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Based on their own successful build-up of exports and the techniques used for promoting foreign sales and the form of operating in oversea markets, they could transmit practical and market-oriented "export techniques" from individual business to individual business.

One of the main tasks in this field is to find out which are products suitable for exporting — mainly non-traditional goods — and to advise their manufacturers individually. Such export consultancy must pay heed to the individual structure of given enterprises and to the specific conditions under which diverse products may find sales outlets in the markets of big industrial nations. Such advisory activities would have to take care especially of the following problems:

☐ the form in which to organise exports (direct or indirect exports);

☐ how to set up export departments within given companies;

☐ how to draw up individual export programmes for individual firms;

☐ how to select the path along which products are to be sold in the potential export market;

☐ how to calculate export prices, and

☐ how to collect required information.

In so far as it might be necessary, it will have to be found out how to cooperate in completing the manufacturing process with companies resident in industrialized countries. It will also have to be found out whether joint-ventures with export trading companies resident in industrialized countries might be the best way of utilizing the export knowhow vested in such companies.

The US Trade Reform Act of 1974

by Professor Karel Holbik, Boston *

The 1974 Trade Act gives the US President extensive authority to engage in multilateral trade negotiations in the framework of GATT. The following article offers a survey of the provisions of the Act and discusses its possible impact on international trade relations.

The new American trade law, signed by President Ford on January 5, 1975, is a revision of the 1962 Trade Expansion Act and takes into account both the changes, which have occurred in the meantime in the international economic position of the United States, and the new realities in the contemporary world economy. The 1974 Act was slow in coming as it took twenty months to rewrite the previous Act and to overcome some important differences in the views of the US House of Representatives and the US Senate (the House passed the trade bill on December 11, 1973, the Senate 12 months later, on December 13, 1974). But upon passage of the Trade Reform Act, the United States has the necessary basis for this year's trade negotiations sponsored by GATT. It is also conceivable that this piece of American legislation will prevent other nations from embarking on protectionist trade policies.

While the new Act unquestionably commits America to free trade, it also increases the number of protectionist measures which may be taken to safeguard American domestic economic interests on the one hand and to promote equitable world-

wide trading on the other hand. Through the many authorizations given the US President and the executive branch of the Government for the next five years, the Act — and the US Congress — expect them to grant trade concessions to other countries only when they are fully reciprocated by foreign concessions of equivalent value to US trade. It is beyond doubt, though, that in their consideration of US trade problems both the legislative and executive branches of the US Government look toward international cooperation and its channels as the framework within which the principles of fair trading can be re-established.

The new law recognizes that during the decade of the 1960s US international accounts underwent dramatic changes symbolized by deficits in both the nation's balance of payments and balance of trade. Many factors were responsible for this unwelcome situation, such as large government expenditures abroad (including foreign aid), inflation, and discriminatory trading practices of other countries, especially the members of the EEC. While world exports quadrupled between 1960

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and 1973, the US share of these exports declined during this period from 16 p.c. to 12.4 p.c. On the other hand, the share of the EEC countries rose from 32.6 p.c. to 36.8 p.c., and that of Japan increased from 3.2 p.c. to 6.4 p.c.

The 1974 Act recognizes further that now, and in the years to come, there is no more room for the past soft US trade policies which were inconsistent on the one hand, and were significantly influenced by US foreign policy on the other hand. The Act expects America's return to the implementation of sound commercial and monetary policies.

The Trade Reform Act is based on the lessons learned since the inauguration of the "new economic policy" in 1971 when dollar convertibility into gold was suspended and dollar devaluation became necessary. Both these actions, along with other consequences of the 1971 stabilization policy, changed dramatically the international positions of the dollar and the US economy in the world at large. The framework within which American commercial policies had been carried out since World War II, had doubtlessly been shattered, and the 1974 Act bears witness to the newly emerged realities. For example, in the face of the remarkable economic successes of Japan and the Common Market countries, especially the Federal Republic of Germany, the economic dimensions of the US giant shrank, as evidenced by the following data showing trade balances in manufactured goods (on c.i.f. basis) in billions of dollars:

	US	EEC	FRG	Japan
1960	5.9	13.0	5.9	2.6
1971	0.4	26.4	15.0	17.1
1972	- 3.4	39.5	17.7	20.3

An unexpected strain for American as well as other nations' trading and monetary systems arose with the 1973-74 price increases of imported petroleum — one of the most important commodities in world trade.

The high cost of oil imports is admittedly difficult to depress and the impact exerted by the cartel-like price policies of the petroleum suppliers (OPEC) on the United States and, in fact, the entire world trading system, is impossible to minimize. The US as an oil-consuming nation has been compelled to adjust its international economic relations to the condition of expensive foreign oil supplies. (It has been estimated that the cost of the petroleum imported by the US in 1974 will be three times as high as that of the preceding year, i.e. \$ 27 bn.) This, too, has been taken into account in the Trade Reform Act authorizations and in the type of international cooperation

which the United States wants to encourage between countries importing and exporting raw materials. The official American view is that, for the short and medium term, the industrialized, free-world nations have to devise a cohesive plan and a concerted stance with the hope that the long-run interests of all countries will result in a worldwide consensus.

The 1974 Act gives the US President extensive authority to engage in multilateral trade negotiations "to promote the development of an open, non-discriminatory, and fair world economic system and to stimulate the economic growth of the United States".

In the process of accomplishing these objectives, the executive branch of the US Government is to correct the economic inequities which have since 1962 become part and parcel of the international trade and monetary system. The authorizations which the President — and US negotiators — have received should enable them to cope with many new international economic developments (some of which have been touched upon above), including, for example, the growth of non-tariff barriers and other distortions of international trade, and the protectionist/preferential policies adopted by some of America's trading partners, particularly the Common Market countries. Through the unprecedentedly large authorization and subsequent negotiations, the President is to seek to provide equal competitive opportunities for exportable US manufactures and agricultural commodities.

The 322-page text of the Act consists of six Titles. In *Title I (Negotiating Authority)*, the President is authorized to conclude agreements with foreign countries or their instrumentalities (such as the Commission of the EC) so as to modify US customs duties. He is authorized to eliminate them on items with existing duties of 5 p.c. or less, to reduce them by 60 p.c. on items with present rates of over 5 p.c., or to raise them. The President is also empowered to negotiate changes in non-tariff barriers — but only upon consultation with the competent committees of the US Senate and House of Representatives. Clearly, Congress wrote into the Act tight restrictions on the President's ability to bargain away nontariff barriers.

Another noteworthy provision is that the Act requires negotiations to be conducted on the basis of appropriate product sectors, and the President has to report to Congress if he determines that competitive opportunities in any product sector will be significantly affected by a trade agreement.

For purposes of the Act, the US Congress considered the following MFN customs duties imposed on dutiable imports:

**MFN Customs Duties to be Imposed
on Dutiable Imports**

Sector	Percent ad valorem equivalent		
	US	Japan	EEC
Nonelectrical machinery	5.7	12.0	6.6
Transportation equipment	4.1	12.8	7.9
Ores, metals and metal manufactures	6.3	6.7	7.0
Chemicals	9.1	10.3	11.3
Textiles	25.0	12.7	13.2
Electrical machines and apparatus	7.2	11.7	9.3
Pulp, paper and paperboard, and manufactures	5.0	5.6	8.5
Coal, petroleum, natural gas	4.1	14.1	4.6
Mineral products and fertilizers, ceramic products and glass	16.6	9.6	8.3
Rubber and rubber manufactures	4.4	8.6	8.0
Footwear and travel goods	11.2	14.9	12.0
Photographic and cinematographic supplies	3.5	22.4	7.8
Manufactured articles (not elsewhere specified)	9.9	12.2	8.5

In Title I, the President is also directed to take action to revise the GATT, directly or indirectly, so that it rules conform to principles of an open, nondiscriminatory international economic system. In connection with any large and serious US balance of payments deficit, the President is required to impose either import surcharges of up to 15 p.c., or quantitative restrictions.

Title II (Relief from Injury Caused by Import Competition) contains significant liberalization of the eligibility criteria for import relief for industries injured (or threatened) by foreign competition — if the relief is in the national interest. Import relief may be given through increases in, or imposition of, duties; tariff rate quotas; quantitative restrictions; orderly marketing arrangements, or any combinations of such actions. The President is authorized to grant import relief for up to 5 years. The Act provides also for adjustment assistance to all, workers, firms and communities adversely affected by imports.

In *Title III (Relief from Unfair Trade Practices)* the President is granted expanded authority to deal with unfair foreign import restrictions and export subsidies. Whenever the President determines that such unfair restrictions exist, he may suspend, withdraw, or prevent the application of trade agreement concessions, or impose fees, restrictions and duties on foreign goods and services.

Under this Title, the Trade Reform Act amends the Antidumping Act to provide greater protection to domestic manufacturers from imports sold at less than fair value. The new Act amends further the countervailing duty statute to give additional protection against subsidized imports.

The subject of *Title IV is Trade Relations With Countries Whose Products Are Not Currently Receiving Most-Favored-Nation Treatment*. These countries, largely the East European Communist countries (with the exception of Poland and Yugoslavia), may be granted the MFN treatment by the President in return for appropriate benefits to the US, provided that such countries conclude bilateral commercial agreements with the US. These agreements must contain safeguards against market disruption, arrangements for settlement of commercial disputes, etc.

In *Title V (Generalized System of Preference)* the President is authorized to grant generalized tariff preferences to imports from developing countries for 10 years. The system consists of duty-free treatment for any eligible article. Excluded from this authorization are the OPEC countries and such selected import-sensitive commodities as textiles, apparel, watches, footwear, etc.

Two sets of provisions are noteworthy in *Title VI (General Provisions)*. The President is directed to submit a report to Congress each year on foreign drug traffic control. This Title also “urges the President to seek an agreement that will establish or move toward the establishment of a free trade area with Canada”.

Because of the many safeguards incorporated into the Act so as to give the proper consideration to American domestic interests, the new law has been generally well received, and no dramatic opposition to it has taken place.

The 1974 Act was not received well by some Latin American countries which found it “discriminatory and coercive”, chiefly because of the provisions of Title V, and especially because of the clause excluding the OPEC countries — among them Venezuela and Ecuador — from new tariff preferences. As a consequence of a condemnation of the Trade Reform Act by twenty Latin American and Caribbean countries, the hemispheric “new dialogue” was interrupted.

Another casualty of the Act is the 1972 US-Soviet trade agreement, according to which the US was to extend to the USSR the most-favored-nation treatment. However, by the 1974 Act this concession was made conditional on the Soviet Union moving toward a policy of free emigration. The Soviet Government resented this interference in its domestic policies. Nevertheless, its abrogation of the 1972 agreement does not disturb those Americans who believe that nothing important has been lost, except for a few more illusions.

How many illusions will be dispelled when the United States confronts its trading partners in Geneva in the course of the GATT negotiations is impossible to predict. There will surely be some.