THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: October 29, 1975 Time:

FOR ACTION: cc (for information):

Phil Buchen
Jim Cannon
Jack Marsh
Brent Scowcroft

Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 31 Time: 10 A.M.

SUBJECT:

Seidman memo 10/29/75 re Determination of Eligibility of South Vietnam and Cambodia for the Generalized System of Preference

ACTION REQUESTED:

___ For Necessary Action

_X_ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

_X_ For Your Comments

___ Draft Remarks

REMARKS:

As you can see from Ambassador Dent's memo urgent attention is needed on this matter --- a quick turn-around response would be appreciated. Thank you.

No objection. -- Ken Lazarus 10/31/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

THE WHITE HOUSE

WASHINGTON

October 29, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN LWS

SUBJECT: Determination of Eligibility of South Vietnam and Cambodia for the Generalized System of Preferences

A memorandum from Ambassador Dent on "Determination of Eligibility of South Vietnam and Cambodia for the Generalized System of Preferences" is attached.

The memorandum recommends that the status of Cambodia and South Vietnam as beneficiary developing countries for purposes of the Generalized System of Preferences be terminated. This recommendation is consistent with the requirements of Section 504(b) and Section 502(b)(1) of the Trade Act of 1974 and has the concurrence of the Trade Policy Committee Review Group chaired by the Special Trade Representative and including representatives of the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury.

I recommend that you approve the termination of eligibility for the Generalized System of Preferences for Cambodia and South Vietnam, and sign the letters and the Federal Register notice.

Attachment

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

October 24, 1975

MEMORANDUM FOR THE PRESIDENT

FROM Ambassador Frederick B. Dent

SUBJECT Termination of Eligibility of South Vietnam and Cambodia for the Generalized System of Preferences

By Executive Order 11844 of March 24, 1975, a copy of which is attached at Tab A, you designated beneficiary developing countries for purposes of the Generalized System of Preferences set forth in Title V of the Trade Act of 1974. Among the designated countries were the Khmer Republic (Cambodia) and Vietnam (South) (South Vietnam), which at that time fully qualified for beneficiary status.

Section 504(b) of the Trade Act requires the termination of any country's status as a beneficiary developing country if, as a result of changed circumstances, the country would be barred from designation as a beneficiary. Cambodia and South Vietnam would be barred from designation as beneficiaries at this time by reason of section 502(b)(1) of the Trade Act, which excludes from eligibility for preferences all Communist countries except those whose products receive nondiscriminatory treatment, which are contracting parties to the GATT and members of the IMF, and which are not dominated or controlled by international communism. The exceptions do not apply to Cambodia and South Vietnam.

In view of the legal provisions cited above, I recommend that the designations of Cambodia and South Vietnam as beneficiary developing countries for purposes of the Generalized System of Preferences be terminated. This recommendation has the concurrance of the Trade Policy Committee Review Group, which is chaired by my office and is comprised of representatives of the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury.

Attached are the following documents which would initiate the termination of the beneficiary status of South Vietnam and Cambodia:

1. At Tab B, identical letters to the Speaker of the House and the President of the Senate, notifying the House and the Senate of your intention to terminate the designations of South Vietnam and Cambodia, together with the considerations entering into your decisions, as required by section 502(a)(2) of the Trade Act.

2. At Tab C, a Federal Register notice announcing your intention to terminate the designations of South Vietnam and Cambodia as beneficiary developing countries. This notice is intended to fulfill the requirements of section 502(a)(2) of the Trade Act that a country be notified of the President's intention to terminate its designation, in view of the fact that we do not maintain diplomatic relations or other communications with South Vietnam and Cambodia.

Section 502(a)(2) of the Trade Act requires that the letters to the House and Senate at Tab B be delivered, and the notice set forth at Tab C be published, at least 60 days before the beneficiary status of South Vietnam and Cambodia is terminated. Because of this 60-day waiting period, the delivery of these letters and publication of the Federal Register notice is needed urgently if the beneficiary status of Cambodia and South Vietnam is to be terminated before the GSP goes into operation on January 1, 1976.

If you approve and sign the letters and the Federal Register notice, we will submit subsequently an Executive order terminating the countries' beneficiary status.

Attachments

APPROVE ____________________

DISAPPROVE ____________________

No. 11843

March 20, 1975, 40 F.R. 12639

AMENDING EXECUTIVE ORDER NO. 11768, PLACING CERTAIN POSITIONS IN LEVELS IV AND V OF THE EXECUTIVE SCHEDULE

By virtue of the authority vested in me by section 5317 of title 5 of the United States Code, as amended, Section 1 of Executive Order No. 11768,[12] of February 20, 1974, as amended, placing certain positions in level IV of the Executive Schedule, is further amended, effective March 1, 1975, by revising paragraph (15) to read as follows:

"(15) Adviser to the Secretary (Counselor, Economic Policy Board), Department of the Treasury, to terminate effective June 1, 1975."

GERALD R. FORD

THE WHITE HOUSE,
March 18, 1975.

No. 11844

March 26, 1975, 40 F.R. 13295

DESIGNATION OF BENEFICIARY DEVELOPING COUNTRIES FOR THE GENERALIZED SYSTEM OF PREFERENCES UNDER THE TRADE ACT OF 1974

Title V of the Trade Act of 1974, hereinafter referred to as the Act (Public Law 93–618, 88 Stat. 1978), provides for a Generalized System of Preferences by which eligible articles from a beneficiary developing country may be provided duty-free treatment.

The Act authorizes the President to designate a country as a beneficiary developing country if such country meets the qualifications of the Act. Prior thereto, the President is to notify the House of Representatives and the Senate of his intention to make such designations and of the considerations entering into such decisions. I have so notified the House of Representatives and the Senate with respect to the countries listed in this Executive order.

In order to implement the Generalized System of Preferences, the Trade Act requires (1) designation of beneficiary developing countries, (2) publication and transmission to the International Trade Commission of the lists of articles which will be considered for designation as eligible articles for purposes of generalized preferences, and (3) submission by the International Trade Commission of its advice to the President within six months as to the probable economic effect on domestic producers and consumers of implementing generalized preferences for those listed articles.

Concurrently with publication of those listed articles and transmission thereof to the International Trade Commission for its advice as required by the Act, I also intend to ask the Commission to provide its advice, pursuant to Section 332(g) of the Tariff Act of 1930, as amended (19 U.S.C. 1332), with respect to articles of those countries designated and those which are still under consideration for designation as beneficiary developing countries.

12. 5 U.S.C.A. § 5317 note.

The president is authorized to modify at any time the list of beneficiary developing countries designated herein, and for that purpose there shall be a continuing review of the eligibility of countries to be so designated under the provisions of the Act.

NOW, THEREFORE, by virtue of the authority vested in me by the Trade Act of 1974, and as President of the United States of America, it is hereby ordered as follows:

Section 1. The following named countries are designated as beneficiary developing countries for purposes of the Generalized System of Preferences authorized by Title V of the Act:

(a) Those Responsible for Their Own External Relations.

Afghanistan
Argentina
Bahamas
Bahrain
Bangladesh
Barbados
Bhutan
Bolivia
Botswana
Brazil
Burma
Burundi
Cameroon
Central African Republic
Chad
Chile
Columbia
Congo (Brazzaville)
Costa Rica
Dahomey
Dominican Republic
Egypt
El Salvador
Equatorial Guinea
Ethiopia
Fiji
Gambia
Ghana
Grenada
Guatemala
Guinea
Guinea Bissau
Guyana
Haiti
Honduras
India
Ivory Coast
Jamaica
Jordan
Kenya
Khmer Republic
Korea, Republic of
Laos
Lebanon
Lesotho
Liberia
Malagasy Republic
Malawi
Malaysia
Maldive Islands
Mali
Malta
Mauritania
Mauritius
Mexico
Morocco
Nauru
Nepal
Nicaragua
Niger
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Rwanda
Senegal
Sierra Leone
Singapore
Sri Lanka
Sudan
Swaziland
Syria
Taiwan
Tanzania
Thailand
Togo
Tonga
Trinidad and Tobago
Tunisia
Upper Volta
Uruguay
Vietnam (South)
Western Samoa
Yemen Arab Republic
Yugoslavia
Zaire
Zambia

(b) Those for Whom Another Country is Responsible for Their External Relations.

Afars and Issas, French Territory of the
Angola
Anguilla
Antigua
Belize
Bermuda
British Indian Ocean Territory
British Solomon Islands
Brunei
Cape Verde
Cayman Islands
Comoro Islands
Cook Islands
Dominica
Falkland Islands (Malvinas) and Dependencies
French Polynesia
Gibraltar
Gilbert and Ellice Islands
Heard Island and McDonald Islands
Macao
Montserrat
Mozambique
Netherlands Antilles
New Caledonia
New Hebrides Condominium
Niue
Norfolk Island
Papua New Guinea
Pitcairn Island
Portuguese Timor
Saint Christopher - Nevis - Anguilla
Saint Helena
Saint Lucia
Saint Vincent
Sao Tome and Principe
Seychelles
Spanish Sahara
Surinam
Tokelau Islands
Trust Territory of the Pacific Islands
Turks and Caicos Islands
Virgin Islands, British
Wallis and Futuna Islands

Sec. 2. The following named countries are identified as under consideration for designation as beneficiary developing countries in accordance with the critera set forth in Title V of the Act:

Algeria
Cyprus
Ecuador
Gabon
Greece
Hong Kong
Indonesia
Iran
Iraq
Israel
Kuwait
Libya
Nigeria
Yemen, Peoples' Democratic Republic of
Portugal
Romania
Qatar
Saudi Arabia
Somalia
Spain
Turkey
Uganda
United Arab Emirates
Venezuela

GERALD R. FORD

THE WHITE HOUSE,
March 24, 1975.

No. 11845

March 26, 1975, 40 F.R. 13299

DELEGATING CERTAIN REPORTING FUNCTIONS TO THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

By virtue of the authority vested in me by the Impoundment Control Act of 1974 (Public Law 93-344; 88 Stat. 332, hereinafter referred to as the Act), and section 301 of title 3 of the United States Code, the Director of the Office of Management and Budget is hereby designated

Dear Mr. Speaker:

In accordance with the requirements of section 502(a)(2) of the Trade Act of 1974, I herewith notify the House of Representatives of my intention to amend Executive Order 11844 of March 24, 1975, by withdrawing the designations of the Khmer Republic and Vietnam (South) as beneficiary developing countries for purposes of the Generalized System of Preferences.

The considerations which entered into this decision were based upon the provisions of sections 504(b) and 502(b)(1) of the Trade Act. Section 504(b) of that Act states:

> "The President shall, after complying with the requirements of section 502(a)(2), withdraw or suspend the designation of any country as a beneficiary developing country if, after such designation, he determines that as the result of changed circumstances such country would be barred from designation as a beneficiary developing country under section 502(b) . . . ".

Section 502(b)(1) states that:

> ". . . the President shall not designate any country a beneficiary developing country under this section -- if such country is a Communist country, unless (A) the products of such country receive nondiscriminatory treatment, (B) such country is a contracting party to the General Agreement on Tariffs and Trade and a member

of the International Monetary Fund, and (C) such country is not dominated or controlled by international communism. . .".

As a result of changed circumstances, the Khmer Republic and Vietnam (South) would be barred from designation as beneficiary developing countries under section 502(b)(1), quoted above. Accordingly, their status as beneficiary developing countries will be withdrawn at the earliest possible time, which is required by section 502(a)(2) to be at least 60 days after the date of this notification.

A Federal Register notice, announcing my intention to terminate the designations of those two countries, is attached. In view of the fact that the United States does not maintain diplomatic relations or other communications with the Khmer Republic and Vietnam (South), this Notice is intended to fulfill the requirement of section 502(a)(2) of the Trade Act that countries be notified of the President's intention to terminate their designations.

Sincerely,

Attachment

The Honorable Carl Albert
Speaker of the House of Representatives
Washington, D. C. 20515

Dear Mr. President:

In accordance with the requirements of section 502(a)(2) of the Trade Act of 1974, I herewith notify the United States Senate of my intention to amend Executive Order 11844 of March 24, 1975, by withdrawing the designations of the Khmer Republic and Vietnam (South) as beneficiary developing countries for purposes of the Generalized System of Preferences.

The considerations which entered into this decision were based upon the provisions of sections 504(b) and 502(b)(1) of the Trade Act. Section 504(b) of that Act states:

> "The President shall, after complying with the requirements of section 502(a)(2), withdraw or suspend the designation of any country as a beneficiary developing country if, after such designation, he determines that as the result of changed circumstances such country would be barred from designation as a beneficiary developing country under section 502(b). . .".

Section 502(b)(1) states that:

> ". . . the President shall not designate any country a beneficiary developing country under this section -- if such country is a Communist country, unless (A) the products of such country receive nondiscriminatory treatment, (B) such country is a contracting party to the General Agreement on Tariffs and Trade and a member

of the International Monetary Fund, and (C) such country is not dominated or controlled by international communism. . . ".

As a result of changed circumstances, the Khmer Republic and Vietnam (South) would be barred from designation as beneficiary developing countries under section 502(b)(1), quoted above. Accordingly, their status as beneficiary developing countries will be withdrawn at the earliest possible time, which is required by section 502(a)(2) to be at least 60 days after the date of this notification.

A Federal Register notice, announcing my intention to terminate the designations of those two countries, is attached. In view of the fact that the United States does not maintain diplomatic relations or other communications with the Khmer Republic and Vietnam (South), this Notice is intended to fulfill the requirement of section 502(a)(2) of the Trade Act that countries be notified of the President's intention to terminate their designations.

Sincerely,

Attachment

The Honorable Nelson A. Rockefeller
President of the Senate
Washington, D. C. 20510

THE PRESIDENT

Notice of Intention ~~to~~ Terminate
Designations of Certain Countries As
Beneficiary Developing Countries for
Purposes of the Generalized System
of Preferences

Memo to Dent:

Notice is hereby given of the ~~President's~~ my intention to terminate the status of the Khmer Republic and Vietnam (South) as beneficiary developing countries for purposes of the Generalized System of Preferences under Title V of the Trade Act of 1974 (19 U.S.C. 2461-2465 ?), and to issue, at least 60 days after this notice, an Executive order amending Executive Order 11844 of March 24, 1975 by deleting from the list of beneficiary developing countries designated therein: "Khmer Republic" and "Vietnam (South)". The House of Representatives and the Senate have been notified of this intention. In view of the fact that the United States does not maintain diplomatic relations or other communications with the Khmer Republic and Vietnam(South), this notice is intended to fulfill the requirement of section 502(a)(2) of the Trade Act that countries be notified of the ~~President's~~ my intention to terminate their designations.

Section 504(b) of the Trade Act provides that the President shall "withdraw, or suspend the designation of any country as a beneficiary developing country if, after such designation, he determines that as the result of changed circumstances such country would be barred from designation as a beneficiary developing country under section 502(b)." I have determined that, as a result of changed circumstances, the Khmer Republic and Vietnam (South) no longer meet the eligibility criteria set forth in section 502(b) of the Trade Act, particularly section 502(b)(1), which denies eligibility

> "if such country is a communist country, unless (A) the products of such country receive nondiscriminatory treatment, (B) such country is a contracting party to the general agreement on tariffs and trade and a member of the international monetary fund, and (C) such country is not dominated or controlled by international communism."

This memorandum shall be published in the *Federal Register*.

Gerald R. Ford

THE WHITE HOUSE

WASHINGTON

July 16, 1976

MEMORANDUM FOR PHILIP BUCHEN
JOHN O. MARSH
JAMES M. CANNON
BRENT SCOWCROFT
MAX FRIEDERSDORF

FROM: L. WILLIAM SEIDMAN LWS

SUBJECT: Designation of Portugal as a GSP Beneficiary and Petitions for Modification of the U.S. Generalized System of Preferences (GSP)

Two memorandums from Ambassador Dent on "Designation of Portugal as a GSP Beneficiary" and on "Petitions for Modification of the U.S. Generalized System of Preferences (GSP)" are attached.

I would appreciate your comments and recommendations on these memorandums by c.o.b. Monday, July 19, 1976.

Thank you very much.

Have no comments or recommendations.

P.W.B.

Philip W. Buchen
Counsel to the President

Attachments

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

14 JUL 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Ambassador Frederick B. Dent

SUBJECT: Designation of Portugal as a Beneficiary of the Generalized System of Preferences

On behalf of the interagency Trade Policy Committee, I recommend the designation of Portugal as a beneficiary developing country eligible to receive duty-free treatment from the United States on selected articles pursuant to the Generalized System of Preferences (GSP), for the reasons described herein. If you concur with this recommendaton, the first procedural step, which is required by section 502(a)(1) of the Trade Act of 1974, is delivery of the attached letters notifying the Speaker of the House and the President of the Senate of your intention to designate Portugal as a GSP beneficiary.

The Government of Portugal will be notified of your announced intention at the same time that the letters are delivered to the House and Senate. Thereafter, we will submit to you an Executive order carrying out the designations.

This recommendation has been approved by the Trade Policy Staff Committee (TPSC), a subgroup of the cabinet-level Trade Policy Committee. The TPSC is composed of representatives of the Departments of Agriculture, Commerce, Defense, Interior, Labor, State and Treasury, the Council on International Economic Policy, and the U.S. International Trade Commission, and is chaired by this Office.

The factors on which the TPSC based its recommendation are described in the attachment entitled "Background Information on the Recommended Designation of Portugal as a Beneficiary of the Generalized System of Preferences."

BACKGROUND INFORMATION
ON THE RECOMMENDED DESIGNATION OF PORTUGAL AS A
BENEFICIARY OF THE GENERALIZED SYSTEM OF PREFERENCES

Recommendations with respect to the eligibility of countries for the Generalized System of Preferences are based primarily upon information provided by the Department of State. Preliminary determinations with respect to country eligibility under the provisions pertaining to nationalizations, in section 502(b)(4) of the Trade Act are made initially by the CIEP Interagency Coordinating Group on Expropriation, on the basis of information provided by the Department of State.

Title V of the Trade Act of 1974 sets forth two types of eligibility criteria: in section 502(c), discretionary factors to be "taken into account", such as the country's level of economic development, and whether other developed countries are extending preferences to the country; and in section 502(b), mandatory provisions requiring the exclusion from eligibility of countries affected by specified criteria, such as Communist countries (with certain exceptions), members of OPEC, countries giving preferential treatment to other developed countries that harms U.S. commerce (with exceptions), and countries that have nationalized U.S. property without sufficient compensation, negotiations, or arbitration.

Portugal reasonably meets the discretionary criteria of section 502(c), and is not rendered ineligible by the mandatory exclusions of section 502(b). The explanations below are intended to show only why Portugal no longer is affected by the exclusionary provisions of section 502(b)(3).

Portugal previously was ineligible for GSP benefits by reason of section 502(b)(3) of the Trade Act of 1974, which denies GSP beneficiary status to any country --

> "if such country affords preferential treatment to the products of a developed country, other than the United States, which has, or is likely to have, a significant adverse effect on United States commerce . . .".

Following extensive bilateral consultations the Government of Portugal has provided, by a Note delivered to the United States Embassy in Lisbon, information that Portugal has taken action to ensure that there will be no significant adverse effect upon United States commerce from preferential treatment that Portugal affords to the products of the European Economic Community. According to this information, which the Trade Policy Staff Committee (TPSC) considers satisfactory, the following actions were taken:

1) A law was adopted by Portugal which lowered the most-favored-nation tariff on 15 items (which accounted for over $26 million of Portuguese imports from the United States in 1974) to the preferential level currently enjoyed by countries of the European Economic Community. These were items identified during our bilateral consultations where the previous margin of preference accorded the European Community significantly affected our commerce. This law took effect June 1, 1976.

2) In addition, the Government of Portugal has agreed to consult with the United States if the tariff disparity continues to exist between the rates applied to products of the original six member states of the European Economic Community and to the products of the United States on two additional tariff items (of which Portugal imported slightly over $2 million from the United States in 1974).

3) Furthermore, the Government of Portugal is ready to consider any future specific cases where preferential treatment granted to or being considered for the six original member states of the European Economic Community has or is likely to have a significant adverse effect on exports from the United States to Portugal.

4) At the request of either country, consultations will take place to consider any additions, deletions or other modifications of the product list.

This arrangement is similar to the one worked out with Israel last year under which Israel qualified for beneficiary status under the Generalized System of Preferences. You designated Israel as a beneficiary on November 24, 1975.

of any country

> "if such country affords preferential treatment to the products of a developed country, other than the United States, which has, or is likely to have, a significant adverse effect on United States commerce . . .".

On June 1, 1976, Portugal lowered its most-favored-tariff rates applicable to 15 tariff categories, under which United States exports worth some $26 million entered Portugal in 1974. This tariff reduction eliminated the margins of preference that previously were accorded to products of the European Communities entering under the same tariff categories. In addition, the Government of Portugal has stated its intention to consider taking similar action on other tariff categories that the United States Government may identify in the future.

On the basis of these actions, I have determined that the preferential treatment that Portugal continues to accord to the European Communities with respect to other tariff categories does not have, and is not likely to have, a significant adverse effect on United States commerce.

Sincerely,

The Honorable Nelson A. Rockefeller
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

In accordance with the requirements of Section 502(a)(1) of the Trade Act of 1974, I hereby notify the Senate of my intention to designate Portugal as a beneficiary developing country for purposes of the Generalized System of Preferences (GSP) provided for in title V of the Trade Act of 1974. My intention to designate Portugal as a GSP beneficiary reflects the following considerations:

a. The expression of Portugal's desire to be designated as a beneficiary;

b. Portugal's level of economic development, including its per capita gross national product, its general living standard as measured by levels of health, nutrition, education, housing and its degrees of industrialization;

c. Whether or not other major developed countries are extending generalized preferential tariff treatment to Portugal;

d. The extent to which Portugal has assured the United States that it will provide the United States with equitable and reasonable access to Portugal's markets.

In addition, Portugal no longer is excluded from designation as eligible for the GSP by the provisions of section 502(b)(3) of the Trade Act of 1974. That section prevents the designation

of any country

> "if such country affords preferential treatment to the products of a developed country, other than the United States, which has, or is likely to have, a significant adverse effect on United States commerce . . .".

On June 1, 1976, Portugal lowered its most-favored-tariff rates applicable to 15 tariff categories, under which United States exports worth some $26 million entered Portugal in 1974. This tariff reduction eliminated the margins of preference that previously were accorded to products of the European Communities entering under the same tariff categories. In addition, the Government of Portugal has stated its intention to consider taking similar action on other tariff categories that the United States Government may identify in the future.

On the basis of these actions, I have determined that the preferential treatment that Portugal continues to accord to the European Communities with respect to other tariff categories does not have, and is not likely to have, a significant adverse effect on United States commerce.

Sincerely,

The Honorable Nelson A. Rockefeller
President of the Senate
Washington, D. C. 20510

Dear Mr. Speaker:

In accordance with the requirements of Section 502(a)(1) of the Trade Act of 1974, I hereby notify the House of Representatives of my intention to designate Portugal as a beneficiary developing country for purposes of the Generalized System of Preferences (GSP) provided for in title V of the Trade Act of 1974. My intention to designate Portugal as a GSP beneficiary reflects the following considerations:

a. The expression of Portugal's desire to be designated as a beneficiary;

b. Portugal's level of economic development, including its per capita gross national product, its general living standard as measured by levels of health, nutrition, education, housing and its degrees of industrialization;

c. Whether or not other major developed countries are extending generalized preferential tariff treatment to Portugal;

d. The extent to which Portugal has assured the United States that it will provide the United States with equitable and reasonable access to Portugal's markets.

In addition, Portugal no longer is excluded from designation as eligible for the GSP by the provisions of section 502(b)(3) of the Trade Act of 1974. That section prevents the designation

of any country

> "if such country affords preferential treatment to the products of a developed country, other than the United States, which has, or is likely to have, a significant adverse effect on United States commerce . . .".

On June 1, 1976, Portugal lowered its most-favored tariff rates applicable to 15 tariff categories, under which United States exports worth some $26 million entered Portugal in 1974. This tariff reduction eliminated the margins of preference that previously were accorded to products of the European Communities entering under the same tariff categories. In addition, the Government of Portugal has stated its intention to consider taking similar action on other tariff categories that the United States Government may identify in the future.

On the basis of these actions, I have determined that the preferential treatment that Portugal continues to accord to the European Communities with respect to other tariff categories does not have, and is not likely to have, a significant adverse effect on United States commerce.

Sincerely,

The Honorable Carl Albert
Speaker of the House
Washington, D. C. 20515

~~CONFIDENTIAL~~

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

16 JUL 1976

MEMORANDUM FOR THE PRESIDENT

FROM : Frederick B. Dent

SUBJECT: Petitions for Modification of the U.S. Generalized System of Preferences (GSP)

Under the Trade Act of 1974, you have authority to modify the product coverage of the Generalized System of Preferences (GSP) (under which certain imports from developing countries enter free of duty). Our regulations provide for a six-month review of petitions to either (1) add products to, or (2) remove products from GSP coverage. We recently concluded such a review, including five days of public hearings, with respect to 41 outstanding petitions. Of these 41 cases, the interagency Trade Policy Review Group (TPRG), on which all agencies involved in the formulation of trade policy are represented, unanimously agrees on recommendations on 32, disagrees on recommendations on five, and postpones recommendations on four cases pending a U.S. International Trade Commission (USITC) investigation.

Agreed Cases

I recommend your concurrence with the unanimous TPRG recommendations, one product would be added to GSP coverage and two products would be withdrawn. Of the 29 cases that the TPRG unanimously denied, five of these are requests for product additions to GSP and 24 are requests for withdrawal of products from GSP. In addition to the petitions, there is agreement on recommendations which will allow the designation of Portugal as an eligible country and the addition of four products from designated developing countries (see Attachment I).

Do you concur with unanimous recommendations? ___Yes ___ No

Disagreed Cases

On five cases, all involving requests for removal of products from GSP, there is interagency disagreement (the five cases are analyzed in more detail in Attachment II).

~~CONFIDENTIAL~~

In two of these, leather wearing apparel and pig leather, all agencies on the TPRG except State and Treasury favor removal. For leather apparel the proponents of removal argue that imports from developing countries account for over 40 percent of the U.S. market in these products, and that imports have risen steadily since the products were placed on GSP. State and Treasury concede this, but argue (1) there has been no serious disruption to the domestic industry, and (2) removal from GSP of products which 27 developing countries export to us will have serious foreign policy repercussions. For pig leather the proponents point to the industry claim that they need protection for a new technology. State and Treasury argue that there is no sensitivity since imports have been declining.

My recommendation is that these two products should be removed from GSP.

Agencies on the TPRG are about evenly split on the other three products--wood doors, candles, and price tag fasteners. Those favoring removal argue that in addition to economic considerations, the domestic political pressure in these cases is such that keeping the products on GSP could seriously erode the viability of the program (support for removal of candles comes from New York, price tag fasteners from Massachusetts, and wood doors from the West Coast and a national labor union). Agencies favoring retention of the products on GSP argue that there is no economic case for removal, and that GSP decisions should not involve political factors.

I recommend that domestic considerations be permitted to prevail in these cases in order to assure continuing support for GSP, specifically, and our policy of trade liberalization, generally.

Decisions Required

Leather wearing apparel	Maintain on GSP	_____
	Remove from GSP	_____
Pig leather	Maintain on GSP	_____
	Remove from GSP	_____
Wooden doors	Maintain on GSP	_____
	Remove from GSP	_____
Price tag fasteners	Maintain on GSP	_____
	Remove from GSP	_____
Candles and tapers	Maintain on GSP	_____
	Remove from GSP	_____

ATTACHMENT I

TRADE POLICY REVIEW GROUP
UNANIMOUS RECOMMENDATIONS

A.	Requests to be Accepted	Action Requested
	Tamarind Fruit Paste	Designate for GSP
	TV Picture Tubes (above 16 inches)	Withdraw GSP
	Inedible Gelatin	" "
B.	Requests to be Denied	
	Veneers	Designate for GSP
	Rubber & Plastic Gloves	" " "
	Receiving Tube Mounts	" " "
	Truck Cab Chasis	" " "
	Mica Capacitors	" " "
	Hardboard	Withdraw GSP
	Cotton Dyes	" "
	Ferroalloys	" "
	Wheelbarrows	" "
	Ophthalmic Lenses and Frames	" "
	Baseballs	" "
	Diecast Toys	" "
	Wheat Gluten	" "
	Scissors and Shears	" "
	Molybdenum Compounds	" "
	Sisal Mattress Pads	" "
	Upholstery Leather	" "
	Microscopic Slides	" "
	Scale Model Railroads	" "
	Pocket-sized Calculating Machines	" "
	Ball Bearings	" "
	Aluminum Rods	" "
	Fishing Lures	" "
	Paper Boxes	" "
	Edible Gelatin	" "
	Christmas Tree Lights	" "
	Steel Wire Rope	" "
	Photographic Equipment	" "
C.	Pending Requests	
	Artificial Flowers	Designate for GSP
	Typewriter Ribbons	" " "
	Fireplace Grates & Stoves	Withdraw GSP
	Small Electric Motors	" "

D. Interagency Recommendations Will Allow the Following Improvements to GSP

1. Designation of Portugal as a beneficiary country.

2. Eligibility of cork stoppers from Portugal, sugar from Costa Rica, bulk tequila from Mexico, and unrefined castor oil from Brazil.

ATTACHMENT II

TRADE POLICY REVIEW GROUP
DISAGREED RECOMMENDATIONS

Leather Wearing Apparel	Action Requested
(Duty: 6 percent 1975 Imports: $154 Million)	Withdraw GSP

AGENCIES RECOMMENDING ACCEPTANCE:
STR, Agriculture, CIEP, Commerce, Interior, Labor

AGENCIES RECOMMENDING DENIAL:
State, Treasury

Arguments in favor of Acceptance:

- Imports of leather garments constituted over 40 percent of total domestic consumption in 1975. The latest data indicate imports may rise by at least an additional 50 percent in 1976 and take a larger share of the domestic market. Imports for the first five months of 1976 are up almost 85 percent over the first five months of 1975. Imports from GSP beneficiary countries account for three quarters of these imports.

- The domestic industry has indicated that a significant number of new orders have been lost through GSP.

- Representatives of organized labor on the advisory committees for multilateral trade negotiations have focused on this case and consider it a test of the administration's willingness to consider their advice. They are convinced of the economic merits of the case and will consider it a political rebuke if GSP is not withdrawn.

Arguments against action requested:

- Although the relative market share of domestically produced garments has been reduced to 60 percent, there has been growth in absolute terms in domestic production (1974-75 growth in the value of domestic production was 9 percent).

- An international reaction is anticipated since 17 LDCs ship leather apparel to the U.S. For some Latin American countries this is a major export, on which withdrawal of GSP could cause serious concern.

- Limited Congressional interest.

Action Requested

Pig Leather
(Duty: 6 percent
1975 Imports: $4.2 million)

Withdraw GSP

AGENCIES RECOMMENDING ACCEPTANCE:
STR, Agriculture, CIEP, Commerce, Interior, Labor

AGENCIES RECOMMENDING DENIAL:
State, Treasury

Arguments in favor of Acceptance:

- The domestic industry has developed a new technology for removing pigskins which would benefit from protection from imports until well established. LDCs are competitive in the U.S. market without GSP.

- Certain LDCs restrict skin exports to the U.S.

- Wolverine World Wide has indicated that they would be especially impacted as the nation's largest producer. Their petition is supported by Congressman Vander Jagt.

Arguments Against:

- Imports were down almost 50 percent from 1974 to 1975 and the First Quarter of 1976 imports are somewhat behind First Quarter 1975 imports.

- Almost half the imports come from developed countries and do not enter under GSP.

~~CONFIDENTIAL~~

Action Requested

Withdraw GSP

Wood Doors
(Duty: 7.5 percent
1975 Imports: $7.1 million)

AGENCIES RECOMMENDING ACCEPTANCE:
STR, Labor

AGENCIES RECOMMENDING DENIAL:
Agriculture, Commerce, Treasury, State

Arguments in favor of Acceptance:

° Doors from Mexico already benefit from 807.00 provisions of the Tariff Schedule. (Articles, returned to the U.S. after having been exported for assembly, only pay duty on value added.)

° U.S. producers are at a competitive disadvantage since they must compete with duty free door imports while paying a 20 percent duty on imported doorskins.

° The 850,000 member carpenters union, one of the less protectionist unions, strongly opposes GSP on this item. One thousand jobs reportedly have been lost in the already depressed building supply industry in Washington and Oregon due to GSP.

Arguments in favor of denial:

° The job losses in domestic door manufacturing are due to the decline in housing starts and not to GSP.

° Import penetration before 1976 was running at about 3 percent of domestic production. Even a sharp increase in this figure in 1976 would leave import penetration at a low level.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Action Requested

Price tag fasteners
(Duty: 27.5%
1975 Imports: $0.8 million)

Withdraw GSP

AGENCIES RECOMMENDING ACCEPTANCE:
STR, CIEP, Commerce, Labor

AGENCIES RECOMMENDING DENIAL:
State, Treasury, Agriculture

Arguments in favor of action requested:

° Dennison Manufacturing Company, the sole U.S. manufacturer and the petitioner, has stated that they will shut-down domestic production of this product unless their request is granted. They claim that this will lead to the loss of 300 jobs in Massachusetts.

° Korea, Dennison's principal competitor in the U.S. market, does not need GSP to be competitive due to lower labor costs.

° Strong political pressure from Massachusetts Congressional delegation particularly from Representatives O'Neil, Heckler, and Early

Arguments against action requested:

° So far this year, total imports and imports from beneficiary developing countries have not significantly increased over 1975 levels. Korea seems to have replaced Italy as the primary import source.

° This has been a high profit item on which the petitioner is probably competitive and profitable without a high 27.5 percent tariff.

° The potential closure of Massachusetts' production appears to be more a threat than a business decision based on cost analysis.

~~CONFIDENTIAL~~

Action Requested

Withdraw GSP

Candles
(Duty: 10 percent
1975 Imports: $8.1 million)

AGENCIES RECOMMENDING ACCEPTANCE:
STR, CIEP, Labor

AGENCIES RECOMMENDING DENIAL:
Agriculture, Commerce, State, Treasury

Arguments in favor of action requested:

- Domestic firms have indicated that their prices have been undercut by Far Eastern competitors.

- The largest independent domestic producer has supplied evidence of heavy financial losses. They claim this will lead to eventual bankruptcy and unemployment for about 400 workers in the economically distressed Buffalo area.

- Strong political support by Congressmen Kemp and Nowak.

Arguments against action requested:

- Total imports and imports from beneficiary countries have been declining since 1973.

- Domestic firms' distress is primarily due to secular decline in candle demand rather than import penetration.

- The removal of candles will be particularly criticized by LDCs since low technology industries afford the best opportunities for them in our GSP system.

THE WHITE HOUSE

WASHINGTON

January 12, 1977

MEMO FOR: PHIL BUCHEN

FROM: BOBBIE KILBERG BK

SUBJECT: Letter Notifying Congress of the President's Intention to Withdraw GSP Benefits from the Congo

Suggested response:

The Counsel's Office has no objection to the letter but defers to Gen. Scowcroft on foreign policy considerations.

1/12

Comments phoned in.

THE WHITE HOUSE

WASHINGTON

January 8, 1977

MEMORANDUM FOR PHILIP BUCHEN
BRENT SCOWCROFT
JOHN MARSH
MAX FRIEDERSDORF

FROM: L. WILLIAM SEIDMAN

SUBJECT: Letter Notifying Congress of the President's Intention to Withdraw GSP Benefits from the Congo (Brazzaville)

A memorandum to the President from Ambassador Dent on the withdrawl of GSP benefits from the Congo is attached.

I would appreciate your comments and recommendations as soon as possible and no later than c.o.b. Tuesday, January 11, 1977.

Attachment

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

~~CLASSIFIED ATTACHMENT~~

JAN 7 1977

MEMORANDUM FOR THE PRESIDENT

FROM : Ambassador Frederick B. Dent

SUBJECT : Notification to Congress of President's Intention to Withdraw from Congo (Brazzaville) Benefits Under the Generalized System of Preferences

The Trade Act of 1974 requires that the status of any country as a beneficiary of duty-free import privileges, under the Generalized System of Preferences (GSP), be terminated if the President determines that the country has seized control of any U.S.-owned property without either paying adequate compensation or negotiating or arbitrating with respect to compensation. In the judgement of the CIEP Interagency Staff Coordinating Group on Expropriation, the competent interagency body on nationalization matters, the People's Republic of the Congo has violated this requirement. A memorandum from the Chairman of the CIEP Group, describing the factual basis for the Group's judgement, is attached at Annex B.

The CIEP Group reported its conclusions to me as Chairman of the Trade Policy Committee (TPC). The Trade Policy Staff Committee, a subcommittee of the TPC, concurs with the CIEP Group's judgement and recommends that the eligibility of the People's Republic of the Congo for GSP benefits be withdrawn.

If you concur with this judgement and recommendation, then the first required step toward the withdrawal of GSP benefits is your notification of the House and Senate of the President's intention to do so, together with a statement

~~CLASSIFIED ATTACHMENT~~

of the considerations entering into your decision. These notifications must be given at least 60 days prior to the removal of a country's beneficiary status. Attached, at Annex A, are identical proposed letters to the Speaker of the House and the President of the Senate, designed to fulfill the notification requirement.

I recommend that you sign the proposed letters at your earliest convenience.

APPROVE ____________________

DISAPPROVE __________________

Attachments

The Honorable Carl Albert
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with the requirements of section 502(a)(2) of the Trade Act of 1974, I herewith notify the House of Representatives of my intention to withdraw the designation of the People's Republic of the Congo as a beneficiary developing country for purposes of the Generalized System of Preferences.

The considerations that entered into my decision were based upon the provisions of sections 504(b) and 502(b)(4) of the Trade Act. Section 504(b) of that Act states:

> "The President shall, after complying with the requirements of section 502(a)(2), withdraw or suspend the designation of any country as a beneficiary developing country if, after such designation, he determines that as the result of changed circumstances such country would be barred from designation as a beneficiary developing country under section 502(b). . .".

Section 502(b)(4) of the Trade Act prohibits the designation of any country as a beneficiary developing country for purposes of the Generalized

System of Preferences if such country -

"has nationalized, expropriated, or otherwise seized ownership or control of property owned by a United States citizen or by a corporation, partnership, or association which is 50% or more beneficially owned by United States citizens . . .

unless -

the President determines that -

(i) prompt, adequate, and effective compensation has been or is being made to such citizen, corporation, partnership, or association,

(ii) good faith negotiations to provide prompt, adequate, and effective compensation under the applicable provisions of international law are in progress, or such country is otherwise taking steps to discharge its obligations under international law with respect to such citizen, corporation, partnership, or association, or

(iii) a dispute involving such citizen, corporation, partnership, or association over compensation for such a seizure has been submitted to arbitration under the provisions of the Convention for the Settlement of Investment Disputes, or in another mutually agreed upon forum,

. . .".

During 1974, the Government of the People's Republic of the Congo nationalized foreign-owned oil companies in that country, including companies that were 50% or more beneficially owned by United States citizens. Following several attempts to commence negotiations with a view to reaching a satisfactory settlement of the claims arising from such nationalizations, it is my judgement that the People's Republic of the Congo currently is not meeting the requirements set forth in section 502(b)(4) of the Trade Act. Accordingly, as a result of changed circumstances, that country would be barred from designation at this time as a beneficiary developing country for purposes of the Generalized System of Preferences.

A communication is being prepared for delivery to the Government of the People's Republic of the Congo on or about the same date as that of the delivery of this letter, notifying that Government of my intention to terminate the country's beneficiary status, together with the considerations entering into my decision, as required by section 502(a)(2) of the Trade Act.

Sincerely,

Gerald R. Ford

The Honorable Nelson A. Rockefeller
President of the Senate
United States Senate
Washington, D.C. 20510

Dear Mr. President:

In accordance with the requirements of section 502(a)(2) of the Trade Act of 1974, I herewith notify the Senate of my intention to withdraw the designation of the People's Republic of the Congo as a beneficiary developing country for purposes of the Generalized System of Preferences.

The considerations that entered into my decision were based upon the provisions of sections 504(b) and 502(b)(4) of the Trade Act. Section 504(b) of that Act states:

> "The President shall, after complying with the requirements of section 502(a)(2), withdraw or suspend the designation of any country as a beneficiary developing country if, after such designation, he determines that as the result of changed circumstances such country would be barred from designation as a beneficiary developing country under section 502(b). . .".

Section 502(b)(4) of the Trade Act prohibits the designation of any country as a beneficiary developing country for purposes of the Generalized

System of Preferences if such country -

"has nationalized, expropriated, or otherwise seized ownership or control of property owned by a United States citizen or by a corporation, partnership, or association which is 50% or more beneficially owned by United States citizens . . .

unless -

the President determines that -

(i) prompt, adequate, and effective compensation has been or is being made to such citizen, corporation, partnership, or association,

(ii) good faith negotiations to provide prompt, adequate, and effective compensation under the applicable provisions of international law are in progress, or such country is otherwise taking steps to discharge its obligations under international law with respect to such citizen, corporation, partnership, or association, or

(iii) a dispute involving such citizen, corporation, partnership, or association over compensation for such a seizure has been submitted to arbitration under the provisions of the Convention for the Settlement of Investment Disputes, or in another mutually agreed upon forum, . . .".

During 1974, the Government of the People's Republic of the Congo nationalized foreign-owned oil companies in that country, including companies that were 50% or more beneficially owned by United States citizens. Following several attempts to commence negotiations with a view to reaching a satisfactory settlement of the claims arising from such nationalizations, it is my judgement that the People's Republic of the Congo currently is not meeting the requirements set forth in section 502(b)(4) of the Trade Act. Accordingly, as a result of changed circumstances, that country would be barred from designation at this time as a beneficiary developing country for purposes of the Generalized System of Preferences.

A communication is being prepared for delivery to the Government of the People's Republic of the Congo on or about the same date as that of the delivery of this letter, notifying that Government of my intention to terminate the country's beneficiary status, together with the considerations entering into my decision, as required by section 502(a)(2) of the Trade Act.

Sincerely,

Gerald R. Ford

DEPARTMENT OF STATE

Washington, D.C. 20520

December 8, 1976

LIMITED OFFICIAL USE

MEMORANDUM FOR: William F. Gorog, Executive Director
Council on International Economic Policy (CIEP)

FROM: Julius L. Katz, Chairman
CIEP Interagency Staff Coordinating Group on Expropriation (Expropriation Group)

SUBJECT: Eligibility of Congo (Brazzaville) for Generalized Preferences

In January 1974 the Government of the People's Republic of the Congo (GOC/B) nationalized the foreign-owned oil companies in that country, including Texaco and Mobil. Compensation was promised, and the companies submitted their claims in March 1974. A compensation commission was formed by the GOC/B in May 1974.

Mobil reports that it had several meetings with representatives of Hydro-Congo (the state-owned oil company responsible for initial processing of the claims) to discuss compensation in mid-1975, and that a similar meeting was held in July 1976. Despite a number of recent contacts with the company, we have no information that any such discussions have occurred since July.

According to Texaco, despite repeated efforts by the company to open negotiations, and despite having received a written assurance from the GOC/B in April 1976 that the Government intends to meet its obligations to provide compensation, they have thus far been unsuccessful in seeking to meet with Hydro-Congo officials to discuss their claim.

Since the time of the nationalizations, and with increasing frequency and intensity during the past year, we have brought these cases to the attention of the GOC/B to emphasize our concern that they be resolved in a prompt and mutually-satisfactory manner. Throughout, we have also pointed out the likelihood that continuing failure by the GOC/B to take specific action calculated to do so would result in application to the Congo of legislation calling for suspension of economic assistance (including termination of eligibility for generalized preferences) to countries which nationalize American-owned property without taking the required steps toward payment of fair compensation. In our most recent note of September 1976, we made clear that it would be difficult to sustain beyond November a judgment that Congo was meeting the requirements of such legislation in the absence of specific steps leading toward a prompt and just resolution of these cases.

The Congolese have in return indicated that they are prepared to examine compensation for the nationalized firms, and that preparations are well-advanced for announcing a date to begin negotiations. Our current information, however, is that despite the significant passage of time since the nationalizations and despite our recurring expressions of concern, no specific steps have yet been taken by the GOC/B to enable such negotiations to get underway.

Under the circumstances, it is the judgment of the Expropriation Group that the Congo is not at this time meeting the requirements of the Trade Act with respect to expropriation of American-owned property, and the Group recommends that the President's Special Trade Representative be so informed.

COUNCIL ON INTERNATIONAL ECONOMIC POLICY
WASHINGTON, D.C. 20500

December 9, 1976

MEMORANDUM FOR AMBASSADOR FREDERICK B. DENT
SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS

SUBJECT: Eligibility of Congo (Brazzaville) for Generalized Preferences

As requested by Julius Katz in his December 8, 1976, memorandum to me on this subject, I am informing you that the CIEP Expropriation Group has determined that Congo (Brazzaville) is not at this time meeting the requirements of the Trade Act with respect to expropriation of American-owned property. In Clayton Yeutter's February 6, 1976, memorandum to Joseph Greenwald, he requested that STR be informed promptly of such judgments made by the Group which would affect any current or potential beneficiary of GSP.

I concur in the finding of the CIEP Expropriation Group.

WILLIAM F. GOROG
Executive Director