group will develop the elements of an improved safeguard system. Some basic concepts to be examined in the second phase of the discussions include:

(1) *Procedure*.—retention of formal amendment of Article XIX or supplementing Article XIX with a complementary protocol applicable only among adhering countries;

(2) *Injury Criterion*.—retention of the serious injury test, replacement with a new test, or retention with redefinition or clarification;

(3) *Import Relief*.—preferred forms of relief (e.g., tariffs rather than quotas or rolling back imports or slowing the rate of growth), and duration (e.g., time limits and phasing out);

(4) *Adjustment*.—the required role of internal adjustment associated with import relief and the Government's responsibilities in this regard;

(5) *Nondiscrimination*.—retention of the MFN rule, replacement with a new concept, or modification of the MFN rule in particular circumstances or to meet the needs of developing countries;

(6) *Notification and Consultation*.—retention or strengthening of existing obligations; and

(7) *Dispute Settlement*.—necessity for a new mechanism and functions of any such mechanism.

Consistent with the work program of the Group, the Administration is currently devoting its attention to providing necessary information to the GATT Secretariat regarding U.S. safeguard practices and to analysis of defects in the present international safeguard mechanism. Analysis of the second phase concepts within the Administration is just beginning and must necessarily be based on any conclusions derived from the discussions in phase one.

Secretary DENT. Senator, it is clear that the Office has access to the President. He has established the Economic Policy Board, which focuses economic issues for his consideration. And I think it is clear that his style of operation is to provide access to those who wish to bring matters to him, and consequently, we intend to work on this basis.

I would point out that there has to be a relationship with certain departments because of the size of the Office. For instance, starting in June last year in the Commerce Department, we organized in conjunction with Ambassador Eberle the Industry Policy Advisory Committee, about 22 chief executive officers, and under them 26 separate industry sector advisory committees consisting of 500 individuals. We would give the technical support to this. There will be a similar setup for Agriculture and Labor. So that to this extent we depend on the interrelationships of other departments, because of the size of the Office, for continuing input.

But, of course, the advice that comes through there then is dealt with in the Office of STR.

The CHAIRMAN. Now Mr. Secretary, the law says that the Special Trade Representative reports directly to the Congress, as well as to the executive.

Now I am all too familiar with the situation that exists and which will exist in the handling of your responsibility, and I will do what I can to help you do that job the way the law intends, but it is not an easy job. We have a strong Secretary of State. He is a very able man, and I think he is a great American. But I think you will find that the Secretary of State, in the exercise of his responsibility working for world peace, will want to be making commitments in the economic area.

Now historically, at least as far back as I can recall, it has been a tendency in the State Department to seek to go through the White House to affect the conduct of these independent agencies, and it may very well be that we ought to make some trade concessions to someone or give someone a trade consideration in return for some other foreign policy objective. But if that is to be done, it seems to me it should be done out in the open, we should know about it, because I have no doubt that it will sit very poorly with the Congress if a trade agreement comes back in here that cannot stand on its own economic basis—that has to be justified on the basis of some foreign policy consideration.

As a Senator I have on occasion supported administrations—Republican and Democratic administrations—when they sought to take certain foreign policy aspects into account in trade matters. There come times when we are justified in taking such steps, but I just say if it is to be done, it ought to be done with this Congress and this committee knowing about it. It should not be done on the basis that here is an agreement that on the face of it cannot be defended very well, and it is based on some foreign policy consideration about which the Congress has not been informed.

Now you are going to have a difficult job, in my judgment, resisting the pressures from the State Department, which I think will come to you by way of the White House from time to time, in doing your job the way you think that the economics of this matter should be handled.

I simply insist that under law this committee should be informed, the House committee should be informed, and we ought to be partners in whatever endeavor you try to work out with our trading partners around the world.

Secretary DENT. I subscribe to your partnership philosophy and also, as I mentioned earlier, the concept that nothing should be brought back to this committee that is going to fail. It is not in our national interest to do that.

The CHAIRMAN. With the exception of the President himself and the Secretary of State, I think you are going to have the most difficult job in this Government during the next five years, Mr. Secretary, and I wish you all of the luck in the world in that undertaking.

Secretary DENT. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

Mr. Dent, I think our Government is fortunate to have a man of your ability and integrity in high public office. I am pleased with

your new assignment. As the chairman indicated, I think it is one of the most important in Government. I supported the Trade Reform Act but not with much enthusiasm. Whether it is going to be helpful to the American people will depend upon the ability of the individual who will be our Chief Trade Negotiator. And for that reason, I am very pleased that you have that assignment.

I have only a couple of questions. One of the characteristics of a good negotiator is a willingness to walk away from the table if the proposal before him is on a take-it-or-leave-it basis, not really in the U.S. economic interest.

Would you be willing to just tell our foreign negotiating partners that we would rather not conclude a one-sided deal against the United States, rather than sign an agreement just for the sake of obtaining an agreement?

Secretary DENT. Absolutely. If it is not in the economic interests of the United States, we certainly should not pursue the matter.

Senator BYRD. Could you briefly describe to the committee the objectives with which the United States intends to achieve in the upcoming bilateral trade negotiations in Geneva? I am interested in U.S. goals with respect to both tariff and nontariff barriers.

Secretary DENT. The objectives are clearly outlined in the legislation, dealing first of all with a reduction of tariffs to increase economic opportunities abroad, as well as the reduction or elimination of nontariff barriers.

In addition, we seek more secure access to supplies which we require from foreign countries. And finally, we hope to review the GATT rules and regulations to update those, since they have not been addressed since they were originally subscribed to, to modernize this system of controlling international trade through the GATT.

Senator BYRD. Thank you, Mr. Secretary. I am pleased to support your nomination. I wish you the best of luck.

Secretary DENT. Thank you very much, Senator.

The CHAIRMAN. Let me explain our order. We are proceeding here by the early-bird rule. The first man in the room gets to ask the first question and the next man in line is the Senator from Wisconsin, Mr. Nelson.

Senator NELSON. Thank you, Mr. Chairman.

In a general way, what, finally, is the authority of the Special Trade Representative in making decisions on various trade agreements? What is the dimension of your authority?

Secretary DENT. The dimensions of the authority is established in the law to conduct negotiations and to reach agreement on behalf of the United States. Of course, this agreement, as we have discussed earlier, must stem from advice and hopefully consent of the Senate and the House in consultation with the private sector and a review of the authority by the President before initiating these agreements.

Senator NELSON. The question of industry representation was raised when Mr. Eberle was working with us on the Trade bill. At that time the statement was made that in negotiations with Europeans, the industry, whether it was agriculture or some other segment of industry, sat with the trade negotiator in his negotiations on the European side. At least that was alleged to be the case.

Is that correct?

Secretary DENT. In certain instance. I know during the Kennedy round I had a friend from one of the European countries who had a representative of industry who sat with him. I do not know how widespread the practice is.

Senator NELSON. How do you view your relationship with the industry representatives who will be consulted and will be advisers respecting various aspects of trade negotiations within the spheres that they represent? What will that relationship be?

Secretary DENT. Well, the relationship is one strictly of advice and they are not permitted, as I understand it, to enter into the negotiating room. They can be in the environs and one can consult during negotiations. But they cannot go directly into the negotiating area.

Senator NELSON. But they would be consulted at each stage of the negotiations respecting their viewpoint, at least, or the proposals that are on the table.

Secretary DENT. They would continue in advice and that depends on their willingness to be at hand or their availability by telephone.

Senator NELSON. To get to a specific case that has been troublesome, let us turn to the dairy industry. A couple of years ago, as you recall, there was the publicity on the so-called Flanigan plan, which, in essence, was interpreted as a plan by which the dairy industry would be sacrificed, so to speak. In other words, dairy imports would be accepted in substantial amounts in order to create a proper balance of payments with a European country for their acceptance of other goods, some in the field of agriculture, since we export grains and they, generally speaking, do not. Canada, the United States, Australia, and New Zealand are the grain countries, whereas the one thing that all European countries have available to export are dairy products. I think without exception, even including England, they have cheeses to export. This matter concerned, and properly so, the dairy industry and it raised a considerable political fuss all across the country.

Well, in the course of developing the bill, as you know, we drafted a much tighter, much more stringent, section on countervailing duties. And what had concerned many, including the dairy industry, as one I think that had been offended against the most, was that we had a countervailing duty statute for a half century, and yet country after country, including the European Common Market countries and Australia and others, subsidized imports or exports into this country at prices under their own domestic market, undermining the American market. And that went on for years and years and nothing happened.

So the classic case that occurred in the middle of the consideration of the trade bill was the massive importation into this country under Executive order, in the first quarter of 1974, of 100 million pounds of dairy products, cheese, at a time precisely when we had 400 million pounds of cheese in domestic reserves. This importation policy had the effect of flooding the market, brought to bankruptcy many small cheese processors and near-bankruptcy others and was considered a totally irrational thing to do. And to this day nobody has even been able to give an explanation of why we would lift the barriers and allow 100 million pounds of subsidized cheese to flood into our market at a time when we, in fact, had a surplus of reserves of 400 million pounds of our own. It was disastrous to the whole industry.

So the statute was drafted, as you know, very tightly and the mem-

bers of the European Common Market, which have been the big offenders, unilaterally announced last year that they were going to suspend their subsidies. So during the course of consideration of the Trade Act, they did suspend their program of subsidizing dairy products into the American market.

Now they have announced that they are going to resume subsidizing the imports, and rumor has it, I think fairly well founded, that the State Department is telling the Agriculture Department not to impose countervailing duties, because that would upset negotiations with the Europeans and because the Europeans have modified their subsidy program and subsidies are not as substantial and large as they were. But nevertheless, they are subsidized imports coming in at a time when the dairy industry is in almost a total state of collapse, particularly in the biggest producing States, such as Minnesota and Wisconsin.

So the argument now seems to be we should not impose countervailing duties, though that is what the statute says, and though we were advised by Mr. Eberle that that is what would happen when they resume.

My question is will you recommend imposition of countervailing duties against the current resumed program of the European Common Market to subsidize dairy imports into the United States.

Secretary DENT. Senator, as you know, the authority to impose countervailing duties rests with the Secretary of the Treasury.

Senator NELSON. I asked you whether you would recommend.

Secretary DENT. Well, he makes the recommendation to the President. I certainly would want to review the record. If Ambassador Eberle has made a commitment, as I indicated earlier, I think that his commitment, if within the statutory authority, should be honored.

Senator NELSON. Well, I think this is the first big test case right now. The European market suspended subsidies—this was the area in which the statute was drafted very carefully. They have now announced that they are going to resume subsidizing their products into this market. Our farmers are going bankrupt daily, and I think the test question of whether or not the whole statute is going to work is right here, today.

So if you are not prepared to answer now, I would like to have you review the situation and let us know at least what your advice would be. Traditionally, not only dairy but all kinds of industries get sacrificed because there is some foreign policy consideration that concerns the State Department, and the State Department has been able to prevail even though it was, if not a violation of the letter of the law, a violation of the spirit of the law. I think this is a test case to find out whether we are really going to have a Foreign Trade Act that functions or not, and I would hope that we would review that.

I do not expect you to answer all of these things off the top of your head. Review it, and let the committee know what at least your opinion of the situation is.

Secretary DENT. I would be glad to.

[NOTE.—No specific response was made by Ambassador Dent to the question of Senator Nelson. However, pursuant to section 303(e)(1) of the Tariff Act of 1930, the following letter was transmitted by Assistant Secretary Macdonald to the President of the Senate concerning the action taken by the Administration on the Countervailing Duty investigation in question.]

THE DEPARTMENT OF THE TREASURY,  
Washington, D.O., June 16, 1975.

DEAR MR. PRESIDENT: On May 19, 1975, the Treasury Department published in the *Federal Register* actions under the Countervailing Duty Law (19 U.S.C. 1303) (Exhibit A) with respect to imports of dairy products from member states of the European Economic Community including France, the United Kingdom, West Germany, Luxembourg, Ireland, the Netherlands, Denmark, Italy and Belgium. The notice of countervailing duties to be imposed stated that "bounties or grants" are being paid on the exportation of certain dairy products from EC countries. The accompanying notice of waiver indicated that the imposition of countervailing duties is being waived for a temporary period not to extend beyond January 3, 1979, under the criteria of Section 331(d)(2) of the Trade Act of 1974. Under Section 331(e) of the Act, whenever the Secretary makes a determination under Section 331(d)(2), he must promptly transmit to the Senate and the House of Representatives a document setting forth the determination, together with the reasons therefor.

On February 6, 1975, the European Community re-introduced export restitution payments on certain cheeses destined for the United States. Restitutions on other dairy products, including Cheddar cheese remained suspended. All such payments had been suspended since at least July 1974. The new restitution payments were, in all categories, reduced by from 8% to 56% from those in effect at the time of the July 12, 1974 suspension (See Exhibit B (Commission Reg. 287/75)). The EC further informed United States Government officials that restitution levels would be set so as to maintain certain price relationships between EC and U.S. cheeses, and that these relationships would insure that the EC products would not undercut U.S. prices. Furthermore the EC Commission stated that there was no intention to "market aggressively" in the U.S. The Commission was prepared to consult with respect to the price gaps. Based on these steps, the EC Commission indicated that in its judgment the EC had met the statutory criteria of Section 331(d)(2) and that the Treasury should conclude that adequate steps had been taken to reduce substantially or eliminate the adverse effect of such bounties or grants, and waive the assessment of countervailing duties under Section 331(d)(2) of the Trade Act of 1974.

On February 14, 1975, the Treasury Department published in the *Federal Register* a Notice of Preliminary Determination that bounties or grants were being paid or bestowed on EC dairy products (Exhibit C). The Notice invited interested parties to submit written views within a period of 15 days.

After extensive consultations with representatives of the U.S. dairy industry, certain Members of Congress, and, after discussing all issues related to the exercise of the waiver with other agencies of the Executive Branch, including the Department of State, the Department of Agriculture, and the Office of the Special Representative for Trade Negotiations, the Treasury informed European Community officials that the steps taken thus far were inadequate to meet the statutory criteria. Additional discussions were held as a result of which the Commission further agreed to suspend restitution payments on the following cheeses: Colbey, Monterrey, industrial cheese for processing (Danish block), Emmentaler and Gruyere. By eliminating restitution payments on these cheeses and maintaining the suspension on Cheddar, all of which are used for processing, the major concern of the U.S. industry with respect to subsidized competition from EC cheeses was eliminated. These actions by the European Community along with the actions of February 6 previously described, and the understanding that suspended restitutions would not be reinstated without prior consultations, provide the major part of the basis for waiving assessment of countervailing duties on the higher priced specialty cheeses that continue to receive restitution payments.

In summary, the Secretary of the Treasury has concluded, with the advice and concurrence of the Secretary of Agriculture, the Secretary of State and the President's Special Trade Representative, that the criteria of Section 331(d)(2) of the Trade Act of 1974 have been met because: (A) adequate steps (as outlined above) have been taken to reduce or eliminate the adverse effect of the bounty or grant; (B) ongoing negotiations in Geneva indicate there is a reasonable prospect that trade agreements with foreign countries providing for the reduction or elimination of barriers to international trade can be reached; and (C) given the central role the European Communities must play in the negotiations, and the importance within the Community of agricultural policies the imposition of the

counter-vailing duties on EC dairy product imports would be likely to seriously jeopardize the satisfactory completion of the trade negotiations.

Sincerely yours,

DAVID R. MACDONALD,  
Assistant Secretary,  
*Enforcement, Operations, and Tariff Affairs.*

Senator NELSON. Thank you, Mr. Chairman.

Senator BYRD [presiding]. Senator Brock.

Senator BROCK. Thank you.

Mr. Secretary, I must say I view this nomination with mixed emotions. I hate to see you leave the Department of Commerce, but I am delighted to see you accept this responsibility, and I share the feeling with some of my colleagues that you have a much tougher and perhaps a great deal more important job, insofar as this Nation is concerned in the longer term. It is a job that is impossible to perform in a manner satisfactory to all parties, so I wish you the wisdom of Solomon in trying to do what is best for the Nation as a whole.

I share the concern of the Senator from Wisconsin, particularly as it relates to dairy products. I also share an awful lot of other concerns that you have expressed an interest in previously, the shoe industry, and the textile industry. The reason we wrote the Trade Act was to increase our flexibility and ultimately hopefully to achieve a more balanced situation with regard to international trade. But also to be sure that we were in a position to utilize the broader range of tools to cope with actions that were not in interest of this country, either those proposed by other nations or perhaps by our State Department on occasion.

You expressed in 1970 support for import quotas on textiles and shoes particularly because at that time it appeared as though, if I remember correctly, there was no prospect of negotiating an agreement. Now, we are back in the process of trying to negotiate international agreements, particularly with regard to footwear. I gather it would be very difficult for you to make a commitment, but I would like your comments.

If really intensive efforts in this area should continue to be unsuccessful, and if you should come to the conclusion that there was no prospect of success, would you then support some legislative remedy, such as quotas?

Secretary DENT. Well, it seems to me that the Trade Reform Act of 1974 does give authority which can resolve the problem through various negotiating means or actions on the part of our Government to avoid the necessity for additional legislation.

Senator BROCK. Now, that is a basic point, Mr. Secretary. We did intend to give to the executive additional tools to deal with these problems, and what I am really saying is, if in your view we were simply at a total impasse, and could not, by negotiation, resolve a situation of inequity, would you then be fully supportive of the utilization of all those additional tools that are available to protect us from unfair treatment?

Secretary DENT. Well, Senator, I think it is such a long way down the road, to fully try to use all the tools provided in this new legislation to reach down and say that none of them can possibly work and at this time think about additional legislation—

Senator BROCK. I am not speaking of additional legislation, Mr. Sec-



retary, at this point. I said would you be reluctant to use all of the tools that are now available?

Secretary DENT. Oh, it is clearly the intent of the Congress in providing tools, that they should be used, and that is the full panorama of the act that we must deal with.

Senator BROCK. That is what I am really asking. That is consonant with your previous stand. I just wanted to be very sure of your attitude. There are going to be situations in which the power of persuasion fails through verbal negotiations, and you are going to have to take additional steps. I do not want us to be reluctant to do whatever is necessary to insure that equity is achieved for the working people and the marketplace.

Secretary DENT. Well, it is clear to me the intent of the Congress must be carried out as it has been expressed in this legislation.

Senator BROCK. Very good. I look forward to your service, and I thank you for accepting the responsibility.

Secretary DENT. Thank you very much, Senator Brock.

The CHAIRMAN [presiding]. Senator Mondale.

Senator MONDALE. Thank you very much.

Mr. Secretary, Senator Nelson raised several questions about the Trade Act as it relates to dairy products. This is a matter of special concern, not only to us coming from a dairy-producing region, but also because of the history surrounding the Common Market, the common agricultural policy, and their open, notorious subsidies and dumping of dairy products in the United States. It has been almost a classic example of a tactic which is I think at violence with our idea of civilized trade.

It is also a matter of importance because as you know under GATT the countries which have price support systems for agricultural products are entitled to protect themselves from dumping, lest their price support system become the world price support system.

I think it is obvious that if they dump dairy products in the United States, we are going to build up surpluses, and surpluses will go into the Federal reserves. Taxpayers have to pay for that, and thus for several different reasons I think it is very important that you have clearly in mind what the law says, what commitments were made and the significance of making certain that the law is enforced.

Now, I do not intend to go over that, because I understand that Senator Nelson explored that rather thoroughly, and I think you are quite aware of the commitments made by the Treasury and so on with respect to countervailing and also aware of the fact that right after the Trade bill passed, the Europeans reinstated the subsidies which they had temporarily suspended, a strange coincidence.

But I would like to ask how you propose in the negotiations to maintain a working relationship with agricultural interests, grain, dairy, bread?

Secretary DENT. Well, Senator, I have already mentioned that in anticipation of providing full industry advice, we organized—the Commerce Department along with Ambassador Eberle—the Industry Policy Advisory Commission of 22 leaders, and then the 26 secondary advisory committees going back as far as last June. We would hope that within the agricultural sector we would organize a similar policy advisory committee and a sector specialist and can provide the expert knowledge, recommendations on a continuing basis throughout the

negotiating period, and the idea of being sure that the office in Washington and the office in Geneva have an equal amount of information as provided by the private sector either here and transmit it, or if some would like to go over there and be on hand, it can come directly, so I think it is very important within the spirit and letter of this law to see that we have continuing advice.

Senator MONDALE. I appreciate this. It may not be a question you can answer, but as you develop your staff and your top assistants in preparation for these talks, would you give consideration to the possibility of—and I have no one in mind—of trying to find somebody who has specialized in grain and dairy problems who can be close in on a staff basis to assist you in what is really a complex and difficult field?

Secretary DENT. It certainly is complex, and we need a great deal of help in dealing with it.

Senator MONDALE. Somehow that sentence did not close the way I wanted it to.

Secretary DENT. Well, naturally we will try to build the best team of advisers that we can have.

Senator MONDALE. I am not trying to pin you down to a person. I do not have anybody in mind, but there is a feeling, as you know, that there is nothing to farming. All you do is take somebody who dropped out of the eighth grade and has got nothing else to do, and he starts farming.

Actually, farming is enormously complicated, and the farm economy all across the board takes the lifetime of a skilled person to understand, and we are anxious in these talks that the interests of rural America are not just subject to hunch and quick-up to speed briefings. We would like somebody on that staff who really knows it, and who is plugged into the complexity and to the spokesmen in this field, so that we are sure there is an input at the staff level, which I think would be helpful to you.

Secretary DENT. There is no question that we need a broadly based group. The only reason that I equivocate in any way is, as you know, this entire staff numbers about 45 people, and that includes the clerical help as well, so that we have to be very careful in building a team to see that we have all of the bases covered.

As far as agriculture is concerned, I spent a working life in conjunction with a very important aspect of that—the cotton industry, bought and sold and worked with procedures and all of the various elements of that, so I have some insight into agricultural problems, its complexity and its international implications.

Senator MONDALE. Senator Dole assures me we have gotten all we are going to get out of you.

On Canadian relations, one of the things that has been increasingly impressive to me is the low level of concern for U.S.-Canadian relations, despite the fact that they are the largest trading partner that we have—people forget, that—much larger than any other country, and that they are the largest source of oil, and while we concentrate on Abu Dhabi and this and that, the Canadians are terribly important to this country, and I think we are very important to Canada.

But I do not see—and as a matter of fact, I think I know what I am talking about—a level of concern, of sophistication, of dialog between this country and Canada on crucial matters of trade, whether it is energy, tariffs, or whatever, that our mutual relationship deserves. Could you give us some expression of your viewpoint about the importance of the relationship?

Secretary DENT. Yes; there is no question—they are not only our largest trading partner, but we have our largest private non-U.S. investment in Canada.

As you have indicated, oil and natural gas from Canada are very important to our country. There is no question that our relationship with them is extremely important, and we should work very closely with them. They also are major world agricultural exporters, as we are, particularly in the grain area.

Senator MONDALE. Now, in these talks, of course, we will be trying to reach international agreements, but I think it is also important that there be a dialog undertaken between you and the Canadian representatives about special problems that affect our two countries, and I hope that that would occur during these talks.

Secretary DENT. Yes, Senator. As a matter of fact, one of my colleagues in the Commerce Department just returned from Geneva last weekend, and he and others met with Canadians and some of the other leading negotiators, and I think the dialog between Canada and the United States has started, along with other major trading partners.

Senator MONDALE. Thank you very much.

The CHAIRMAN. The Senator from Kansas, Mr. Dole.

Senator DOLE. Thank you, Mr. Chairman.

I only have a couple of questions, and they sort of follow up those of Senator Mondale.

First, I commend you for accepting this tremendous responsibility. We look forward to working with you in the next couple of months. It will be a very difficult job.

I have just been handed a directive to the European communities. I ask this entire document be made a part of the record, Mr. Chairman, if there is no objection.

The CHAIRMAN. Without objection, it is so ordered.

[The directive referred to follows: Oral testimony continues on p. 40.]

European Communities  
The Council

Brussels, January 16, 1975,  
1/31/75 (CoS 1).

#### NOTE

Subject: Draft directives for the GATT multilateral trade negotiations—Outcome of the discussions of the Article 113 Committee.

1. The Article 113 Committee (full members) re-examined, on 13 and 14 January 1975, the draft directives drawn up on the basis of the Commission communication to the Council dated 23 October 1974.

The Committee was able to reach agreement on compromise proposals for certain problems which had, up to that point, given rise to difficulties between the delegations from the Member States. On certain other problems, however, the Committee noted that there were still fundamental differences of opinion and that these problems would therefore have to be submitted to higher authority for decision.

2. These fundamental differences concern:

(A) On tariff matters—whether the Directives should set a figure for the extent of the average reduction to be worked out in the course of negotiations.

(B) *Agriculture.*

(I) The stockpiling mechanisms proposed by the Commission as the essential element of the commodity agreements to be negotiated.

(II) In the case of the agreements on sugar and rice, the need to provide for the possibility of imposing on the producer countries certain commercial disciplines (export quotas).

(III) Procedures for the joint disciplines to be negotiated on products other than those subject to international agreements.

(IV) Specific negotiating body for the agriculture sector.

(C) The safeguard clause.

(I) The principle of selective application.

(II) Possible connection between the application of the safeguard clause and internal measures for the adaptation of production patterns.

3. The full range of results of the Article 118 Committee's discussions are reflected in the revised version of the draft directives set out in the Annex to this document (which also indicates reservations and alternative wording in those cases where an agreement was not reached by the Committee).

The points made by the delegations and the Commission representative in connection with the fundamental differences referred to above are summarized below.

#### A. TARIFF

The case for setting a figure for the average reduction.

1. The Commission communication states that the "significant lowering" of duties provided for in the overall approach should be of the order of an average reduction of between 25 and 50%.

On this point:

2. The French delegation considered that the "significant lowering" could only be brought about as a result of applying the harmonization formula to be selected. While this formula was still being worked out it did not think it wise to decide on an average reduction and set a figure to it. This might prejudice the Community's negotiating position and prove, in practice, incompatible with the essential objective of the harmonization;

3. The other delegations stressed that according to the overall approach the Community's objective in the tariff negotiations was "harmonization" and "a significant lowering", the two being of equal significance. They thought that what was meant by the "significant lowering" should be demonstrated immediately by indicating the average reduction bracket sought in the negotiations. Moreover, it would facilitate the choice of a harmonization formula when the time came.

Some of these delegations, which had been able to accept the Commission's most recent proposal by way of compromise, said that if unanimous agreement could not be reached on this proposal they would be forced to return to their original position and request a higher average reduction bracket (33% to 50%) and a minimum reduction of 60% for higher rates of duty.

#### B. AGRICULTURE

##### I. INTERNATIONAL COMMODITY—STOCKPILING MECHANISMS

1. It emerged from the Committee's discussions that the main problem here concerned the role of a stockpiling policy in international agreements.

2. It should be remembered that in the Commission's proposal (see paragraphs 9 to 20 of the chapter on agriculture), stockpiling and de-stocking mechanisms represent the principal means, in the international agreements to be negotiated, of regulating supply and consequently stabilizing the market.

The Commission therefore proposes that in the case of agreements on cereals the stocks held by the various countries participating in the agreement should be jointly administered, the criterion for setting in motion the stocking and de-stocking operation being the evolution of market prices in relation to a target price to be fixed in the agreement.

In the case of agreements on sugar and rice, the Commission proposes that stocks be administered and financed by an international body.

3. The German, United Kingdom and Italian and, to a certain extent, the Danish delegation, expressed reservations with regard to the proposed mechanisms.

The German, United Kingdom and Italian delegations said they were, of course, prepared to adhere to the procedure laid down in the overall approach, which provided for the negotiation of a price mechanism (maximum and minimum prices) accompanied by storage measures [see I/185/78 (COMER 42) page 20, point 4], but objected to the overriding role accorded by the Commission to stocking mechanisms both nationally and internationally.

The German and United Kingdom delegations wondered, in fact, whether international agreements based predominantly on a price mechanism, enforced where necessary by commercial measures (including export quotas, if necessary) would not be a more appropriate method of stabilizing markets. Where such a mechanism was introduced stockpiling measures should only be envisaged as a last resort. The disadvantage of the stockpiling mechanisms proposed by the Commission as principal instruments of stabilization was that they would lead—depending on the evolution of market prices in relation to prices fixed in the proposed agreements—to frequent and almost automatic intervention on the part of the bodies responsible for stockpiling and would thus make the system somewhat rigid. Moreover, this system would raise the problem of financing stocks and the additional cost which this might involve for the Community and its Member States.

The Italian delegation considered that the stockpiling mechanisms proposed by the Commission would not be sufficient to attain the objective the Commission had set itself, which was to stabilize world markets by improving supplies. It remarked that if the mechanisms proposed were not accompanied by very precise conditions to ensure that producer countries, in a circumstance which remained to be defined, observed certain disciplines regarding production, they might result in the stockpiling policy having increased financial costs which would have to be met by the industrialized countries and in particular the Community and its Member States, without being able to offer genuine guarantees that supplies on the world market could be stabilized.

The Danish delegation could accept a stockpiling policy based on concerted administration of national stocks, but expressed reservations about a policy which provided that stocks should be administered and financed by international bodies.

4. Generally speaking and in view of their position on the mechanisms proposed by the Commission, the German, United Kingdom and Italian delegations thought that at this stage of the negotiations it would be premature to define the mechanisms of the agreements in detail. It would be enough in an initial directive, to indicate the type of agreement envisaged and the essential principles involved, since the Community would be stating its ideas in more detail at a later stage of the negotiations depending on how they developed and the reactions of the other partners.

5. The other delegations and Commission on the other hand felt that Commodity agreements were an essential part of the Community's proposals for the negotiations on agriculture. The Community should therefore be in a position to approach these negotiations with clear and consistent ideas on this particular point.

Regarding the objections to the proposed mechanisms [see 3 above], the Commission representative, supported by other delegations, pointed out that past experience had shown [cf. agreement on cereals negotiated in the Kennedy Round] that an agreement based solely on a price mechanism was not viable in a period of acute imbalance between supply and demand on the international market. Provision should therefore be made, if the commodity agreements were to be made operational and effective, for a stockpiling mechanism linked to a price mechanism, as the Commission proposed. Only measures for stockpiling and running down stocks which depended on the evolution of world prices would be an appropriate method of stabilizing world markets. The Commission representative also noted that an approach which was designed to improve offers by limiting production would not be in line with the provisions decided upon by the Council when it adopted its overall approach [see Statement No. 4 written into the Council Minutes—I/185/78 (Comer 42) (Annex II)].

The Commission representative thought that the cost to the community of the stockpiling measures envisaged need not necessarily be higher than the cost of current policies, account being taken of increases and decreases in the world

prices recorded. Moreover, the system advocated by the Commission had the advantage that certain industrialized countries which had traditionally been importers would share in the cost of financing the stockpiling policies envisaged. Finally, it went without saying that during the negotiations themselves the Community would have to satisfy itself that the mechanism adopted was genuinely in its interests and would not, in particular, burden it with unrequitable and unreasonable financial costs.

With specific regard to the criteria proposed for the measures for stockpiling and running down stocks (relation between target price and world prices), the Commission representative stressed that it would be essential to lay down objective criteria in advance in order to serve as guidelines for the stockpiling policy practical difficulties were to be avoided when it came to implementing the policy.

## II. AGREEMENTS ON "SUGAR" AND "RICE"—QUESTIONS CONNECTED WITH TRADE DISCIPLINE

1. A special problem arises in connection with sugar and rice agreements, for which the Commission proposes negotiating both a stockpiling policy to be administered and financed by an international mechanism and rules of trade discipline in cases where prices fall very low. The Commission points out that the situation relating to these products is characterized by the existence of a very large number of exporting countries (57 in the case of sugar), of which there were more developing countries more numerous than industrialized countries.

In these circumstances the Commission considers that, in order that the cost of implementing a stockpiling policy for these two products can, if necessary, be kept within certain limits, provision should be made for imposing certain trade disciplines on the producer countries, one of which might, for example, be the introduction of export quotas.

2. This approach met with reservations from the French delegation, which thought that a formula providing for the possibility of restricting exports would be contrary to the Community's previous policy on agriculture.

3. The other delegations, however, endorsed the Commission's view, although the German, United Kingdom, Danish and Italian delegations said that in their opinion a price mechanism and export quotas should be sufficient to stabilize the market in these products.

## III. PRODUCTS OTHER THAN THOSE COVERED BY INTERNATIONAL AGREEMENTS: JOINT DISCIPLINES

1. The second fundamental problem which gave rise to differences of opinion between the delegations concerns the scope and nature of the joint disciplines to be negotiated in respect of agricultural products not covered by international agreements.

The Commission is proposing for such products that joint disciplines be negotiated which would coordinate the activities of both exporters and importers.

2. In this connection, the French and Irish delegations pointed out that, in its chapter on agriculture, the overall approach attaches much less importance to the joint disciplines to be negotiated for the other products than it does to international agreements, which constitute the major part of the Community approach for the agricultural negotiations.

However, the Commission communication tends to attach very great importance to these products and to the solutions to be sought for them in the general framework of the chapter on agriculture—an importance which is equal to that attached to the international agreements. The proposals made by the Commission, and particularly paragraphs 2 and 3 of Section III (page 27 of the Annex) are also worded in such a way that it might be feared that the negotiations concerned not only export measures—as provided for under the overall approach—but also import measures. Such an approach would be contrary to the basic rule that the principles and machinery of the common agricultural policy are not negotiable, and could also prejudice the Community's autonomy in deciding this matter.

The other delegations and the Commission recalled that the products in question represented a very high proportion of international trade and therefore felt that it was necessary for the Community, in accordance with the overall approach, to define operational guidelines for these products as well, and which would enable effective negotiations to be initiated. They were therefore in favour of

adopting the Commission proposals, and pointed out that it was absolutely essential in order to arrive at orderly operations on the world market to provide for coordination of the action of importing and exporting countries. These delegations also emphasized that the autonomy of the common agricultural policy was entirely safeguarded in the Commission proposals, since paragraph 4 of the latter merely provided for the possibility of adapting the management of the import system so that it corresponded to the joint disciplines agreed upon.

#### IV. SPECIFIC NEGOTIATING BODY TO BE SET UP FOR AGRICULTURE

The French delegation considered that in view of the special nature of agriculture, a single body, excluding all others, should be instructed within the framework of the GATT Negotiations Committee to deal with all agricultural and food products at all stages of processing, in accordance with the guidelines followed by the Committee in the preparatory phase of the negotiations. It requested that this guideline be included in the Community's negotiating directives.

The Commission representative and the other delegations noted that the substance of the aforementioned guideline raised no difficulties within the Community. However, they felt that a provision concerning the purely tactical aspects of the negotiations should not be included in the text of the directives.

### C. SAFEGUARD CLAUSE

#### I. SELECTIVE APPLICATION

The German and Italian delegations felt that the Commission proposals to enable safeguard measures to be applied with some degree of selectivity would prejudice the principles of non-discrimination and therefore opposed this approach.

The other delegations were in favour of the Commission proposals on this matter (the French delegation with the proviso in footnote 1 on page 13 of the Annex). Some of them emphasized that the possibility of selective application should, in any event, be balanced by means of greater international surveillance and wondered whether a formula combining both these aspects might not constitute a compromise solution acceptable to all the delegations.

#### II. POSSIBLE LINK BETWEEN THE APPLICATION OF THE SAFEGUARD CLAUSE AND INTERNAL MEASURES FOR ADJUSTING STRUCTURES

1. Several delegations expressed reservations on the Commission's suggestion that the existence of internal adjustment measures constituted an additional criterion for releasing a country making use of the safeguard clause from its obligation to provide compensation. These delegations felt that such a provision could result in giving an international organization the right to supervise the application of adjustment measures falling strictly within the internal policies of the countries in question. They emphasized that such measures often raised considerable political and social problems which, in view of their particularly sensitive nature, did not lend themselves to international discussion.

They also stressed that safeguard measures were often required in order to protect certain industries against abnormal competitive practices and that the question of adjusting the structures of the importing countries did not arise in such cases.

2. The Commission and the other delegations, however, wished to retain the proposed text, which they felt would offer some guarantee that the safeguard measures would not be used as permanent protective instruments.

3. Several delegations pointed out in general that it should suffice for an initial directive to adopt the general guideline contained in the first sentence of paragraph 4 of the Commission communication (see Annex, page 14) provided the Community clarified its views on this point in due course and the necessary internal studies for this purpose were undertaken.

## ANNEX

### INTRODUCTION

With the adoption on 26 June 1973 of the Overall Approach for the GATT Multilateral Trade Negotiations, the Council enabled the Community to approach

the opening of these negotiations with a useful and coherent portfolio of general policies and political guidelines. This document remains the basis of the Community standpoint.

Thus prepared, the European Economic Community was able, following a meeting of the Council in Tokyo on 13 September 1973, to give its full agreement to the "Ministerial Declaration" adopted by the GATT Ministerial Conference which met in Tokyo to open the negotiations.

The Community has already confirmed its will to continue contributing to the harmonious development of world trade, especially with a view to improving the economic position of the developing countries, and to this end to play a constructive part in the multilateral trade negotiations. In view of the far-reaching changes which have taken place in the international economic situation since the Tokyo Declaration, it will be easier to achieve the objective of liberalization and subsequent expansion of trade if the multilateral trade negotiations take place in a comprehensive framework of international activities designed to weather the present world economic crisis.

From the internal standpoint these changes imply that production structures will have to be re-organized. The Community is of the opinion that the negotiations should thus be conducted in such a way as to contribute to full employment for its workers and to the promotion of its economic development. It will bear this in mind throughout the negotiations, and when adopting the supplementary directives.

The Council notes that the negotiations are now entering into their effective phase and considers that the time has come to draw up the directives.

Although they constitute a development on an elaboration of the general policies in the Overall Approach, these directives cannot define in advance a detailed line of action for the Community to follow in the detailed aspects of the negotiations. For obvious tactical reasons it would be inadvisable for the Community to reveal its positions in detail until the general situation in the negotiations becomes clearer and its partners are ready to do likewise. These directives must, however, be sufficient to permit the Community to embark on negotiations with as clear an idea as possible of its objectives.

These directives will have to be defined more precisely at a later date as the negotiations develop.

#### NEGOTIATIONS ON INDUSTRIAL CUSTOMS TARIFFS

1. The Community's Overall Approach says, in relation to industrial customs duties, that negotiations must lead to a significant lowering of duties by means of reductions graduated according to existing duty rates, thus leading to a harmonization of tariffs (in the principal countries concerned). This task of harmonization, according to the principle: "the higher the duty, the greater the cut," will result in a leveling of the differences between the maximum and minimum rates in the various tariffs. The procedures for lowering customs tariffs should be as simple and of as general an application as possible.

2. The Common External Tariff is already the result of process of harmonization and consequently is more homogeneous than the tariffs of other major countries. Tariff reductions based on the criteria mentioned above would lead to a closer alignment between the CET and other major tariffs and particularly to a reduction in the number of higher rates of duty (rates over 20 occur in a significant number of cases in the U.S., Australian, Canadian and Japanese tariffs).

3. At the practical level the main question which arises is what type of general formula for tariff reductions should be envisaged. Agreement on this point will also determine the answers to the two following questions: what is the effect of a form of harmonization whereby greater cuts will be made in the higher rates of duty than in the lower ones, and what is the extent of the reduction to be achieved in the course of the negotiations.<sup>1</sup>

4. All the various formulae must be generally applicable to all major countries, but the results in terms of average reductions will vary, depending on the tariff profile in each case. In this context any problems of reciprocity which may arise can be solved only during the negotiations.

As regards the pattern of reduction, the objective should be a reduction of at

<sup>1</sup> The French delegation would be prepared to accept this paragraph provided that a satisfactory answer be found with regard to the second subparagraph of the following paragraph.



least 50 for the highest rates of duty (for example over 25)<sup>2</sup>. Moreover the objective should be to limit maximum rates of duty in the future to about 20 for all major parties to the negotiation.

Since the EEC wishes these negotiations to lead to a downward harmonization of tariffs, the rates of tariff reduction will vary from one product to another depending on the original rate. Under these circumstances it is difficult to express the tariff cuts it would like to see applied as a mere average, since an average can give only an inaccurate picture of the disparate situations. Since the Overall Approach also speaks of a "significant lowering of duties", the result of the formula chosen [should be between 25 and 50%. The exact figure acceptable to the Community]<sup>3</sup> will depend on the formula.

5. So far as the Community is concerned, harmonization must be a major element in the formula to be adopted. It must be borne in mind that the pattern of Community duties and imports is such that there are virtually no customs or import duty rates above 20 and that for the Community therefore a "significant" cut would in fact take the form of cuts in the lower-level duties.

In fact such reductions are also of direct commercial interest to the Community. While 21% of Community imports enter at rates of duty between 8 and 20, the proportion of imports in the 8 and 20 bracket is much higher in Japan (42%) and Canada (30%) and quite substantial in the United States (17%). In addition, the customs duties under our competitors' tariffs are even more highly concentrated in the 16 to 20 range than is the case with the OCT.

6. Pursuant to the Overall Approach, a threshold or floor should be set, below which no reductions would be required. The basic reasoning in favour of this position—that below a certain level countries should be able to retain room for manoeuvre, in future negotiations—remains valid.

However, should such a course of action be justified on economic grounds, as in the case of the aircraft sector, the Community and its partners might agree to reduce or eliminate duties altogether.

7. [A reduction in duties might in suitable cases be made conditional on the elimination or reasonable adjustment of any non-tariff barrier].<sup>4</sup>

8. Due account should be taken of the need for a reasonable amount of simplification in the tariffs of the main participating countries.

9. The Community does not rule out the possibility of a limited number of exceptions. It will take a decision on the scope and the extent of any exceptions which might prove necessary at a later stage in the negotiations, in the light of the attitude of the other partners in the negotiations.

#### NON-TARIFF BARRIERS

1. The Overall Approach contains a number of general principles in relation to negotiation on non-tariff barriers. These include:

(a) The impossibility of any universal solutions of a general character and the need for a case by case approach;

(b) The need to select the types of measures which should be negotiated in particular those which create the greatest obstacles to international trade;

(c) Where multilateral solutions are possible, the need for these to be recognized and adopted by as many countries as possible;

(d) The need in certain cases to confine the benefits of these solutions to those countries that participate (i.e. conditional mfn treatment); and

(e) The need for suitable mechanisms for consultation and for settlement of disputes.

Given the difficulties of ensuring that new obligations in this field are fully carried out it will probably be essential to envisage also some mechanism for applying sanctions, e.g. suspending the concessions granted in such cases.

2. In the case of States with a federal structure, the value of the concessions offered should be assessed according to how far they apply in practice.

<sup>2</sup> The rates for customs duties given in this paragraph are merely to be taken as examples, they in no way prejudice the decision to be taken with regard to the formula.

<sup>3</sup> Since the French delegation could not accept the concept of an average tariff reduction, it requested that these words be deleted. Most of the other delegations were able to accept the Commission proposal as a compromise but stated that if unanimous agreement could not be reached, they would be obliged to return to their original position (see cover note under (A)).

<sup>4</sup> All the delegations agreed with the idea contained in this paragraph. However, only the French delegation thought that this provision should be included in the actual text of the directives. Most of the other delegations thought it sufficient that it be mentioned in the Council minutes.

A considerable number of solutions would be needed to make up a significant and well-balanced "package". It would only be possible to apply them if they are actually adopted by the main trading partners.

3. As reflected in the programme of work adopted by the TNO last February the major effort in the field of NTBs has so far been directed toward those conditions under study in the GATT and in the OECD. Since the issues selected for these studies are themselves the result of a choice by the participant countries of the matters of most interest to them, these questions form the nucleus of negotiations at this stage. This assumption has never excluded the possibility that additional matters would need to be discussed or that individual barriers of particular interest to one or other participant could be negotiated within a final package of concessions.

4. The Community will, at the appropriate time submit a list of the non-tariff barriers which it considers ought to take first place in the negotiations, having regard to the direct effect they have on international trade.

5. At all events, particular attention should be given to establishing a dialogue and consultation procedure making it possible to avoid or minimize the effects, incidental but nonetheless serious, which national laws, despite their legitimate objectives such as protection of the environment or of consumers, could have on international trade in the future.

6. Given that the following matters have already been discussed during preparations for the negotiations and that the Community has to adopt a position on them, initial discussions should proceed on the following principles:

In the case of countervailing duties, all contracting parties, including the United States (which invokes the Protocol of Provisional Application) should apply such measures only where they are fully justified in terms of GATT rules and consistent with Article VI (injury criterion). To reach a satisfactory solution on countervailing duties, the Community is open to discussions on rules which might be laid down for direct export subsidies for industrial products other than basic materials.

As regards the systems of customs valuation and tariff nomenclature, it would be in the Community's interest to encourage alignment of individual practices of certain countries with those already adopted by a majority of trading nations.

The Community is prepared to negotiate greater access to government procurement at international level on the basis of real reciprocity. This aim should not delay the process of harmonization and simplification of internal procedures; this means that internal solutions adopted should not however deprive the Community of its means of negotiation.

As far as standards are concerned, the Community, while continuing to put into effect its own programme of eliminating internal barriers, is willing to examine with its trading partners, certain regulations having a significant effect on mutual trade. This would not prevent the Community from undertaking, in the framework of the negotiations, to subscribe to more systematic arrangements in this matter, provided there is real reciprocity.

The progressive liberalization of quantitative restrictions (an important issue for certain countries, particularly developing countries) will be examined in the light of developments in discussions on the safeguard clause.

This list of problems is by no means exhaustive and in no way prejudices the list of Community priorities. Depending on the way in which negotiations progress, the Community will, naturally, have to adopt a position on other non-tariff barriers.

#### EXPORT RESTRICTIONS

1. The potential dangers of a situation where export restrictions are not under international surveillance are becoming increasingly widely appreciated. This situation calls in any event for co-operation effort on the part of the world community to work out a warning system whereby sudden interruptions to normal trade flows can be avoided and necessary measures of changes set in hand.

2. The Community, for its part, takes the view that these questions should be included in the multilateral trade negotiations, with the special problems of the developing countries also being given attention. It seems necessary to achieve greater openness and international discipline, by means of respect for existing rules and the adoption of adequate procedures.

3. The Community should insist on the view that GATT Article XI already forbids quantitative restrictions on exports, except in certain clearly defined situations, and should seek to establish a new notification and consultation

procedure. At the very least, those countries with quantitative restrictions on exports should be asked to justify them along the lines of the work done on quantitative import restrictions in the Joint Working Group in GATT. The question of quantitative restrictions on exports cannot, of course, be entirely dissociated from the question of export taxes which in certain circumstances could be used to achieve the same effect.

4. Furthermore, several approaches could be considered, if necessary in combination with each other:

(a) To seek to work out a Code of Conduct in the field of export restrictions.<sup>5</sup> This would probably be at the level of general principles.

(b) To negotiate, in appropriate cases, sectoral agreements including shared responsibilities for supplier and consumer countries, in order to achieve expansion and stabilization of the market in the common interest.

5. Work already begun on raw materials questions as a result of the Copenhagen Summit will ultimately help to identify interests to be defended by the Community in this sphere and to adopt the further negotiating guidelines necessary for that purpose.

#### THE SAFEGUARD CLAUSE

1. In its overall approach to the multilateral trade negotiations the Community, while confirming its respect for the rules provided for in the General Agreement on Tariffs and Trade and considering that the present provisions of Article XIX should be maintained as they stand, admits that the effective operation of this clause has been shown to be difficult. At this stage the Community can adopt the following elements.

2. The first obvious consideration concerns the present situation and the existence, or rather the absence in practical terms of international rules and the unsatisfactory way in which the clause is applied.

These shortcomings, particularly as regards market disruption criteria and international supervision are in practice features which are unfavourable to the Community. The interests of the Community both as importer and as exporter have to be taken into account.

3. A more meaningful and efficient international system must have as its counterpart, and this is the second consideration, a certain flexibility in the operation of the safeguard mechanism. In fact, this concept has two different aspects: on the one hand, in parallel with the existing provisions of Article XIX [it would mean that the selective application of safeguard measures under international surveillance would become possible, i.e. only the imports from the country or countries directly responsible for the disruption or the threat of disruption of the market would be affected].<sup>6</sup> On the other, it would mean that the importing country which has recourse to a protective measure would be released from having to offer compensation. With regard to these two aspects, but above all with regard to the second, it should be noted at this stage that a relative flexibility in the operation of the safeguard clause should materially contribute towards the achievement of the Community's own policies of trade liberalization and the development of the Common Commercial Policy. Excessive recourse to safeguard measures should at all events be avoided.

4. The basic reason d'être for any attempt to improve the safeguard clause can only be to promote a greater liberalization of international trade. [The adaptation of structures of production to changes in demand and the optimum use of resources, which are among others the essential features of the market economy, must continue to be the mainstays of our economies.

Recourse to protective measures must thus serve, and this is the idea behind the third consideration, only to facilitate change within this normal and continuous process and not to halt or slow down the adjustments that are necessary. Thus, the temporary and degressive character of safeguard measures would be confirmed and reinforced.

In this context a country which was able to show that it had taken internal adjustment measures, either at Government or at industry level, should in consequence be released from its GATT obligations to provide compensation.

<sup>5</sup> Certain delegations stressed the importance of defining the objectives of such a Code of Conduct as soon as possible.

<sup>6</sup> The German and Italian delegations, which were against the principle of selectivity, requested the deletion of the phrase in square brackets [see the introductory note pp. 11 and 12].

The French delegation could agree to this phrase only if the word "possibly" were added at the beginning so that the text read "it would mean, possibly, that . . .".

In the Community's case, the existence of instruments which permit a policy of retraining of labour and restructuring of industries should mean that it would be well placed in this respect.<sup>7</sup>

## AGRICULTURE

### INTRODUCTION

#### (a) *General context*

1. Agriculture will play an important role in the multilateral trade negotiations since it accounts for 20% of world trade and constitutes an important element in the balanced growth of the economies of industrialized and developing countries.

The importance of agriculture in the negotiations has increased as a result of recent developments affecting production, consumption and trade.

2. The tension of two years ago on certain markets has spread since the end of Spring 1978 to other agricultural products indispensable for human and animal consumption, thus transforming a period of surplus and an approach to agricultural problems which was characterized by increasing competition between exporters, into a period of scarcity marked by concern over the security of supplies.

All this makes it readily apparent that the economics of agriculture are by nature subject to fluctuations of production which generate extreme situations on world markets because of the small share of production which is marketed. The present state of agricultural development (increased utilization of available resources, the rising cost of the means of production essential for the implementation of modern techniques, climatic changes) could in the future intensify this alternation between periods of scarcity and surplus.

These events, which also show the increased interdependence between countries as well as the interrelationship between agricultural products, underline the necessity for improving the existing international framework for resolving the tensions which arose at the beginning of the latest crisis and which have been aggravated by lack of co-ordination between the policies followed by governments.

2a. [The above remarks illustrate the specific nature of the agricultural sector, which is referred to in the Tokyo Declaration. In practical terms, this specific nature of agriculture means that within the negotiating structures there can only be one body, to the exclusion of all others, to deal with the whole range of agricultural and food products at every stage of processing (Chapters 1 to 24 of the CCT). Only in this framework is the Community prepared to negotiate on the various points relevant to trade in agricultural products, whether tariffs are involved or not.]<sup>1</sup>

#### (b) *Objectives pursued by the Community*

3. The objective of the multilateral trade negotiations in the agricultural sector—which, for the Commission, to achieve an expansion of trade on stable world markets, in accordance with existing agricultural policies—could be more easily realized if measures were taken to avoid grave crises resulting from the precarious balance of world food supplies.

From the point of view of the Community, the means of achieving such action are:

Constructive participation in the various bodies and mechanisms which the World Food Conference (Rome, 18-29 November 1974) has just decided to set up for the purpose of maintaining market checks and operating an early warning system in the food and agriculture sectors;

The introduction of stabilizing mechanisms through international agreements on essential food products; and

Other measures, in particular the laying down of joint rules.

<sup>7</sup> Bearing in mind their positions on the problem of adjustments [see the introductory note pp. 11 and 12] several delegations could agree only to the first sentence of the paragraph.

The French delegation took the view that the last two subparagraphs proposed by the Commission should be deleted, but could agree to the first subparagraph and also to the second, provided that it were phrased as follows:

"Recourse to protective measures is obviously justified in the event of abnormal competition. It must also serve to facilitate change in this normal, continuous process while not precluding the necessary adjustments. Thus, the temporary and degressive nature of safeguard measures would be confirmed and strengthened."

<sup>1</sup> Text proposed by the French delegation (see introductory note page 11).

## SECTION I.—COMMUNITY PARTICIPATION IN THE SYSTEM OF SURVEILLANCE OF MARKETS AND IN THE EXCHANGE OF INFORMATION ON POLICIES PURSUED

1. The 1972-1974 crisis threw into sudden and sharp relief the imbalances which may at any moment occur in the food and agricultural sector. The unexpected and serious nature of this crisis has shown, however, that under present conditions of international co-operation, Governments do not always have available the information necessary for them to be able to form a clear idea of the situation and probable trends on the market on which they might base their domestic policy.

2. The World Food Conference, which was held in Rome in November 1974, recognized the need to strengthen the existing ways and means of providing fuller knowledge of the market situation for the purpose of improving co-ordination of the policies pursued.

Accordingly, it recommended the establishment of:

(i) A World Food Council which would, among other things, "review periodically the major problems and political issues affecting the world food situation, together with such measures as have been proposed or taken with a view to settling those problems and issues, either by the national governments or by the United Nations and its regional organizations, and recommend remedial action as appropriate . . .",

(ii) A Committee on World Food Security which would have particular responsibility for "keeping current and prospective demand and the supply and stock position for basic foodstuffs under continuous review, as part of the policy of ensuring the availability of supplies, and for duly disseminating new information . . .",

(iii) A world early warning and information system on food and agriculture with responsibility for compiling and analysing in detail information relevant to the situation on the market in the major food products.

3. The Community considers that it should aim to ensure that the parties to the negotiations give an undertaking that they will give their full support to the bodies and mechanisms which the World Food Conference recommended should be established, especially by providing all such information as may usefully contribute to the fullest possible understanding of the world agricultural markets and of the way they develop.

4. All these provisions should make it possible for the causes underlying the most critical situations to be reduced, thereby helping to forestall or to overcome such difficulties as may arise, and for a balance on the world markets and their smooth operation as well as an expansion of trade to be achieved by joint effort.

## SECTION II.—INTERNATIONAL COMMODITY AGREEMENTS

### A. AIM, SCOPE AND RULES OF PARTICIPATION

1. International commodity agreements should constitute a framework for multilateral co-operation in the development of trade on stable world markets. The purpose of these agreements would be to:

Achieve price stabilization, and ensure the continuity of supplies to importers and of outlets for exporters.

Moreover, such agreements might facilitate the implementation of food aid programs.

2. Such agreements could cover essential food products. The Community will propose and negotiate agreements on the following products:

Wheat; maize, sorghum and barley; rice; sugar; powdered milk, butter and butter fats (butteroil and ghee).<sup>1</sup>

3. In order to be completely effective such agreements should involve the major producing and consuming countries. Participation in the negotiation of the agreements should be open, in a manner to be determined, to countries which are not parties to the GATT trade negotiations by the use when necessary of the administrative organs of existing commodity agreements.

<sup>1</sup> As regards *certain cheese*:

"The Council requests the Commission to submit to it a document on the possibility of concluding international agreements on certain types of cheese."

<sup>2</sup> With regard to *oleaginous products*, the Council confirms the validity of the statement in the minutes of its meeting on 25 and 26 June 1973, which reads as follows:

"The Council agrees that the Commission will also examine the possibility of reaching international agreements in certain oleaginous products."

## B. BASIC PROVISIONS

4. The basic provisions of each agreement should depend on the situation on the market of each of the respective products and that of the parties concerned.

5. Three types of agreement should therefore be proposed :

A price agreement (minimum and maximum), accompanied by preferential purchase and sales obligations between participating countries, would be applicable for milk products;

Agreement based on the introduction of a stockpiling policy by concerting national and stockpiling policies, coupled with provisions on prices; this type of agreement would be adopted for each cereal; and

[Agreement based on a stockpiling policy administered by an international body [including provisions for supply adjustments], and coupled with provisions on prices; such an agreement would be proposed for sugar and rice.]<sup>3</sup>

6. In appropriate cases, such agreements might include provisions on food aid, the nature and extent of which would be determined in accordance with general development aid policy.

## C. MECHANISMS

*(a) Agreement to respect prices (milk products)*

7. For those products in respect of which stockpiling is not the normal instrument of commercial management, a system of minimum and maximum prices would be established with the obligation to respect these prices under the conditions defined below.

Experience has shown that such a mechanism is appropriate in the special case of milk products where the number of suppliers to the world market is limited.

8. Exporters would undertake not to sell below the minimum price level and importing countries would be obliged to obtain supplies only from exporters who were parties to the Agreement.

At the maximum price level, exporting countries would undertake to give priority to supplying importer-members of the Agreement at that level.

*(b) Agreement to co-ordinate national stockpiling policies (cereals)*

9. For those products in respect of which stockpiling should be a normal instrument of commercial management and for which the number of exporting countries is limited, market stabilization should be sought by the establishment of an international stockpiling policy which would result from the co-ordination of national stockpiling policies, supplemented by a safeguard provision consisting of obligations relating to extreme price situations.

10. This stockpiling policy should be implemented in such a way as to maintain prices on the world market [in the neighbourhood of a target price] [within a price bracket]<sup>4</sup> fixed for a given period and subject to review in the light of long-term market trends. Stocking and de-stocking operations would take place when prices on the world market were at a given percentage [below or above the target price] [of the minimum or the maximum price].<sup>4</sup>

11. In the present situation and in all cases where stocks were not sufficient, the advanced exporting and importing countries would stockpile as soon as the price situation allowed.

The total amount of stocks, their allocation and the methods of their formation would be determined jointly.

12. Once stocks are constituted;<sup>5</sup>

If market prices [were higher than the target prices] [approached the maximum price]<sup>6</sup> by a percentage laid down in the Agreement, member countries should take joint action to place quantities held in stock on the market;

If market prices [were lower than the target price] [approached the maximum price]<sup>6</sup> by a percentage laid down in the Agreement, the developed countries would undertake to stockpile additional quantities determined jointly and

<sup>3</sup> The wording of these paragraphs depends on the solutions found for the problems of stockpiling mechanisms (see introductory note, pages 4 to 7).

<sup>4</sup> The first wording was proposed by the Commission and would be acceptable to 9 delegations. The second was suggested by the German, Belgian, United Kingdom and French delegations.

<sup>5</sup> Reservation by the German, United Kingdom and Italian delegations in view of their position on the problem of stockpiling (see introductory note, pp. 4 to 7).

allocated among members in an equitable<sup>4</sup> manner according to the criteria set

13. If market prices fell to the fixed minimum, the importing countries would be obliged to obtain their supplies from exporting member countries, which in turn would be obliged to respect this minimum price and refrain from selling their products on more favourable terms to non-member countries.

In this situation, additional stockpiling obligations would be assumed by the exporting countries according to their respective responsibility for the circumstances which had created this situation.

14. If market prices reached or exceeded the level of the maximum price, exporting countries would undertake to give priority to supplying importing countries which were party to the Agreement with the quantities traditionally imported by them at the maximum price level.

(c) [Agreement on a stockpiling policy administered by an international body (sugar and rice)]<sup>7</sup>

15. For products in respect of which stockpiling should be a normal instrument of commercial management and which are exported by a large number of developing countries, price stabilization would be sought by a stockpiling policy administered by an international body and involving obligations applicable in the event of extreme price situations.

16. An international stockpiling body would be set up with responsibility for buying and selling on the world market in accordance with the rules of the Agreement. These rules would define the principles and procedures governing its intervention, the aim of which would be to maintain world market prices between a minimum and maximum level. The maximum amount which the body could stockpile would be fixed.

17. The difference between the minimum and maximum price levels should be large enough to permit the market to operate with sufficient flexibility. The prices would be fixed for a given length of time and would be subject to review in the light of long-term market trends.

18. The resources to be made available to this body to enable it to carry out its stockpiling operations<sup>8</sup> should only cover interest charges on the cost of such operations and possible losses incurred in resale operations. Each developed country would contribute to these resources according to a percentage laid down in the Agreement, possibly adjusted to allow for the situation of the least advanced of the developing countries.

19. As regards sugar:

If market prices fell to the fixed minimum:

The importing countries would be obliged to obtain their supplies from exporting member countries, which in turn would be obliged to respect this minimum price and refrain from selling on more favourable terms to non-member countries:

[Exports would be subject to rules of trade discipline; for example, measures could be taken to restrict exports when prices on the world market fell to the fixed minimum level.]<sup>9</sup>

If market prices reached or exceeded the level of the maximum price, exporting countries would undertake to give priority for supplying importing countries which were party to the Agreement with the quantities traditionally imported by them at the maximum price level.

In a maximum price situation, the International Sugar Agreement would likewise provide for importer developing countries to obtain supplies at favourable prices.

20. [As regards rice:

A minimum price would be fixed in the Agreement below which transactions could not be effected:

In a maximum price situation, the International Rice Agreement would likewise provide for importer developing countries to obtain supplies at suitable prices.]<sup>10</sup>

<sup>4</sup>The word "equitable" must be taken as meaning that, for the purposes of allocation, both the quantities produced and production costs will be taken into account. out in the Agreement.

<sup>7</sup>Reservation by the German, United Kingdom, Danish and Italian delegations on the whole of section "c" in view of their position on the problems of stockpiling (see introductory note, pages 4 to 7).

<sup>8</sup>Addition proposed by the United Kingdom delegation.

<sup>9</sup>Reservation by the French delegation (see introductory note, pp. 7 to 8).

<sup>10</sup>Original Commission text on which several delegations wanted time to reflect.

## D. FUNCTIONING OF THE AGREEMENTS

21. The functioning of the mechanisms described above implies that a body responsible for continuous surveillance of the market situation should be set up under each Agreement to work, where necessary, with international organisations.

## SECTION III.—TREATMENT OF AGRICULTURAL PRODUCTS OTHER THAN THOSE SUBJECT TO INTERNATIONAL COMMODITY AGREEMENTS

1. The multiplicity of the products concerned, the diversity of trade arrangements to which they are subject and their varying importance are such as to require a differentiated approach, taking account of the situation and characteristics of each product or group of products.

## A. RULES FOR JOINT DISCIPLINE BETWEEN IMPORTERS AND EXPORTERS FOR CERTAIN PRODUCTS

2. For products for which there is a large world market but the nature of which makes it difficult or unnecessary to conclude international agreements, the expansion of trade ought to result from importers and exporters co-ordinating their actions in such a way that operations on the world market are carried out in an orderly manner.

3. These actions would be conducted on the basis of the following principles which would be negotiated:

(i) In the conduct of its export policy, each country would act in such a way that its exports would flow in as orderly a manner as possible, as regards both trade and price policies;

(ii) In the conduct of its import policy, each country would act in such a way that its imports would be effected in conditions which were as orderly as possible; and

(iii) In the conduct of these policies special procedures might be laid down to assist developing countries.

4. Consequently, an undertaking entered into by one or more exporters to sell in conditions compatible with a satisfactory development of the internal market of the importing country would be met by a corresponding adaptation in the importing country to the management of its import system.

5. To facilitate these measures of joint discipline, the importing and exporting countries concerned should, where necessary, conduct a joint examination of the market situation of the product concerned and its prospects.<sup>41</sup>

## B. NEGOTIATING RULES FOR PRODUCTS OBTAINED FROM THE PROCESSING OF PRODUCTS SUBJECT TO AGREEMENTS OR JOINT ARRANGEMENTS

6. As regards other agricultural products, the manufacture of which involves products covered by international agreements or joint rules, special provisions, resulting themselves from the provisions adopted in respect of primary products, could be laid down for the management of their import and export arrangements.

For the Community, this suggestion could, for example, cover both animal products derived from cereals and products of the food industry and could apply to that part of the import arrangements directly based on the relationship between derived products and primary products.

7. Moreover, the import arrangements to which these products are subject also involve an element corresponding to the protection of the processing activity and a list of concessions could be proposed in respect of this element. The concessions would be made under certain conditions, taking into account in particular the need to ensure an outlet for the Community raw material used in the manufacture of these products.

8. These measures could include general or particular provisions to promote developing countries' exports, e.g., by improving the generalized preference scheme.

<sup>41</sup> Reservation by the French and Irish delegations on account of their general position with regard to joint arrangements. See pages 8 to 10 of the introductory notes.



9. A list of concessions offered on customs duties could be envisaged for products protected by tariffs.

#### C. OTHER PRODUCTS<sup>12</sup>

This list of offers, which would be drawn up during the negotiations, should take account both of the pattern of Community trade, and in particular the preferential arrangements which it has established with some countries, and of the need to grant preferential import terms to products from developing countries.

10. In the case of a number of products referred to in the three paragraphs above, the Community will submit a list of requests for concessions relating to the import measures applied by third countries.

#### SECTION IV.—TREATMENT OF GENERAL COMMERCIAL MEASURES

1. As far as those measures are concerned which affect agricultural products generally—that is, measures such as health and plant health regulations, regulations on packaging and labelling, quality standards or countervailing duties—the negotiations should take account of the particular characteristics of trade in agricultural products.

2. The present state of legislation applied by the Parties to the negotiations in respect of the first three categories of measures mentioned above, namely health and plant health regulations, packaging and labelling regulations and quality standards for agricultural products, is such that it is doubtful whether the aim of making them subject to the provisions of the draft standards Code is a practical possibility.

However, in order to resolve the most acute problems which the existence or the application of such laws could give rise to in trade, consultations (bilateral or multilateral) should take place during the negotiations and an undertaking should be entered into by all parties to the negotiations committing them to consultations at a later date—even if such laws comply with Article XX of the General Agreement.

3. As far as the problem of countervailing duties is concerned, special arrangements must be made for agriculture.

#### EAST EUROPEAN COUNTRIES TAKING PART IN THE MULTILATERAL TRADE NEGOTIATIONS

1. In its overall approach to the multilateral trade negotiations, the Community indicated its desire to continue "its policy of developing its trade with all countries". It stated that "appropriate solutions should be sought for this purpose, based on the concept of reciprocity".

Furthermore, the EEC has recently defined, in the form of an outline agreement, the elements which could serve as a basis for bilateral trade negotiations between the EEC and each of the "State-trading countries" concerned, so as to achieve "harmonious development and a satisfactory diversification of its exports", on the basis of "equal advantages and obligations" for both partners.

1a. The East European countries which are members of GATT (Czechoslovakia, Poland, Hungary and Rumania), or nonmembers (Bulgaria), have already clearly indicated their intention of participating in the GATT multilateral trade negotiations. The Community is prepared to take part in negotiations with these countries with a view to expanding its trade with them.

2. With this in mind, account should be taken of individual aspects of the common commercial policy towards these countries, of the special nature of their economies and their particular methods of economic management and commercial policy. Accordingly, without calling into question their status as Contracting Parties to the General Agreement, it will be necessary to continue to take as a basis the protocols of accession signed by these countries, taking account, for example, of the partial nature of the customs tariffs of these countries, where such exist,<sup>13</sup> and of the need for special measures for the safeguard clauses.

3. Basing itself on these considerations, the Community should aim, not so much at seeking similar concessions from the East European countries, but

<sup>12</sup>The Italian delegation entered a general reservation on paragraphs 9 and 10, on the grounds that they proposed different treatment for products subject to customs duties from that contemplated for products subject to levies.

<sup>13</sup>This is at present the case of Hungary and Rumania, and Poland has announced its intention of introducing tariffs shortly.

rather at obtaining concrete and realistic results, bearing in mind the different values of the various instruments of commercial policy employed in different economic systems, in such a way as to ensure a balance of mutual advantage and obligation.

With this in view, the Community's objectives should be as follows:

Harmonious expansion of trade between the Community and these countries by seeking reciprocal concessions, diversified according to the particular characteristics of each market;

Rationalization of conditions of sale, particularly with regard to export prices;

Better economic and trade statistics as regard these countries;

Greater facilities for trade openings on partners' markets;<sup>14</sup>

Maintenance of present protective instruments in the interest of the Community's trade.

#### DEVELOPING COUNTRIES

1. The Overall Approach already contains a set of detailed guidelines to which the Community remains fully committed. It is determined in particular, without detriment to the advantages enjoyed by those countries with which it has special relations, to respond even more than in the past to the expectations of the developing countries as a whole, taking into consideration the considerable differences obtaining between the present and potential levels of development of those countries.

2. It will, however, be difficult to be more precise as to specific lines of action until actual negotiations have begun in the various sectors concerned. It is evident that the Community will endeavour to take account to the fullest extent possible of the interests and problems of the developing countries—and in particular of the least developed—in all sectors of the negotiations.

3. As regards tariffs, the aim of the first stage of the negotiations must be to devise a system of tariff reduction which would lead to harmonization of the tariffs of the main countries. Once such a system is accepted by all the participating countries, consideration will have to be given—depending on the extent of the resultant reduction—to specific measures for products of interest to the developing countries. These measures could relate to the amount of the reduction or to the cutting of tariffs (staggered over longer or shorter periods), or to the exclusion from the general formula for tariff reduction of a limited number of products exported principally by the developing countries and covered by the generalized preference scheme.

4. In the case of non-tariff barriers, the negotiations will very likely be directed in the first place towards finding multilateral solutions to problems of general concern. Once general and multilateral solutions have been found, it will be necessary to seek, wherever appropriate, specific arrangements to take account of the interests and problems of the developing countries. These arrangements could apply to the implementation of certain mechanisms rather than to the general principles. However, as far as non-tariff barriers are concerned, the developing countries could make a contribution, not only by participating in multilateral arrangements, but also by trying, during the negotiations, to simplify some of their import and export procedures or formalities.

5. The Community will see to it that, when international agreements on the major agricultural products are being negotiated (see chapter on agriculture), account is taken of the interests and need of the developing countries, either:

By provisions covering food aid;

Or by the direct beneficial effects of stabilizing and expanding markets.

As far as the modus operandi of the international agreements is concerned, account should likewise be taken of the interests of the developing countries, and in particular of the least developed among them. Furthermore, when negotiating the joint arrangements and in the negotiations on other products, the EEC should bear in mind the need to promote exports from the developing countries.

6. As regards tropical products which, according to the Tokyo Declaration, constitute "a special and priority sector" the EEC will, at the appropriate time, define its position in the light of the outcome of the negotiations conducted with the African, Caribbean and Pacific countries. The Community naturally maintains its support for the renewal or conclusion in appropriate cases of inter-

<sup>14</sup> It was agreed that this wording could be looked at again in the light of the terminology used by the CSCE.

national agreements on tropical products, with the aim of increasing export earnings from such products.

7. As far as industrial raw materials are concerned, the developing countries share with the industrialized countries responsibility for stable and orderly supplies, in the interests of a harmonious expansion of the world economy. The concern of developing countries to strengthen their processing industries could be met in the context of multilateral arrangements, taking into account the need for any transitional measures, and by means of a co-operative effort.

8. The Community is obviously still anxious progressively to improve its generalized preference scheme as regards both the products covered (in particular processed agricultural products) and the management procedures.

Senator DOLE. The directive indicates that there be specific negotiating bodies set up for agriculture, and I quote, says the French delegation:

Considering that in view of the special nature of agriculture, a single body excluding all others should be included within the framework of the GATT negotiations committee to deal with all agricultural and food products, and all stated processing, in accordance with the guidelines followed by the Committee in the preparatory phases of negotiation.

We have the Trade Reform Act in section 103 which deals with the overall negotiating objective, which also includes the statement:

To the maximum extent feasible, the harmonization, reduction, or elimination of agricultural trade barriers, a distortion, shall be undertaken in conjunction with the harmonization, reduction, or elimination of industrial trade barriers and distortions.

I think to express a concern that has been expressed by most of us who represent rural America and rural areas—and I guess every Senator represents some—we are concerned that agriculture not be put on the back burner and perhaps not even on the stove. There has been that fear among those of us interested in agriculture, and farm groups and very responsible leaders in this country.

So if they set up some separate organization I guess my question is how does the trade representative have any real impact?

Secretary DENT. Senator, the way the operation was organized in the early February meeting, there was an agricultural committee established, but there was also authority granted for agricultural matters to be brought up in other segments of the discussions. I think that this is the direction in which they are going.

I share your concern about agriculture, recognizing that \$22 billion of our \$98 billion of exports last year came from agriculture, and it is one of our strongest suits in dealing internationally, in fact, perhaps our strongest suit, as people around the world are more concerned about their food supplies than ever before.

Senator DOLE. I do appreciate your background and your information concerning agriculture generally. We understand it is a two-way street. I think most American farmers understand that. In order to export \$22 billion, you would have to import some farm commodities. You cannot have it both ways in agriculture any more than any other segment of the economy, but we are also very apprehensive about export restrictions. We have just gone through what I think is a disastrous move by the executive branch last October, imposing prior approval conditions on the sale of wheat and corn and soybeans, the result being we lost millions of dollars in sales, and the ultimate result was that farm prices dropped about 30 percent.

The report last week was that the prior approval section was removed. We still have to monitor the sales, which I do not object to.

So I would only hope that you would not be suggesting any more export restrictions which do not appear to be in the interest of American agriculture or the American consumer.

Secretary DENT. Senator, might I observe that our first venture in July of 1973—June of 1973—into export controls was largely stimulated by the prevailing attitude that wage and price controls could solve our problems. If it had not been for that depressing umbrella that did more damage to our national economy than anything I know, I do not think we would have embarked on export controls of soybeans, as you recall at that time.

Senator DOLE. That is a matter of great concern. I say it in a parochial way because I represent the State of Kansas, but I think it does affect the American consumer. We are concerned in the Farm Belt with imports of milk or cheese or meat imports as well. We get rumors now that there may be some new voluntary meat agreement underway that might cause meat imports to go even higher. We are not certain of that. I want to emphasize the interest of a great many Senators and Members of Congress and others in this country that agriculture is very important, and we do not want to destroy it.

The average age of the Kansas farmer, for example, is 55. Now, that is not very old when the two of us look at that.

Secretary DENT. I agree with that.

Senator DOLE. But it may be for agriculture. The point being we do not have the young farmers coming on. We are down to 5 percent of the population now engaged in agriculture, and it could go even lower. My hope is that there will be—and knowing your background I am confident there will be—political independence from any White House efforts to dictate policy.

I certainly understand the President's direct interest, as does the Congress, but I also feel that in selecting you for this role, he understands that it will be an independent operation.

Secretary DENT. Thank you, Senator.

Senator DOLE. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Haskell?

Senator HASKELL. Thank you, Mr. Chairman.

Mr. Dent, I just have one question.

I understand a couple of weeks ago the Non-Tariff Barriers Committee of the GATT met in Geneva and divided into four working groups and assigned certain areas to each working group.

Now, some people have said—and I do not quite know the basis of their statements—that the structure of the four groups works to the disadvantage of the United States. I am not quite sure how they say it is done, but I wondered at first, had that suggestion come to your attention that the structure was to the disadvantage of the United States, and if it had, what your comments on the situation are.

Secretary DENT. I had not heard of criticism of the structure, Senator, to be honest.

Senator HASKELL. I would like to just submit for the record a telegram the State Department gave us. It is unclassified and, perhaps, Mr. Secretary, you might inquire into the matter and let us know for the

record whether the rumor is founded, whether it has got any validity to it, and if so, if there is anything that should be done about it.

Secretary DENT. I certainly will.

Senator HASKELL. I appreciate it very much.

Thank you, Mr. Chairman.

[The telegram and Secretary Dent's response follows:]

[TELEGRAM]

DEPARTMENT OF STATE

Unclassified 5027

Page 01 Mtn GE 01619 101834Z

02

Action E8-07

Info Oct-01 IO-10 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00 COME-00  
DODE-00 FRB-01 H-02 INR-07 INT-05 L-02 LAB-34 NSAE-00  
NSC-05 PA-02 AID-05 CIEP-02 SS-15 SIR-04 TAR-01 TRSE-00  
USIA-15 PRS-01 SP-02 OMB-01 OIC-02 AF-06 ARA-10 EA-10  
EUR-12 NEA-00 /153 W

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R 101739Z Mar 75

FM USDel Mtn Geneva

To SecState WashDC 012

Unclas Mtn Geneva 1619

Pass str for Kelly

FO 11652: N/A

Tags: Etrd GATT

Subj: Mtn: No tariff measures group

Text of GATT restricted document Mtn/Ntm/1 of 10 Mar 1975 follows:

RECORD OF DECISIONS TAKEN ON 4-7 MARCH 1975

NOTE BY THE ACTING CHAIRMAN

1. The group met from 4-7 March 1975 and took the following decisions. It invited the Secretary-General of UNCTAD or his representative to attend this session of the group as an observer.

Selection of non-tariff measures on which negotiations should be commenced initially.

2. The group agreed that negotiations should be commenced initially on the following topics, it being understood that other measures might be added (see para 6 below) and that no measure was from the negotiations:

First grouping

(A) Quantitative restrictions (including import prohibitions and so-called voluntary export restraints);

(B) Import licensing procedures.

Within this grouping, work would commence first on item (A).

Second grouping

(A) Subsidies;

(B) Countervailing duties.

The way that the items in this grouping would be dealt with would be decided in the actual negotiations on them.

Third grouping

(A) Standards;

(B) Packaging and labelling;

(C) Marks of origin.

Within this grouping, work would commence first on item (A). Rules should be drawn up in the area of standards. The application of these rules to health and sanitary regulations concerning agriculture and tropical products should be examined by groups "Agriculture" and "Tropical Products". In order to accommodate the practical problem of adequate representation of all interested delegations, the question of timing of the meetings on these subjects would be borne in mind.

**Fourth grouping**

- (A) Customs valuation;
- (B) Import documentation—including consular formalities;
- (C) Customs nomenclature;
- (D) Customs procedures.

Within this grouping, work would commence on item (A).

8. In response to a question from the floor concerning the relation between work on industrial and agricultural products, acting chairman recalled that in his summing-up the chairman of the trade negotiations committee at its meeting in February 1975 had stated: "The agriculture group will of course be competent for the whole range of agricultural products and for all the elements relevant to trade in these products.

To arrive at our common objective, the harmonious and balanced development of all the elements subject to negotiation, it is necessary to underline that if in other groups questions which are likely to concern agriculture are taken up, the agriculture group shall concern itself with the matter as regards the agricultural aspects." (Mtn/W/10, paragraph 4.)

**Establishment of sub-groups**

4. The group agreed to establish four sub-groups each dealing with a grouping on which negotiations are to be commenced initially.

**Election of chairmen of the group and the sub-groups**

5. The group noted that consultations were continuing on this matter.

It agreed that the secretariat should reconvene the group when after consultation, it was considered that the matter could be dealt with, hopefully within a few days.

**Establishment of procedure for inclusion in the negotiations.****Non-tariff measures not contained in the initial list**

6. The group agreed that from time to time it will consider the feasibility of taking up additional items, that it is open to any participant to propose additional items, and that after the August recess, the group will meet to consider the establishment of a second list of non-tariff measures in the same way as it establishes the first list.

7. The group agreed that the secretariat should prepare a background note which would gather together the available and relevant material on government procurement.

**Establishment of procedures for negotiations on non-tariff measures not dealt with multilaterally**

8. The group had an exchange of views of this item. The group agreed that the secretariat prepare a paper setting out the points made and the procedures used in previous item-by-item GATT negotiations and agreed to revert to the matter at its next meeting with a view to reaching some conclusions.

**Establishment of a calendar of meetings**

9. The group agreed to the following programs of meetings:

21 April-2 May—"Quantitative Restrictions"

5 May-18 May—"Technical Barriers to Trade"

19 May-30 May—"Customs Matters"

2 June-18 June—"Subsidies and Countervailing Duties"

23-27 June—Group "Non-Tariff Measures" to review the work and draw up a report to the trade negotiations committee.

10. It was agreed that the group should be callable on short notice as required.

11. The group agreed that the secretariat should distribute background papers relating to each of the four groupings in advance of the meetings.

**RESPONSE OF SECRETARY DENT**

The Nontariff Measures Group of the Trade Negotiations Committee met March 8-7 to determine the initial program for NTB negotiations. In the view of the U.S. negotiators, this was a highly successful meeting that resulted in a substantial basis for productive NTB negotiations.

Two of the U.S. NTB priorities, subsidies and product standards are included in the initial program and preliminary negotiations will commence this spring.

We are satisfied for the time being that government procurement should continue to be discussed in the OECD.

In the subsidy negotiating subgroup, the U.S. was successful in having all subsidies included rather than just export subsidies, as proposed by several other major delegations. This subgroup will, of course, address U.S. countervailing duty practices. However, it should be possible for the United States to modify these practices if we are successful in negotiating adequate rules for subsidies.

In the standards subgroup, we were not able to exclude consideration of marks of origin, but did secure agreement that this issue would not be discussed at an early date.

The subgroup on quantitative restrictions (including import prohibitions and so-called voluntary export restraints) and import licensing procedures, was proposed by several of our negotiating partners. The U.S. has few practices that will be brought up in this subgroup. The work here is largely directly against the NTBs of other countries. Successful negotiations in this subgroup, however, should be beneficial to the United States, and we should be able to obtain these benefits with a minimum of reciprocity.

In the subgroup on customs matters, there will likely be an effort directed at U.S. practices in customs valuation, procedures and nomenclature. This was expected by the U.S. delegation because these practices are considered a prime objective by many of our negotiating partners; this fact, however, should give us a certain amount of leverage in the NTB negotiations. In this area, the United States will wish to discuss customs valuation and related procedures that have proven to be disadvantageous to U.S. exports.

In addition to the issues currently in the negotiations program, it is important to consider those which are not. For example, several of our negotiating partners sought the inclusion of antidumping practices. We were successful in preventing the inclusion of this subject.

A final factor to be considered is that it was agreed to leave the negotiation program open for possible future inclusion of additional NTBs. While it is possible that our negotiating partners will attempt to add more U.S. practices, we can respond in kind.

In sum, I believe the NTB negotiations program is fair and balanced. Successful negotiations on these issues will result in substantial benefits for the United States.

Senator NELSON [presiding]. Senator Hansen?

Senator HANSEN. Mr. Secretary, I join with those others who have expressed their appreciation to you for your willingness to take on this extremely difficult and trying assignment.

I know that your job at Commerce has not been an easy one, and I suspect this job will be even more difficult. By virtue of the many qualities that we know, appreciate and find in you I am delighted that you are going to represent this country.

I do want to follow up on some questions that have been asked by Senators Nelson, Mondale, and Dole. As one of the representatives of the State of Wyoming, a State that has an important livestock industry, I am particularly concerned about the lack of clout insofar as votes go that characterizes this particular industry. It is an industry, unlike most other segments of agriculture, that has not received price supports.

Livestock, specifically cattle, have not been price supported. We have been free enterprisers. It has, from time to time been very tough going, as I am certain you know. About a year and a half ago, when wage and price controls were lifted on most segments of industry in this country, they remained on cattle. Continuation of the price controls on beef triggered a response that surprised me. Feeders and others keep cattle beyond the time they should have gone to market. Holding beef off the market caused resentment among housewives

in this country and triggering a meat strike from which the cattle industry has not yet recovered. As a matter of fact, the price of beef continues to deteriorate.

I, like Senator Dole am deeply disturbed over rumors that reach me. I hear that in regard to this Nation's international trade agreements, it is an easy tradeoff for this country to short change the livestock producer. Despite the fact that such a policy may ruin those few people who are still solvent in the livestock business, the livestock industry does not really matter to U.S. trade negotiators, because numerically our numbers are relatively insignificant.

My question to you is, would you be inclined to give any special consideration to one of the remaining segments of industry in this country that has never asked for, and has always resisted Federal price supports, specifically the livestock business?

Secretary DENT. Of course, Senator, I think, perhaps, one of the reasons that we are the largest meat eaters in the world on a per capita basis is the independence of the industry and its success. I was glad to hear last week the Secretary of Agriculture estimating that we will consume 7 pounds of meat more per capita this year than we did last year, a record year.

As far as special concern, I think that all of our economic interests deserve special concern, including the cattle feeding operations, the cattle raising and cattle feeding.

Senator HANSEN. I guess I feel like Senator Mondale. You did not make exactly the response I had hoped for. I do think that this country epitomizes to a greater degree than any nation I know the free enterprise system. I do think, not only because I am in that business but simply because I believe in the validity of the free enterprise concept, that the livestock industry is entitled to a little more than those industries which receive government price supports or some similar preferential government treatment. In 1964, a meat import program was authorized by the Congress. As far as I know, we have never throughout the imposition of that law stopped importing foreign meat. We have always held it out as a bargaining position, but invariably we have entered into voluntary agreements.

The livestock business, for those who may not know it—and I am certainly well aware that you are familiar with it—is in desperate straits. The second biggest packing plant in this country has gone broke. Last year feeders lost between \$100 and \$200 per head on all of the cattle they fed. And simply now to say it seems to be the position of some people in the State Department that we can build some good will in certain parts of the world by ignoring the import quota law and letting imports come into this country does not at all please me. I am deeply disturbed over the willingness to sacrifice one group of people that have not sought nor received Federal assistance, in order to gather the goodwill of a larger voting block in this country. I would hope that you might find it in your heart to give a little extra consideration to the one group of people that have not had any protection, and deserve better than they are presently receiving.

Secretary DENT. Well, I abhor the word "sacrifices", which you use.

Senator HANSEN. Pardon me?



Senator DENT. I abhor the word "sacrifice" and the idea that one has to be sacrificed, but I think this matter must be examined carefully.

Senator HANSEN. I appreciate your words, Mr. Secretary, and I wish you the very best.

Secretary DENT. Thank you, Senator.

The CHAIRMAN [presiding]. Senator Fannin.

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Secretary, I am very pleased to support your confirmation. You have a long history of successful public service, a very exemplary one. I am very pleased that your business experience is so broad, and I certainly know that you are in a position to render a great service.

One of your fellow Secretaries is doing a lot of travel around the world these days, and he has a very important assignment and we all wish him well. However, you have an equally important challenge ahead because the future of our economic position in this world, in this Nation, depends upon what we are able to do in your particular field. I am vitally concerned because if we look back over the history of what has happened with our trade negotiations, we can be very frightened with the future, and I think you know more about that than I do.

We have not been as tough, I do not think, in our negotiations as we should have been. I do not know whether you agree with that or not, but I know that we have been pushed around, and I think the automotive industry is a good example. Tariffs on automobiles went from 4½ percent here in the United States down to 3 percent, while in many of the countries importing to us with nontariff barriers and the tariffs that are in existence, they still keep us out of their markets. Now there is a question whether we can get in their markets, because they have utilized a great tariff advantage to build their industries in order that we could not compete. And then, of course, what happened was rather than to fight them we joined them. I think this is true of most of the automotive industry.

Do you feel that we have a chance of recovering some of that advantage that we had not too many years ago in the different manufacturing fields? We lost so much. If you look at the bicycles, motorcycles, all of these different types of units that we were producing in quantities, we now have lost all of that. Do you think there is any chance that in our negotiations, in our work, with a quid pro quo we might recover some of that business?

Secretary DENT. Senator, I think it is quite clear that during the post World War II period through national policy to assist in the reconstruction of war shattered economies we maintained an overvalued dollar. The net effect of this was to make us uncompetitive in world markets and to force private investment offshore to where we have \$118 billion private invested in other nations of the world.

But it does seem to me that in the early 1970's we reversed our policy. We devalued the dollar. We are now more competitive in world markets than we ever have been since World War II, and I think we have a tremendous opportunity, if we work on domestic productivity, if we make provision for American industry to raise capital with which to modernize and to expand, that we can take a more prominent place in export markets than we have since World War II.

Senator FANNIN. Mr. Secretary, I think you realize what is happening, as far as Japan is concerned. They have a great need to export and they are putting on a drive to increase their exports throughout the world and certainly here in the United States.

Do you feel that—and I have reports from electronic manufacturers, for instance, that they are still closing out their markets to us in many instances—do you feel we can break down that barrier?

Secretary DENT. Our trade balance with Japan was as high as a \$4 billion deficit. It recently has been reduced to \$1¼ billion. We have seen through negotiation a reduction of their restrictions, both on imports and capital investment, and I think through continuing negotiation of a forceful nature that we can make progress with them, but it does take determined negotiation.

Senator FANNIN. Well, that is what I am talking about. Do we have labor oriented products helping to offset—in other words, we went from \$4 billion down to \$1¼ billion, but did we do that with raw materials, or did we do that with labor oriented products?

Secretary DENT. Manufactured, agriculture, raw materials, all across the board.

Senator FANNIN. Yes, but mostly nonlabor oriented products, is that not true?

Secretary DENT. There was a good bit of agriculture involved. I do not know whether you define that—I guess that is not labor oriented.

Senator FANNIN. I am talking about manufactured products.

Well, I do not want to prolong it. I know you are capable of doing an outstanding service and will do an outstanding service, but I just voice my concern as to what is happening. If this continues, we are going to have a great deal more unemployment in this country, and I think it is a real challenge equal to even the one that our roving Secretary is playing today, and that is a tremendously important assignment.

But I have great confidence in you, as I said, and I certainly wish you well.

Secretary DENT. Thank you, Senator Fannin.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Secretary, I think you are very well qualified, and I shall be happy to support your confirmation.

I was interested in the observation that you had a small staff of only 45. This may cause you to work a lot harder, but I am very happy about it. I believe that you will be in a better position to formulate policy and carry it out than if you had to sit on the top of a giant bureaucracy that became unwieldy.

The field of agriculture has been very well covered. I would point this out. As our number one salesman for American products—that is what you are—you will be in a position to cut the cost of Government more than any other official.

Let me illustrate. We wrote a provision in the farm law 2 or 3 years ago that as the price went up the Government production subsidy went down. In many cases it went down to zero. We were spending about \$4 billion for production subsidies in grains and cottons and otherwise. Under our present law that has been reduced to less than \$1 billion. It is the only activity in the whole field of Government

that I know of that has had a reduction, and here it has gone from \$4 billion to less than \$1 billion.

The primary cause of that was the export of farm products. If you leave the surplus here, which has always crowded our markets, the price went up here, and farmers and producers generally are very happy if they can get their money through price as contrasted to Government subsidy.

So as the Nation's No. 1 salesman of products, your success in continuing that flow of agricultural products, every time you are instrumental in increasing that or maintaining that you will be saving the taxpayers billions of dollars, and you would also make a lot of the farmers happy.

It will not be easy because there are misguided consumer pressures in this country that want to stop our exports so that they can buy below cost, and there are processors in this country who have grown in the habit of letting the Government carry their inventory, and they want exports cutoff so they will pile up here and they can buy cheap.

At any rate, we feel that you will do the job. Do you view the Special Trade Representative as primarily a task of selling America's products abroad within a balanced economy and fair consideration?

Secretary DENT. I really look upon it as the negotiator for the salesmen of American products to open up markets so that they can have access to these markets and let the flow of salesmen come through an open door.

Senator CURTIS. I think during World War II and immediately thereafter we in the United States had a false notion; we thought we were so strong we could never become weak, and trade negotiations were conducted as an adjunct to foreign policy, a giveaway program that we tried to get somebody to vote with us in the United Nations, or something of that sort. Or we have also considered it as a form of foreign aid.

Well, I believe that you will have better success if your superior makes it clear that your responsibility is not to promote the foreign policy, not that you would want to directly oppose it. I do not mean that, or that in any sense it is a foreign aid problem, because we have other departments of Government taking care of that.

But I am happy to support you.

Secretary DENT. Thank you, Senator. I do believe that up until the early 1970's military and political matters predominated in our national interests abroad, but I think since that time commercial relationships have come to the fore and we as a nation, broadly speaking, simply have not recognized the importance of our international economic relationships, and we need to recast many of our activities in the direction in which we are moving because of this change.

Senator CURTIS. Thank you.

That is all, Mr. Chairman.

The CHAIRMAN. Mr. Hathaway.

Senator HATHAWAY. Thank you, Mr. Chairman.

Mr. Secretary, it is a pleasure to see you again. I just want to ask you two questions.

We talked about the footwear industry when you were in my office a few weeks ago. I received a letter from Harald Malmgren who is the Deputy Secretary Trade Representative. He sent it to me last Decem-

ber and I put it in the Congressional Record. What he said, in part was:

I can assure you that this Administration will, pursuant to the provisions of the Trade Act, give immediate attention to devising some suitable form of arrangement with the governments of other nations whose exports to us are the significant causes of destruction to our footwear industry. The purpose of such arrangement would, of course, be to reduce or eliminate the disruptive effects of imports.

The first question I have is, is there any question in your mind but what this is a commitment by this administration to do something about the disruptive effects which imports have had over the years on the footwear industry, not only in New England but throughout the country?

Secretary DENT. I think that the statement speaks for itself, Senator. I mentioned earlier that whatever Ambassador Eberle and Ambassador Malmgren said or made by way of commitments providing they are within the statutory authority to do so, I think must be adhered to.

Senator HATHAWAY. Good. I am glad to have your assurance in this regard.

Do you have any plans at the present time to implement this commitment?

Secretary DENT. I understand that there is an interagency group which is reviewing this. I am not familiar with their work, but I know it is under consideration. I look forward to finding out where it stands when I am given the authority to do that.

Senator HATHAWAY. Do you have any idea at this time when we might be able to expect some results?

Secretary DENT. No, I do not; but I will certainly look into it.

Senator HATHAWAY. Within the year?

Secretary DENT. Excuse me?

Senator HATHAWAY. Would it be within this year?

Secretary DENT. I would certainly assume it would be reasonable to anticipate that it would be within this year.

Senator HATHAWAY. Thank you. Thank you, Mr. Chairman.

[The following letters were submitted for the record by Senator Hathaway:]

U.S. SENATE,  
Washington, D.C., March 21, 1975.

Hon. RUSSELL B. LONG,  
Russell Senate Office Building,  
Washington, D.C.

DEAR MR. CHAIRMAN: At Tuesday's Finance Committee hearing on the nomination of Secretary Dent to become the new Special Representative for Trade Negotiations, I asked several questions of the Secretary relative to certain commitments made to myself and to the domestic footwear industry during the negotiations surrounding the passage of the Trade Act of 1974. The responses received from the Secretary indicate that he is aware of the correspondence I have received from the Administration, but I would like to ask your indulgence in submitting for the record of the hearings a copy of the letter referred to.

I am also asking that an exchange of letters between Senator McIntyre and Ambassador Eberle on the same subject, namely commitments to the domestic footwear industry, be inserted in the record, too. All three letters are attached hereto.

Sincerely,

WILLIAM D. HATHAWAY,  
U.S. Senator.

Enclosures.

DEPUTY SPECIAL REPRESENTATIVE  
FOR TRADE NEGOTIATIONS,  
Washington, D.C., December 26, 1974.

Hon. WILLIAM D. HATHAWAY,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR HATHAWAY: I am writing with regard to the provisions in the Trade Act of 1974 which pertain to discretionary authority which may be exercised by the Secretary of the Treasury under the countervailing duty provisions of the statute. The statute outlines three conditions which have to be met before this discretionary authority may be exercised. The first condition states that "adequate steps have been taken to reduce substantially or eliminate during such (discretionary) period the adverse effect of a bounty or grant which he has determined is being paid or bestowed with respect to any article or merchandise."

On December 20, 1974, you and I discussed this matter orally. You then expressed the interpretation we had agreed in a statement on the Senate floor. You said that "I presume that with respect to nonrubber footwear, this means an actual agreement must have been entered into or voluntary understandings must have been undertaken by the exporting country or exporters within the country which would have the same effect as an agreement. I understand, further, that with respect to nonrubber footwear, the only type of agreement or understanding that would fulfill this requirement would be one of export restraints." I am taking this opportunity in writing to confirm that your understanding, as expressed in your Senate floor statement, is correct, whether we are talking about presently pending or future countervailing duty cases with respect to nonrubber footwear.

As for other provisions of the Trade Act of 1974 concerning nonrubber footwear, I can assure you that this Administration will, pursuant to the provisions of that Act, give immediate attention to devising some suitable form of arrangement with the governments of other nations whose exports to us are the significant causes of disruption to our footwear industry. The purpose of such arrangements would, of course, be to reduce or eliminate the disruptive effects of imports.

Sincerely yours,

HARALD B. MALMGREN.

U.S. SENATE,  
Washington, D.C., December 6, 1974.

Hon. WILLIAM D. EBERLE,  
Special Representative for Trade Negotiations,  
Old Executive Office Building, Washington, D.C.

DEAR AMBASSADOR EBERLE: I am very concerned over the future of the non-rubber footwear industry and the jobs of its 300,000 workers as a result of the adverse impact of imports on this industry. Jobs in this industry have steadily declined over the last several years as domestic production has fallen while imports have increased substantially. Imports of nonrubber footwear have capture a staggering 40 percent of the U.S. market. In my own state of New Hampshire footwear plants have closed and workers in those plants have been idled by imports. The Executive Branch has done virtually nothing to dampen the flood of these imports.

As the Senate begins consideration of the Trade Reform Act, I express my hope that provisions of this legislation will not result in further harm to the non-rubber footwear industry and its workers from additional import penetration, and that perhaps the industry and its workers may be benefited by the bill. It seems to me that several sections of the bill now pending before the Senate might be invoked by the Executive Branch to negotiate an intergovernmental arrangement on nonrubber footwear that would place meaningful restraints on these imports over the next several years. If this could be accomplished, the domestic industry would be able to face the future with renewed confidence, giving it an opportunity to improve its competitive position.

At the same time I am concerned that the tariff-cutting provisions of the trade bill, whether under Title I or Title V, if used to reduce tariffs on non-rubber footwear, would place this industry in further jeopardy. I should hope this would not be the case.

I would like to support the trade bill, but I cannot overemphasize to you that the Administration should take action to meet the problems of the domestic footwear industry arising out of disruptive imports. I would appreciate hearing from you before the Senate begins its consideration of the trade bill as to the intentions of the Executive Branch with regard to the two matters I have raised—an inter-governmental arrangement on nonrubber footwear and no tariff reductions without careful consideration of the effects on the nonrubber footwear industry.

Sincerely,

THOMAS J. McINTYRE,  
*U.S. Senator.*

THE SPECIAL REPRESENTATIVE FOR  
TRADE NEGOTIATIONS,  
*Washington, D.C., December 11, 1974.*

Hon. THOMAS J. McINTYRE,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR McINTYRE: Thank you for your letter of December 6, 1974 regarding your concern over the future of the American nonrubber footwear industry, and the impact of imports upon that industry.

In particular, you expressed the hope that provisions of the Trade Reform Act, now pending before the Senate, would not result in further harm to this industry. I can assure you that this will not be the case. On the contrary, the Trade Reform Act is designed to provide more rapid and more effective relief than that available under present laws to firms and workers adversely affected by imports. It contains provisions which, if passed by Congress, will allow the Executive Branch to work out suitable remedies for disruptive imports, remedies which are appropriate to the particular difficulties of industries or workers concerned.

We recognize that the possibility of improved export performance by the non-rubber footwear industry is very limited, and that improvement in the economic outlook is not likely to be found in the next few years by liberalization of foreign markets for American footwear products. The tariff cutting provisions of the Trade Reform Act could, however, be of potential concern in the case of present U.S. import protection levels for nonrubber footwear. To ease some potential concerns in this area, we have already indicated that the provisions of Title V, authorizing the granting of preferential tariffs, would not be applied to footwear products. I reiterated this Administration commitment in my recent letter on this subject to Senator Russell B. Long on November 7, 1974, a copy of which is contained in the Senate Finance Committee Report on H.R. 10710 (page 224). As for the authority in Title I to cut tariffs to zero at the low end of the U.S. tariff structure (tariffs of 5 percent or under, as in the House version, or of 10 percent or under, as in the Senate version), it is not our intention to sue this authority for products where the sensitivity to imports is obviously great. As for the general tariff cutting authority of a partial character, I cannot at this time give any assurance that partial tariff reductions would not be made but I can certainly assure you that such potential cuts would be weighed very, very carefully, would be subject to full consultation with advisers from the footwear industry, and their effects would be assessed against any other possible safeguard actions to moderate footwear imports which might by that time have been implemented under other provisions of the law.

In this latter connection, it seems to me that the escape clause provisions of the Trade Reform Act are ideally suited for use by the American nonrubber footwear industry. Indeed, the matter of escape clause action was never fully resolved under the old law, since the Tariff Commission reached a tie decision in 1971 without providing clear guidance to the Executive Branch. You will recall that the two Commissioners voting in the negative said that they could not find that the statutory criteria had been met, that increased imports were caused by tariff concessions. The proposed Trade Reform Act deletes this criterion. Thus, the import relief provisions would in this case apply to the nonrubber footwear industry, if the remaining, more easily satisfied statutory criteria are met. Given this history, if such escape clause procedures were undertaken under the new law, priority attention would be given the matter, and if the procedures suggested the

need for import relief, you can be assured the Administration would move expeditiously to provide it. I can also assure you that in determining what form of relief would best deal with the industry's problem, particular attention will be given to the possibility of devising some suitable form of arrangement with the governments of other nations whose exports to us are determined to be significant causes of disruption to our nonrubber footwear industry.

I hope that my explanation in the letter serves to convince you that the Trade Reform Act would not only not harm the American nonrubber footwear industry, but would very likely prove of major benefit to that important industry. It is a law which we believe is available to all American firms and workers, and to all American agricultural interests, and indeed to all Americans. It is a law which we believe provides for fair and effective solutions to both export and import problems, in the context of our overall national interests.

Your sincerely,

W. D. EBERLE.

The CHAIRMAN. Senator Roth.

Senator ROTH. Mr. Dent, I want to welcome you and say that I am very happy at your willingness to serve in this most important position.

I share the concern expressed by a number of Senators about the fact that in the past, perhaps because of different conditions, we did not negotiate as hard as we should have. I think that was one of the things that those of us who sat in on the drafting of the Trade Act were very much interested in seeing corrected so that we do everything we can to insure that that will not be the case in the present negotiations.

Now, one of our concerns is that there be close liaison between the negotiators and the vital components of our economy—that includes agriculture, business and labor—throughout the negotiations. I understand this has been touched on briefly prior to my getting here. I have received a copy of a letter indicating dissatisfaction on the part of at least part of industry concerning the efforts to establish the procedures and guidelines between industry and the Government. I think there has been some further discussion since this letter was written; but very candidly it concerns me at this early stage that we are off on this road.

I wonder if you would comment on what you expect to do in this area, not only with industry but agriculture. I might say, when I was in Europe recently, I talked to a number of people who are going to be involved in the negotiations. They took a very hard line when it came to doing anything in the area of agriculture. I do think that we are going to have to be tough. I think we are going to have to have close consulting relationships between yourself and labor, business, and agriculture.

Secretary DENT. Well, Senator, I could not agree with you more. As a matter of fact, while in the Department of Commerce we undertook to organize the industry advisory groups starting in June of 1973, just to be sure that they would be in place, and strong and effective. Now there was a certain amount of flack that arose in the industry sector advisory committee during the first meeting. It may have to do with the implications of the Freedom of Information Act and other things; but I understand that a meeting was held and that those who were critical left the meeting reassured. I agree this must be effective and continued throughout the entire proceedings.

I was one who was a dissatisfied industrial adviser during the Kennedy round, and consequently have some first-hand information whereof you speak.

Senator ROTH. I am pleased to hear you say that, Mr. Secretary, because I think in large measure how effective that relationship is depends not so much on what we write in the legislation, but on the working relations you and your close associates develop.

In a somewhat related matter, one of the things we have charged the Government to do in these negotiations, of course, is to try to seek revisions in GATT in twelve different areas. Are you very optimistic that we are going to be able to do much in that area?

Secretary DENT. I think it is reasonable to expect some progress to be made with an institution that has not been revised to any extent over the period of time since its organization in the late 1940's. I think a lot will depend on the success and progress of the whole negotiating session. But I think it is quite clear from the deterioration in international economic relationships that progress must be made, and that those participating will recognize this.

Senator ROTH. I must say that when you go back to the fact that GATT was established, as you say, in the 1940's, and never really was sanctioned by Congress as a treaty, it was developed at a time when we had a huge balance of trade payments surplus, and were in a very powerful position. I wonder if there might now be merit in seeking to develop some kind of a new organization in lieu of trying to amend GATT, such as a permanent international trade organization that would be designed to deal with trade problems on a continuing basis. I think it might at least be worth looking into; that this might be an approach where we can eliminate some of the inequities. We could also provide constitutional sanction to it in the form of a treaty that would have to come to the Senate.

I would urge you to consider this, particularly if we do not make progress in eliminating some of the inequities that have developed in GATT.

Secretary DENT. Well, I do believe that because of its stature over the years, that the revision of GATT would be far more preferable than closing an existing facility and reopening one with all of the new pressures that we have in the world from consortias of various sorts.

So, I would hope very strongly that we could make changes in that rather than having to face up to the element of having to start afresh.

Senator ROTH. If we can make progress in GATT, I agree. If we cannot, then we would have to look beyond that.

One final question, Mr. Secretary.

Under the law we provide for two deputies. I wonder if it is intended to fill these positions soon? Is it your intention to have one serve in Geneva and one in Washington, or would you have one concentrate in the agricultural area? I wonder what your plans are in this area?

Secretary DENT. First of all, as far as filling them is concerned, the sooner the better, as far as I am concerned, with the negotiations underway. I think it is unfortunate that there are two vacancies. But when confirmed and sworn in, that will be one of the first steps. I do think it important that we have a man of this stature in Geneva during these important negotiations. So, consequently I think that one should be there. As far as the agricultural advice is concerned, it is important that this be good and strong; where that is best located is something



that I would have to determine later on, not just at the moment. I think it has to be in Washington to begin with to get this whole thing organized and underway. But ultimately if the talks get into that area intensively, obviously there has to be very strong representation in Geneva as well.

Senator ROTH. I wish you well. I am happy to support your nomination.

Secretary DENT. Thank you, Senator Roth.

The CHAIRMAN. I have some additional questions which I would just submit. I would appreciate it if you would give us a written answer as soon as you can, Mr. Secretary.\*

We do want to get one thing straight for the record because there has been so much report by innuendo. Where some people get some of these things I do not know. I just want to make it clear, Mr. Secretary, that my attitude toward the person who was previously suggested for this job, Mr. Larry Silberman—my objection to that man for the job—was purely that he did not have the kind of experience that you bring to this job. I consider Mr. Silberman to be a very talented, smart, energetic, tough, hard-working Government employee, and I think that all of those talents are needed in this job. He did not have the kind of experience that you bring to the job. If he had had experience parallel to what you bring to it, I would have been happy to have supported Mr. Silberman's nomination for this job. I discussed it with other members of this committee and felt that I would have to oppose this confirmation to this position, and so did a number of other members of this committee. Now, he might have been confirmed, but we would certainly have had a fight over his confirmation. I do not think that is how a man should set out in this job. But I just wanted to get the matter straight insofar as you are concerned.

Have you made any commitment or whatever to me or any member of this committee, or have you sought this job in any respect whatever?

Secretary DENT. None whatsoever, Mr. Chairman.

The CHAIRMAN. I just want to make it clear that my attitude to the President and his administration was if they would send us a man with the experience and the background and the talent to represent this Nation adequately, recognizing the fact that he was going to be up against the best that all of the enlightened trading nations on the Earth could put at that table, that I would expect to support that man. I think you have those qualifications and I am pleased to support your nomination, Mr. Secretary.

May I say, that if they want to send Mr. Silberman down for your old job, I will support him for that.

Senator NELSON. Mr. Secretary, earlier Senator Mondale and I made reference to discussions with Ambassador Eberle and Mr. Malmgren. I forgot to mention specifically letters that were sent to Senator Mondale and me. I am sure you have available copies. In the committee report of the Trade Reform Act of 1974, dated November 26, 1974, on pages 189 and 190-191, there are two letters, one to Senator Mondale dated October 2, 1974, and one to Senator Mondale and me dated October 3, 1974, the first one is signed by Mr. Harald Malmgren, the second one is signed by Mr. David Macdonald, Assistant Secretary,

\*See pp. 61ff.

Enforcement Operations in Tariff Affairs. I would appreciate it if you would read those two letters and let us know whether you have any difference of opinion with the statements and assurances that are made in those two letters signed by Mr. Malmgren and Mr. Macdonald.

I believe those are the only two. If there is an additional one that has slipped by my memory, I would be glad to let you know.

[The letters and response by Secretary Dent follow:]

LETTERS

DEPUTY SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS,  
*Washington, D.C., October 2, 1974.*

HON. WALTER M. MONDALE,  
*U.S. Senate,  
Washington, D.C.*

DEAR SENATOR MONDALE: You have asked about the status of any discussions between officials of the U.S. government and the European Community as regards the resolution of the problem of E. C. dairy export subsidies. When the E. C. suspended its restitution payments, Treasury and the Court determined that no further Treasury action was called for under those circumstances. The E. C. has asked what would be done in the future in the light of possible changes in the law (under revisions incorporated in the Trade Reform Act), and we have said that we shall have to wait to see what the Congress will provide. I can assure you that there have been no private or public agreements regarding resolution of the problems arising out of the pending countervailing duty case in relation to imports from the E. C. In particular, we have not made any assurances, or even raised hopes, of any adjustments in the dairy import quota situation in connection with the proposed compromise package which STR and you and Senator Nelson have been discussing. The compromise package, as we have outlined it to you, composed of the attached memorandum and draft Treasury letter, represents a comprehensive approach to meeting the special problems of the dairy industry.

Moreover, the Special Trade Representative's Office would not recommend any changes in quotas in connection with trade policy without prior consultation with you and the representatives of the dairy industry whatever the elements of such a settlement insofar as they affect dairy farmers.

The compromise proposal which results from our common effort with you is a package with which we can live and to which we can support in conference if it is agreeable to the Senate.

I recognize the real problems and special circumstances of the dairy industry. It is in relation to this recognition of the problems, and of your own concerns, that we have made a major effort to tailor this special approach to dealing with a most delicate problem without prejudice to the interests of other American farmers or to our national economic interests. This latter point is important because we are very much concerned with the need to avoid possible spillover effects on other American economic interests, particularly agricultural interests, of a confrontation with our trading partners.

Sincerely,

HARALD B. MALMGREN.

THE DEPARTMENT OF THE TREASURY,  
*Washington, D. C., October 3, 1974.*

HON. GAYLORD NELSON,  
HON. WALTER F. MONDALE,  
*U.S. Senate, Washington, D.C.*

DEAR SENATORS NELSON AND MONDALE: I have been asked for the views of the Treasury Department concerning how proposed amendments to the countervailing duty law relating to a limited conditional discretionary authority in the Treasury Department not to apply countervailing duties during the period of negotiations under the Trade Reform Act might affect the pending Treasury investigation of dairy imports from the European Community and what future action can be expected regarding this case.

As you know, we are committed to proceeding immediately under the countervailing duty law should the EC reinstate the export payments on dairy products

they suspended on July 12 on cheese and previously on other products. I do not believe that this commitment would be affected in any way by enactment of any of the amendments to the law now being contemplated by the Senate Finance Committee.

Any attempt to avoid or delay the imposition of countervailing duties by the mere subterfuge of substituting one incentive program for another, with no significant differences between the two, would, in our opinion, be treated as though the above-described export payments had been resumed. In this event, a rapid determination could be made within the time limits set forth in the July 16 stipulation between the Treasury and the complainant in the EC dairy case.

Should the Europeans propose to put in place a new export policy or program, an appraisal of the factual situation would need to be made and matched to the criteria set forth in the law, as amended. Such an appraisal would be given high priority. Assuming this new scheme were found to constitute a bounty or grant within the meaning of the countervailing duty law, the EC would be required to take steps to substantially reduce or eliminate the effects of the program on the U.S. dairy industry to avoid the imposition of offsetting additional duties. The finding relating to those steps would be made *only* after very close consultations by the Executive Branch with domestic industry and concerned Members of Congress. It would need to be clearly shown that the problems of U.S. producers had been substantially relieved. Any determination not to impose additional duties because of the steps taken to reduce or eliminate the effects of the incentive program would be appropriate only if it appeared that the imposition of such duties would seriously jeopardize trade negotiations and would be subject to Congressional override under the provisions of the amendment.

I believe that the proposed amendment would provide an excellent tool for achieving the equally important objectives of protecting domestic industry from foreign unfair trade practices, while at the same time providing sufficient flexibility during the period of negotiation. The Treasury Department would support an additional amendment making countervailing duty orders effective immediately. That is, additional duties would be imposed on the day after publication in the Federal Register of a final affirmative determination. This change would provide for the immediate offsetting of any bounty or grant being bestowed on the merchandise in question, rather than permitting such merchandise to continue to enter the United States free of additional duties for a significant period following such a final determination.

You can be sure that whatever the amendments to the countervailing duty law, they will be applied during this period in such a way as to prevent injurious subsidized dairy import from the European Community.

Sincerely,

DAVID R. MACDONALD,  
Assistant Secretary  
(Enforcement, Operations, and Tariff Affairs).

#### RESPONSE

I have read the letters you refer to and can state that I fully subscribe to both their letter and spirit. There is no difference of opinion as far as I am concerned between my own views and the views stated in the letters.

Senator NELSON. I have one further question which you may or may not consider to be within the purview of your responsibility. In the Wall Street Journal, on March 12, 1975, there is a brief news story entitled "Simon asks penalty on cheese exported by Common Market." It states in the second paragraph that Treasury Secretary William Simon recommended that President Ford impose a set of penalty duties. The White House said a Presidential decision is expected in 10 days. What puzzles me about it, and I would ask you to comment if you feel that you can, is that in looking at the statute under chapter 3, Countervailing Duties, and elsewhere in the law, I can not find anything that gives the President the authority to make this decision. All the way through it refers to the Secretary: "The Secretary concludes from information presented to him or other persons," and so forth; "The Secretary shall initiate formal investigations to determine whether or not bounty, or

duty, or grant is being paid;" "The Secretary shall make a preliminary determination within a certain period;" "The Secretary shall from time to time ascertain and determine or estimate the net amount of each such bounty or grant, and shall declare the net amount so determined or estimated;" "The Secretary shall make all regulations he deems necessary for the identification of the articles," and so forth. The statute imposes, as I see it, the responsibility for the Secretary to make the determination of whether a bounty or duty is being paid, and if so, to impose the requirements of the law on countervailing duty within the provisions of the statute.

My question is, then, therefore what does the President have to do with it? Is the story accurate that Mr. Simon has recommended to the White House and the President is to make a determination in 10 days?

Am I missing something. It seems to me that this action is not pursuant to statute?

Secretary DENT. I think the way the President figures into that is that he is in charge of the administration, and Departments do not traditionally go off and implement things without advising him; and these recommendations are the findings required by that law, by the Secretary of the Treasury. I would presume, I have not seen the document, but he has made these findings and recommends that thus and so be done, and he is merely advising the man to whom he reports who has to coordinate the overall affairs of the Nation before embarking on action of some considerable consequence.

Senator NELSON. But that is not what the statute says. The statute, as far as I can find, says nothing about a recommendation. The news story which may or may not be accurate—I have had enough experience, as perhaps you have to recognize that news stories are not always accurate—but it was stated that it is recommended that President Ford impose a set of penalty duties. The White House said a Presidential decision is expected in 10 days, but the statute says the Secretary shall do all of these things. It does not say anything about recommending to the President and leaving it up to the President to make the decision. I would assume that Congress would have written into the law that the Secretary recommends and the President makes a decision. But all the way through it says the Secretary shall.

Secretary DENT. Senator, I said that if the Secretary of the Treasury wishes to continue in that position, he is wise to inform the leader of the administration of his findings in these instances which have international implications. It is not necessarily a question of seeking recommendations, but advice, as to his findings and the way he is going; the same way that I would not intend to negotiate something that would not meet with the approval of the Congress. I think it takes consultation before going forward. That is the way I propose to do it. In these areas where the laws give certain authorities to Cabinet officers, they are well advised to be sure that they keep the communications strong as to their findings and their obligations under the law, and advise the President of what they intend to do.

Senator NELSON. I understand what you are saying, but the fact of the matter is that the Congress passed a statute imposing certain duties and responsibilities on various agencies and on the heads of those agencies.

— We had a quite classic case which I do not need to get into the details of, in which an Attorney General declined to comply with the President of the United States in the prosecution of a certain case, and that was his responsibility. Now if he gets fired as a consequence of that, that is quite another matter. But what puzzles me is, unless I am missing something, it does not say recommend or delegate to the President; it says the Secretary shall make the findings. Now sure, I would expect that he would advise the President of what he thinks his responsibility under the law is. But if he decides it is his responsibility under the law, he should do it; and if the President does not like it, he can get a new Secretary.

It puzzles me that right off the bat here, you have a statute that is as clear as can be, that the Secretary makes all these determinations and then makes a decision. But here, in the story at least, it says that he has recommended to the President. I do not think that is in compliance with the statute. But, as I say, it may be unfair because you are not that Secretary. You are not being appointed to that position. Maybe it is unfair to ask you to comment on it, but I do not think it is in compliance with the statute.

Secretary DENT. I think it is very important that we maintain coordination and communication between the various departments of government, and when a department has a responsibility, it should carry it out. But it should also be sure that the President understands the situation and its findings.

Senator NELSON. Thank you.

Senator CURTIS. Mr. Chairman, I want to thank you for expediting this hearing. We have had a good hearing. Twelve Senators have participated in the questioning of Mr. Dent. I know of no opposition to it. I move that we favorably report his confirmation to the Senate.

The CHAIRMAN. All in favor say aye.

[A chorus of "ayes".]

The CHAIRMAN. Opposed?

[No response.]

The CHAIRMAN. Mr. Dent, we will run down the absentees and see how they feel about it, but I believe the vote is unanimous. I hope it can remain unanimous after you have been with this job for a few years.

Secretary DENT. I want to thank you, Mr. Chairman, and other members of this committee.

[Whereupon, at 10:47 a.m., the subcommittee adjourned, subject to the call of the Chair.]

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**APPENDIX**

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**Eight Questions Submitted in Writing to Secretary Dent by  
Members of the Committee**

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**Question.** You are aware that the Congress included in the law a provision which says the Special Trade Representative shall report directly to the Congress and to the President. We did that in order to assure to the maximum extent feasible, the independence of your office from political pressure which may be coming from State Department, the White House, or other departments. Will you give us the assurances that this will be in fact the case, that the Special Trade Representative office will not be reduced to a subservient role within the White House operation. In this connection, can you tell us whether or not there are any plans to reorganize the international economic policy machinery within the Executive Branch and if so, how this would effect the office of the Special Trade Representative.

**Answer.** I can assure you that as the Special Trade Representative I will report to and have access to the President. I will of course work with other agencies on issues of common interest. I am not aware of plans to reorganize the international economic policy machinery within the Executive Branch but regardless of any changes that may be made in the future, I fully intend to carry out my statutory responsibilities to the President and the Congress.

**Question.** As you are aware the Congress intends to take a very active role in the preparation and conduct of these negotiations. This is extremely important given the fact that all nontariff barrier agreements negotiated in Geneva must come back to the Congress for approval by both Houses. Former Ambassadors Eberle and Malmgren stated repeatedly that the official Congressional advisors as well as the additional designated Committee members and staff would have full access to all potential information and meetings relating to the preparation and conduct of the negotiations and would be able to sit in on the actual negotiations in Geneva. Can you reconfirm this commitment?

**Answer.** If the negotiations are to be fully successful, it will be essential that, from the very outset to the conclusion of the MTN, the Congress be actively involved in the important decisions to be taken. This is, as you pointed out, particularly essential in the NTB aspects of these negotiations. It is my intention to make every effort to ensure that this involvement is detailed and extensive to ensure successful results.

**Question.** Could you give the Committee a general idea of the basic foreign nontariff barriers which the United States will seek to reduce or eliminate throughout the course of the negotiations? Could you explain to the Committee the benefits which could accrue to the U.S. economy as a result of their reduction or elimination? On the other hand, what U.S. nontariff barriers do you think our negotiating partners will be focusing on during the upcoming negotiations? And finally, what is the U.S. strategy to minimize the harm which may occur to the U.S. economy if we agree to reduce certain of these nontariff barriers?

**Answer.** The United States has given priority attention to three major NTBs. These are product standards, subsidies, and government procurement. Agreement on procedures that eliminate the trade distorting effects of international standards and certification requirements, will ensure that U.S. exports not be prohibited market entry because of these practices.

In the area of subsidy practices, we hope to reach agreement to eliminate or control the trade distorting effects of not only export subsidies, but also domestic subsidies that promote exports and those that result in import substitution. Agreement on these practices will remove a source of discrimination against U.S. exports and allow the United States to alter its countervailing duty practices to bring them more into line with current GATT requirements.

The negotiations on government procurement are aimed at improving access of U.S. suppliers to foreign government procurement. GATT rules are very weak in this area and current government procurement systems are both widely varying in form and restrictive of trade.

It is not possible to quantify the economic effects of agreement on these issues for several reasons. In the first place, at this stage of the negotiations, we do not know what the terms of the final agreement will be. Additionally, unlike tariffs, the magnitude of the protective effect of these NTBs can rarely be accurately measured and therefore the competitive relationships of products subject to the NTBs are difficult, if not impossible, to ascertain. Finally, we have not yet received all of the advice and information on this subject that we are seeking from various U.S. sources through our consultation programs.



In spite of the inability to quantify the effects of NTBs, I believe that, given the competitiveness and technological advantages of U.S. production, if we are allowed to compete on a fair basis, we will be able to increase our export sales.

Our negotiating partners are most likely to seek changes in U.S. practices concerning customs valuation, antidumping and countervailing duties, and government procurement. Antidumping is not currently included in the NTB negotiations program, although there may be an attempt by other countries to add it at a later date. Changes in our countervailing duty procedure would only come about if we, and I mean, of course, not only the Administration, but also the Congress, are satisfied that there are sufficient controls on the use of subsidies. The United States has long stated that we are willing to consider changes to our valuation practices, particularly if these changes result in the development of a harmonized valuation system. We have also stated, however, that these changes would be dependent upon receipt by the United States of adequate compensation. In the case of government procurement, we are prepared to agree to an international code covering U.S. practices if other governments are prepared to open their procurement to U.S. suppliers.

In regard to possible detrimental effects on the U.S. economy that might result from agreement to change certain of the above practices, I believe that agreements can be negotiated that will eliminate or at least minimize these effects. In this connection, I might note that an additional U.S. objective in the MTN is to reach agreement on a new international safeguard arrangement which would permit the use of temporary measures to ease adjustment to changes in competitive conditions resulting from the expansion of international trade following international trade negotiations.

*Question.* Many individuals within the private sector have privately expressed the view that the Office of the Special Representative for Trade Negotiations has become policy-locked in a growing staff bureaucracy. The opinion of these individuals is that the Office has become dominated by technocrats who are ardent free traders and who are unresponsive to the private sector. May we have your assurances that you intend to see that the Office is open to new ideas from the private sector as well as from the Government?

*Answer.* As Secretary of Commerce I have sought to establish a mechanism to facilitate the flow of ideas and advice to the Government through the Industry Consultations Program and I intend to continue this approach as the Special Representative. I can assure you that I will be receptive to good ideas from all sources.

*Question.* There are many complicated areas which will be involved in this negotiation not only tariffs but nontariff barriers, access to supplies, commodity agreements, etc. Can you give us a list of the priorities that the U.S. has for this negotiation and also a description of the organizational structure with the Special Trade Representative's office which will be in place, assuming you are confirmed, to carry out the many complex negotiating objectives?

*Answer.* In the initial phase of the negotiations, the United States expects important work to get underway on tariffs and nontariff barriers affecting both agricultural and industrial products, sectors, safeguards, tropical products and perhaps certain special characteristics of agriculture. We have already identified certain priorities for most of these areas. In the case of tariffs our first priority will be to gain agreement on a tariff negotiating plan including a formula of general application which hypothesizes a substantial reduction in rates of duty. In the NTB area, the initial work program includes subsidies/countervailing duties and product standards, two of our three priority NTBs for the negotiations; the third priority NTB, government procurement, is presently being discussed in the OECD, but we expect it will be moved into the MTN at a later date. In parallel with the work on tariffs and NTBs, we expect to identify for priority attention certain product areas where the sectoral negotiating technique may be appropriate. The U.S. has joined with other countries in a commitment to give priority treatment to tropical products, and negotiations in this area are now underway. Work on safeguards is expected to move more slowly, concentrating first on the development of an agreed conceptual framework for a new international mechanism. Other subjects for the negotiation, such as new rules governing access to supplies, are expected to be taken up later in the negotiations.

It is our intention to consult intensively with U.S. industry, agriculture, and labor in developing our negotiating positions. In this connection, you will be glad to know that the Industry Consultations program is now fully operative, with 27 sectoral committees functioning as well as the Industry Policy Committee.

In regard to the structure of STR, one of my first priorities will be to examine carefully the operation of the current organization in light of the needs of the negotiations and the interagency mechanism. Only then will I be able to make a judgment on this issue.

*Question.* Can you give us your views on how you intend to work closely with the Congress during the course of these negotiations? Will there be regular meetings, free access to you and your deputies?

*Answer.* I intend to keep the Congress fully informed at every stage of the negotiations. I will hold frequent meetings with members of the Senate Finance Committee and the House Ways and Means Committee and will welcome their views on any negotiating matter. In addition, I will assure cooperation and coordination at the staff level. I understand that close consultations between the Committee and the Office of the Special Representative have already begun. If appropriate, periodic meetings will be instituted to assure full and complete consultations.

*Question.* There is considerable discussion about renegotiating the countervailing duty law of the U.S. The only two points I would like to make is whatever changes you consider must, of course, come back to the Congress and it would seem to me that these two elements are essential: (a) there must be real reciprocity in terms of what our foreign trading partners do with respect to their subsidies, and (b) any injury requirement must not be along the lines of the international antidumping code which would have made it virtually impossible for the Tariff Commission to ever define dumping in the U.S. market. The Congress rejected the international antidumping criteria, and I would think that we would reject an international countervailing duty code if it came to us with the same stringent injury test.

*Answer.* Our major objective in the subsidy/countervailing duty negotiations is to reach agreement to control the use by foreign countries of subsidies that distort international trade. These rules for subsidies must be sufficiently stringent to ensure that any change to our countervailing duty practices will not jeopardize the legitimate protection of U.S. interests. Conversely, our countervailing duty law must not be modified in such a way that it cannot be effective when needed.

March 7, 1975.

HON. FREDERICK B. DENT,  
Secretary of Commerce,  
Washington, D.C.

DEAR MR. SECRETARY: On February 27, the Department of Commerce announced a new method of measuring the nation's balance of trade, a method which will value both imports and exports on a "free alongside ship" (f.a.s.) basis. Formerly, only exports were valued on the f.a.s. basis, while imports were valued on the f.o.b. or c.i.f. basis.

The f.a.s. method of valuing imports, as I understand it, does not reflect charges associated with the cost of loading cargo from dock to vessel in the port of exportation. The effect of the Department's decision is to reduce even further the statistical value attributed to imports and to give the appearance of a balance of trade deficit somewhat smaller than the deficit as measured on an f.o.b. basis and considerably smaller than the deficit as measured on c.i.f. basis. For example, for the month of January, 1975, the trade deficit reported by your Department on the new f.a.s. basis amounted to \$210.5 million (seasonally adjusted). For the month, the nation's trade deficit on an f.o.b. basis was \$247.4 million and, on a c.i.f. basis, \$952.6 million.

The Trade Act of 1974 (Public Law 93-618) as you know, authorizes the Executive to engage in a series of multilateral trade negotiations during the next five years. As we approach those negotiations, I believe it is essential that our Government, the American people, and our trading partners each have a realistic appreciation of the actual trade balance of the United States, as measured on a basis which is comparable with the basis used by most other countries.

Accordingly, I would appreciate receiving from the Department of Commerce a memorandum providing the reasoning and data supporting the Department's decision to adopt the new f.a.s. method of import valuation at the earliest possible date. Specifically, I would appreciate responses to the following interrogatories:

1. What were the U.S. trade balances for each month and for each year during the past three years as calculated on each of the three basis (f.a.s., f.o.b., and c.i.f.)?

2. Which countries employ the f.a.s. method of import valuation?

3. What is the principal method of calculating trade balances of most other countries?

4. How can the Department's decision be reconciled with the legislative intent of the Committee on Finance as expressed in Public Law 93-618 and in the accompanying Committee Report?

I would very much appreciate receiving this information in time to discuss it during your forthcoming appearance before the Committee in connection with your nomination to serve as Special Representative for Trade Negotiations.

With every good wish, I am,

Sincerely,

RUSSELL B. LONG,  
Chairman.

THE SECRETARY OF COMMERCE,  
Washington, D.C., March 17, 1975.

Hon. RUSSELL B. LONG,  
U.S. Senate, Washington, D.C.

DEAR SENATOR LONG: This is in reply to the four questions in your letter of March 7, regarding the new method of valuing U.S. imports, which was received in my office only this afternoon.

1. The U.S. trade balances for each month of the past three years are shown in the attached table for two bases: (1) Customs value imports/f.a.s. exports, and (2) Balances based on f.a.s. transaction values for imports and exports are shown for the months of 1974, the only past period for which they have been compiled. We regret that data are not available to permit f.a.s. balances for 1972 and 1973.

2. So far as we are aware, most countries use transaction values for the basic cost of their commodity imports, but none values imports free alongside the ship (f.a.s.) in the foreign country.

3. The method of calculating trade balances used by most nations is c.i.f. imports/f.o.b. exports. Notable exceptions among our major trading partners are Canada, France, Japan, United Kingdom, each of which publishes its overall trade balance based on imports f.o.b./exports f.o.b.

4. The decision to shift one method of measuring the nation's balance of trade beginning January 1975 to an f.a.s. transaction value from the customs valuation was made by the Office of Management and Budget after considerable consultation with the Interagency Committee on Foreign Trade Statistics in order to value exports and imports in the same manner. This decision was unrelated to the Trade Act of 1974. The Department continues to publish a c.i.f. trade balance when the export and imports values are published each month, as requested by the Committee on Finance. I recognize that the subject of the proper and most informative method of valuing exports and imports is one that has been of particular interest to you and the Committee on Finance. The Department is now publishing import trade data on a c.i.f. basis, which of course, the Committee has wished us to do for some time, and trade balance figures to reflect this. We trust that these data on a c.i.f. basis serve their intended purpose of providing additional analytical information.

Sincerely,

FRED DENT,  
Secretary of Commerce.

Enclosure.

## U.S. TRADE BALANCES, 1972-74

[Millions of dollars]

Month	1972		1973		1974		
	Customs import value <sup>1</sup>	Estimated c.i.f. import value	Customs import value <sup>1</sup>	Estimated c.i.f. import value	Customs import value <sup>1</sup>	C.i.f. import value	F.a.s. transaction values
January.....	-361	-623	-289	-598	+614	+131	+653
February.....	-649	-913	-413	-736	+175	-333	+232
March.....	-647	-913	-102	-422	-160	-685	-116
April.....	-596	-857	+133	-183	+44	-531	+83
May.....	-604	-869	-142	-478	-674	-1,269	-612
June.....	-497	-760	-47	-388	-313	-940	-257
July.....	-491	-760	+37	-307	-655	-1,303	-610
August.....	-534	-814	+32	-323	-958	-1,619	-882
September.....	-436	-708	+776	+443	-384	-982	-302
October.....	-426	-706	+589	+235	-189	-778	-96
November.....	-680	-984	+194	-200	-91	-680	+9
December.....	-449	-744	+658	+286	-453	-1,080	-388
Year.....	-6,384	-9,663	+1,348	-2,376	-3,065	-10,089	-2,311

<sup>1</sup> Exports are valued f.a.s.; imports, generally at prices in principal foreign markets.