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We hope you find this
information helpful . . .

WORKING WITH OUR FRIENDS: SOME INTERNATIONAL QUESTIONS ON U.S. OIL IMPORT FEES

Senator J. Bennett Johnston's recently reintroduced Energy Security Tax Act marks the beginning of another round of debates and discussions on import fees or other forms of import restrictions. A key issue apparently ignored in the current debate is the increased network of international cooperative agreements to which the U.S. is party, such as the General Agreement on Trade and Tariffs (GATT), free trade agreements and bilateral treaties. There seems to be a debate among the experts about the implications of these agreements. This memo enumerates some of the issues which need to be explored and clarified as the impact of any proposed measure is assessed.

- There seems to be general agreement that Congress or the President could increase tariffs, duties or fees on *crude oil* without running afoul of the GATT. (A list of the 104 GATT signatories is attached).
- The situation is very different for *refined products*: the U.S. has pledged under GATT not to raise fees or duties on refined products. Any move to do so would likely encounter GATT protests or retaliation, generally a requirement that the U.S. offer compensation. As a practical matter, it is impossible to impose a fee on crude oil and not on products without unacceptable consequences for domestic refiners.
- GATT allows for a national security exemption. However, even where exceptions are permissible, countries harmed by an increase in refined product tariffs may still argue for redress. The outcome of such a challenge would be difficult to predict. However, if the challenge were successful, compensation would usually take the form of reduced tariffs on other products of interest to these countries. This would not only reduce revenue to the U.S. Treasury but could harm specific U.S. industries where barriers were lowered. In addition the recent attention to energy taxes as *revenue raisers* would make it harder to agree on a national security justification.

- **Bilaterals and Free Trade Agreements introduce further complications.**
 - **The Free Trade Agreement with Canada exempts them from increased import fees. While there is a national security exemption, it is more limited than the national security exemption in other agreements, restricting its use to military purposes or to respond to an armed conflict.**
 - **NAFTA, as yet unimplemented, puts imports from Mexico in a more ambiguous position. The tariff phaseout and subsequent treatment are analogous to the Canadian agreement, but do not include a similar national security provision.**
 - **The situation with Venezuela is the haziest of the special cases. Under a 1971 agreement, the U.S. pledged not to increase tariffs on crude oil or fuel oil (distillate and residual fuel oil), the 5.25¢ and 10.5¢/barrel historical tariffs. Notwithstanding this provision, however, Venezuela paid the *fees* imposed under the "national security threat" provision of the Trade Expansion Act during the 1970's.**
- **Under the GATT, any special treatment given Venezuela under a bilateral agreement would apparently have to be available to other GATT signatories.**
- **Saudi Arabia, our largest foreign supplier, is not a member of GATT (see attached table), and our bilateral Friendship, Commerce and Navigation Treaty does not protect Saudi volumes from an increase in U.S. tariffs. However, with the exemptions given Canada and possibly Mexico and Venezuela (and then, in a cascade, GATT members), Saudi Arabia might argue for similar treatment.**

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GATT Members and U.S. Oil Imports
(Non-GATT Suppliers Highlighted)

GATT Members	Non-GATT Suppliers	GATT Volume (MB/D)	Non-GATT Volume (MB/D)
Algeria*		1,951	
Angola*		342	
Antigua/Barbuda			
Argentina		32	
Australia		17	
Austria			
Bahamas*		38	
Bahrain*			
Bangladesh			
Barbados			
Belgium		25	
Benin		1	
Bolivia			
Botswana			
Brazil		17	
Brunei*			
Burkina Faso			
Burundi			
Cambodia*			
Cameroon		12	
Canada		1,043	
Cape Verde Isl.*			
Cent. Afr. Rep.			
Chad			
Chile			
	China		88
Colombia		130	
Congo		51	
Costa Rica			
Cote d'Ivoire		1	
Cuba			
Cyprus			
Czechoslovakia			
Denmark		1	
Dominica*			
Dominican Repub.			
	Ecuador		63
Egypt		40	
El Salvador			
Equat. Guinea*			
Fiji*			
Finland			
France		30	
Gabon		124	
Gambia			
Germany		10	
Ghana			
Greece		5	
Grenada*			
Guatemala		6	
Guinea-Bissau*			
Guyana			
Haiti			

(cont'd)

GATT Members and U.S. Oil Imports (cont'd)
(Non-GATT Suppliers Highlighted)

GATT Members	Non-GATT Suppliers	GATT Volume (MB/D)	Non-GATT Volume (MB/D)
Hungary			
Iceland			
India		12	
Indonesia		80	
Ireland		1	
Israel			
Italy		56	
Jamaica			
Japan		1	
Kenya			
Korea, Repub.		9	
Kuwait		41	
Lesotho			
Luxembourg			
Madagascar			
Malawi			
Malaysia		11	
Maldives			
Mali*			
Malta			
Mauritania			
Mauritius			
Mexico		818	
Morocco			
Mozambique			
Myanmar			
Namibia*			
Netherlands**		91	
New Zealand			
Nicaragua			
Niger			
Nigeria		693	
Norway		130	
	Oman		17
Pakistan			
Papua New Guinea			
Peru		12	
Philippines			
Poland			
Portugal		3	
[Puerto Rico]		25	
Qatar*		1	
Romania		4	
Rwanda			
St. Kitts/Nevis*			
St. Lucia*			
St. Vincent*			
Sao Tome/Principe			
	Saudi Arabia		1,709
Senegal			
Seychelles*			
Sierra Leone			
Singapore		13	
Solomon Isl.*			
South Africa			

(cont'd)

GATT Members and U.S. Oil Imports (cont'd)
(Non-GATT Suppliers Highlighted)

GATT Members	Non-GATT Suppliers	GATT Volume	Non-GATT Volume
Spain		33	
Sri Lanka			
Suriname			
Swaziland*			
Sweden		6	
	Syria		4
Tanzania			
Thailand		3	
Togo			
Trinidad/Tobago		96	
Tunisia		2	
Turkey		2	
Uganda			
United Arab Emir.*		4	
United Kingdom		238	
	U.S.S.R., former***		20
United States			
Uruguay			
Venezuela		1,161	
[Virgin Islands]		246	
Yemen*		6	
Yugoslavia			
Zaire		18	
Zambia			
Zimbabwe			
	[Other]		10
Total Imports		5,935	1,911

* Included before independence; now granted *de facto* membership pending final decisions on commercial policies

** Includes Netherlands Antilles

*** None of the Republics is a member

Import volumes for Jan-Nov 1992 as reported by the Energy Information Administration
 Also members of GATT: Hong Kong, Macao and Switzerland