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UNITED STATES TARIFF COMMISSION

Operation of the
**TRADE AGREEMENTS
PROGRAM**

Third Report
April 1949-June 1950

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Operation of the
**TRADE AGREEMENTS
PROGRAM**

Third Report
April 1949-June 1950

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UNITED STATES TARIFF COMMISSION

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Foreword

This is the third report of the Tariff Commission on the operation of the trade agreements program. Each of the successive Executive orders, No. 9832 of February 25, 1947, No. 10004 of October 5, 1948, and No. 10082 of October 5, 1949, required the Commission to submit to the President and to the Congress at least once each year a factual report on this subject.

In April 1948 the Commission issued a preliminary report on the operation of the program from the time of its inception in 1934 to the date of issue. The report was issued at that time because the Congress then had before it the question of extending the Trade Agreements Act. Only a preliminary report could be made available at that time because a detailed analysis could not be completed of the concessions obtained by the United States from foreign countries in the General Agreement on Tariffs and Trade, which was concluded at Geneva, Switzerland, on October 30, 1947. Later, the preliminary report was revised and extended to include a detailed account of the concessions obtained in the General Agreement. The final report, consisting of five parts, was issued in sections during 1948-49 as Tariff Commission Report No. 160, Second Series. Copies of the complete report may be obtained from the Superintendent of Documents, United States Government Printing Office.

The second report of the Tariff Commission on the operation of the trade agreements program, covering the period April 1948-March 1949, was transmitted to the President and to the Congress on June 30, 1949; the printed edition was issued in January 1950. Inasmuch as no trade agreements were concluded by the United States during the period covered in the report, there were no concessions to be analyzed; matters which arose during this period in connection with existing or prospective trade agreements, however, were discussed in detail. Copies of the second report, which has been designated Tariff Commission Report No. 163, Second Series, also may be obtained from the Superintendent of Documents, United States Government Printing Office.

The present report, covering the operation of the trade agreements program from April 1949 through June 1950, takes account of the multi-lateral trade-agreement negotiations held at Annecy, France, from April to August 1949.

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Chapter 1

Introduction and Summary

Introduction

This is the third report of the Tariff Commission on the operation of the trade agreements program; it covers the period from April 1949 through June 1950.¹ During the period covered by this report, the United States and other contracting parties to the General Agreement on Tariffs and Trade² met at Annecy, France, beginning in April 1949, to negotiate with 11 countries which desired to accede to the agreement. The report discusses the negotiations at Annecy and analyzes the concessions obtained and granted there by the United States. It also discusses other important developments during 1949 and early 1950 relating to the trade agreements program; these include the further extension and amendment of the United States Trade Agreements Act, developments under the General Agreement, and preparations for a third round of multilateral tariff negotiations to be held at Torquay, England, beginning September 28, 1950. As in the second report, there is also a discussion of such matters as actions of foreign countries affecting import

¹ The first report of the Tariff Commission, *Operation of the Trade Agreements Program, June 1934 to April 1948*, Rept. No. 160, 2d ser., 1949, consisted of five volumes, as follows: Part I, Summary; Part II, History of the Trade Agreements Program; Part III, Trade-Agreement Concessions Granted by the United States; Part IV, Trade-Agreement Concessions Obtained by the United States; Part V, Effects of the Trade Agreements Program on United States Trade. Hereafter this report will be cited as *Operation of the Trade Agreements Program* (first report). The next report of the Tariff Commission was *Operation of the Trade Agreements Program: Second Report, April 1948-March 1949*, Rept. No. 163, 2d ser., 1950. Hereafter this report will be cited as *Operation of the Trade Agreements Program* (second report).

² For text of the original agreement as negotiated at Geneva, together with schedules, see *General Agreement on Tariffs and Trade*, United Nations Publications Sales No.: 1947. II. 10—vols. I-IV, Lake Success, N. Y., 1947. For text incorporating amending protocols (last one dated August 13, 1949) and appending the Annecy Protocol of Terms of Accession (dated October 10, 1949), see U. S. Department of State, *General Agreement on Tariffs and Trade (Amended Text) and Texts of Related Documents*, Pub. 3758 (Commercial Pol. Ser. 124), 1950. The latter publication, which omits the schedules, as well as annexes to the Annecy Protocol, does include, however, the Protocol of Provisional Application of the General Agreement.

The General Agreement on Tariffs and Trade is known variously by the short titles "General Agreement," "Geneva Agreement," and "GATT." In this report the short title "General Agreement" is ordinarily used.

duties applicable to commodities on which they have made concessions to the United States; application of quantitative restrictions and exchange controls by foreign countries which have trade agreements with the United States; and United States measures affecting this country's trade-agreement obligations.

Amendment of Trade Agreements Legislation and Procedures

The Trade Agreements Act of 1934 authorized the President to negotiate with foreign countries for reductions in their import duties and for the amelioration of other trade restrictions, and to make reciprocal concessions in United States import duties. Under the original act, the maximum permissible reduction in the United States import duty on any commodity was 50 percent. The original Trade Agreements Act was to remain in effect 3 years, but the Congress extended it in 1937 and 1940 for 3 years, in 1943 for 2 years, in 1945 for 3 years, in 1948 for 1 year, and in 1949 for 3 years from June 1948 (the 1948 act being repealed).³ Until 1948, the only important change in the extension acts was that made in 1945. The extension act of that year permitted reductions in United States import duties up to 50 percent of the rates in effect on January 1, 1945, including rates which had been reduced before that date even to the maximum extent permissible under the previous acts. A total reduction of 75 percent from preagreement rates was thus possible for some articles.

The operation of the trade agreements program in the latter half of 1948 and the first half of 1949 was conducted under the provisions of the Trade Agreements Extension Act of 1948. The 1948 extension differed from preceding extensions principally in the role assigned to the Tariff Commission. Under the 1948 act the President was required, before concluding a trade agreement, to submit to the Tariff Commission the list of commodities on which concessions were to be considered by the United States. The Tariff Commission was required to report to the President the lowest rate of duty which could be fixed on each dutiable item without causing or threatening serious injury to the domestic industry concerned. If the President made any trade-agreement concession fixing a rate lower than this, he was required to report that action to the Congress and to state his reasons therefor.

Another important change in the 1948 act related to participation of members of the Tariff Commission and its staff in the proceedings of the committees which advise the President on trade agreements or which

³ For a detailed history of the trade agreements legislation, see *Operation of the Trade Agreements Program* (first report), pt. 2, ch. 2, and *Operation of the Trade Agreements Program* (second report), ch. 2.

negotiate such agreements. Although the Commission was still required to supply information to the interdepartmental trade agreements organization, no member of the Commission or its staff was permitted to participate in the decisions of the committees or in the negotiation of any trade agreement, as they had done previously.

Since the President's authority to negotiate trade agreements under the extension act of 1948 was due to expire June 30, 1949, the administration took action immediately upon the convening of the Eighty-first Congress to obtain an extension of that authority. House bill 1211, embodying the administration's proposals, was passed by the House on February 9, and by the Senate on September 15. The President signed the bill on September 26, 1949.

The Trade Agreements Extension Act of 1949 repealed the extension act of 1948, and extended the President's authority to negotiate trade agreements for a period of 3 years, retroactive to June 12, 1948. Under the new act the functions of the Tariff Commission are the same as those which were prescribed before the passage of the Trade Agreements Extension Act of 1948; the Commission again is named as one of the agencies from which the President shall seek information and advice in the negotiation of trade agreements. The Commission is no longer required, as it was under the act of 1948, to determine the maximum decreases in rates of duty that can be effected without causing or threatening to cause serious injury to domestic industries.

Procedures to be followed in concluding trade agreements under the new act are prescribed by Executive Order 10082, which was signed by the President on October 5, 1949. In conformity with the new law, the new order omits the requirement that the Tariff Commission investigate each item to be considered in negotiating a trade agreement and report its findings to the President. On the other hand, it provides for the Commission the same degree of participation in trade-agreement activities which existed before the passage of the extension act of 1948. It continues the requirement of earlier Executive orders that the Commission keep informed on the operation and effect of trade agreements in force and report at least once a year to the President and the Congress on the operation of the program. The new order also continues the Tariff Commission's function in connection with the administration of the "escape clause," which, under the new as well as two earlier Executive orders, must be incorporated in all new trade agreements concluded by the United States. This clause provides that, under certain specified conditions, a tariff concession may be withdrawn or modified by the United States if it has resulted in serious injury to the domestic industry concerned or threatens to have that result.

Developments Respecting the General Agreement on Tariffs and Trade

The General Agreement on Tariffs and Trade, negotiated at Geneva in 1947 and expanded at Annecy in 1949, is a multilateral agreement for the reduction of trade barriers. Altogether, 32 countries, including the United States as well as all the Annecy countries, now participate in the General Agreement.⁴ At both Geneva and Annecy the tariff negotiations were concluded bilaterally on a product-by-product basis, each country ordinarily negotiating with the country that had been the principal source of the particular import product or that gave promise of becoming the principal source. The understandings reached in the bilateral negotiations were later combined to form the schedules of tariff concessions of the several countries.

Nine of the 23 countries which negotiated at Geneva, including the United States, brought the General Agreement provisionally into effect under a Protocol of Provisional Application on January 1, 1948.⁵ From time to time thereafter, the other 14 Geneva countries put the agreement into provisional effect; all of them had done so by March 16, 1949. Enlargement of the General Agreement resulted from the tariff negotiations at Annecy, France, from April to August 1949, when the CONTRACTING PARTIES⁶ agreed to the accession to the General Agreement of 10 additional countries.

The General Agreement establishes procedures for the revision of its general provisions by the CONTRACTING PARTIES. Two conferences of the CONTRACTING PARTIES (the First and Second Sessions) were held in 1948 to amend the general provisions. The amendments adopted at these sessions were designed to bring certain provisions of the agreement into accord with the revisions made at Havana in the Geneva draft of the Charter for an International Trade Organization (ITO).⁷ The General Agreement provides that most of its general provisions will

⁴ Uruguay, which is not included in the 32 countries, negotiated at Annecy, with a view to accession to the General Agreement, but has not yet (June 30, 1950) signed the Annecy Protocol.

⁵ The difference between bringing the General Agreement into full effect and bringing it into effect under the Protocol of Provisional Application is discussed in ch. 3 of *Operation of the Trade Agreements Program* (second report), and U. S. Tariff Commission, *Report on the Havana Charter for an International Trade Organization*, 1949 [processed], p. 7. The last-mentioned report is hereafter cited as *Report on the Havana ITO Charter*.

⁶ Whenever the General Agreement refers to the parties acting jointly, it designates them as "CONTRACTING PARTIES" (in capital letters). See article XXV of that agreement.

⁷ These amendments to the General Agreement are described in ch. 3 of *Operation of the Trade Agreements Program* (second report).

be superseded by corresponding provisions of the ITO Charter if that charter enters into effect.⁸

Two meetings of the CONTRACTING PARTIES to the General Agreement were held in 1949 and early 1950—the Third Session, at Annecy, France, from April to August 1949, and the Fourth Session, at Geneva, from February to April 1950. No amendments to the general provisions of the General Agreement were adopted at these two sessions. At the Third Session of the CONTRACTING PARTIES at Annecy, however, a number of consultations and discussions relating to certain of the general provisions were held. The more important of these related to tariff preferences (art. I), quantitative restrictions imposed for balance-of-payments reasons (arts. XI–XIV), quantitative restrictions imposed for economic development (art. XVIII), discrimination with respect to exports (art. I), internal taxation of imported goods (art. III), and customs unions (art. XXIV).

Trade-Agreement Negotiations During 1949

At the Second Session of the CONTRACTING PARTIES, held in Geneva in August 1948, a timetable and procedures were adopted for bringing 11 new countries into the General Agreement; later two additional countries signified their desire to accede to the agreement. On April 11, 1949, 11 of these 13 countries, together with the countries which were already signatories of the agreement, met at Annecy, France, in a Tariff Negotiations Meeting for the purpose of negotiating concessions in tariff and other import restrictions. Simultaneously, beginning on April 8, the CONTRACTING PARTIES met in their Third Session to consider matters relating to the tariff negotiations, to hold consultations and discussions relating to the general provisions of the General Agreement, and to determine procedures for the accession of additional countries.

In preparation for United States participation in the Annecy negotiations, the Tariff Commission in the latter part of 1948 prepared statistical analyses of United States imports from each of the new countries scheduled to negotiate with the United States at Annecy; and the Department of Commerce prepared similar analyses of the United States exports to each of those countries. On November 5, 1948, the Interdepartmental Committee on Trade Agreements issued notice of intention to negotiate with the listed countries, and, at the same time, published a list of commodities to be considered for possible concessions by the United States.

⁸ For an explanation of the relation between the Geneva tariff negotiations of 1947 and the Havana Conference on Trade and Employment, and between the charter for a proposed International Trade Organization and the General Agreement on Tariffs and Trade, see *Operation of the Trade Agreements Program* (first report), pt. 2, pp. 17–20, and *Report on the Havana ITO Charter*, pp. 1–7.

On the same date the President transmitted to the Tariff Commission the list of articles on which the United States would consider granting tariff concessions. As required by the Trade Agreements Extension Act of 1948, the Commission held hearings (early in December 1948) to receive testimony of interested persons regarding possible injury or threat of injury to United States industries which might result from granting tariff concessions. On December 17, the President submitted to the Commission a supplementary list of articles on which concessions would be considered, and in the latter part of January 1949 the Commission held hearings regarding concessions on these articles. The Committee for Reciprocity Information also held hearings concerning possible concessions by the United States on both lists of commodities, as well as concerning concessions to be sought by the United States from the foreign countries. The Tariff Commission's findings on the first list of items transmitted by the President were reported to him on March 4, 1949, and those on the supplementary list were reported to him on April 14, 1949.

A total of 34 countries met at Annecy for the Tariff Negotiations Meeting, which extended from April to August 1949; these included the 23 original parties to the General Agreement and the 11 countries which desired to accede to the agreement.⁹ Toward the end of the Conference one country—Colombia—withdrawed its application for accession, reducing the number of acceding countries to 10. At Annecy 147 bilateral negotiations were concluded between the participating countries.

The results of the Annecy negotiations were embodied in the Annecy Protocol of Terms of Accession to the General Agreement on Tariffs and Trade and the Annecy Schedules of Tariff Concessions. To the original 20 country schedules of tariff concessions in the General Agreement concluded at Geneva in 1947, the Annecy Protocol added 10 new schedules for the acceding countries. It also added new or greater tariff concessions to 18 of the original 20 Geneva country schedules. The Annecy Protocol was opened for signature at United Nations headquarters on October 10, 1949; by November 30, 1949, the requisite two-thirds of the original contracting parties had signed it. For the one acceding country—Haiti—which signed the protocol by November 30, 1949, it entered into force on January 1, 1950. For each of the other acceding countries, the protocol entered into force 30 days after it was signed by the individual acceding country. By April 30, 1950, all the acceding countries except Uruguay had signed the protocol.

With the accession of the Annecy countries to the General Agreement,¹⁰

⁹ Colombia, Denmark, the Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden, and Uruguay.

¹⁰ Uruguay negotiated at Annecy, with a view to accession to the General Agreement, but has not yet (June 30, 1950) signed the Annecy Protocol.

the United States became a party to trade agreements, negotiated under the authority of the Trade Agreements Act, with 46 foreign countries. These countries include 15 with which the United States has bilateral trade agreements but which are not parties to the General Agreement, and 31 which are contracting parties to the General Agreement. Of the 31 countries, 11 had pre-Geneva or pre-Annecy trade agreements with the United States which have been superseded either by the General Agreement as negotiated at Geneva or by the Annecy Protocol.

Concessions Granted by the United States at Annecy

The 10 countries with which the United States concluded trade agreements at Annecy accounted for about 5 percent of the total value of imports into the United States in each of the years 1947 and 1948. Six of the 10 countries—Denmark, the Dominican Republic, Greece, Italy, Liberia, and Nicaragua—had not previously negotiated trade agreements with the United States; the other four—Finland, Haiti, Sweden, and Uruguay—had previously done so.

As a result of the Annecy negotiations, the proportion of the United States import trade accounted for by countries with which the United States has trade agreements was increased, but this increase was subsequently more than offset by the termination of the bilateral trade agreement with Colombia, effective December 1, 1949. Trade-agreement countries, including all the Annecy countries,¹¹ but not including Colombia, accounted for 77 percent of the total value of United States imports in 1947, and for 76 percent in 1948.

In the negotiations with the 10 countries which met at Annecy with a view to acceding to the General Agreement, the United States granted concessions on commodities representing imports valued at 143.1 million dollars in 1948, or 37 percent of total United States imports from those countries in that year. Dutiable products accounted for 65.1 million dollars of this trade, and duty-free products for 78 million. United States imports in 1948, from all sources, of products covered by the concessions negotiated at Annecy and not previously negotiated at Geneva, amounted to about 250 million dollars, or 3.5 percent of total United States imports in that year.

Reductions made at Annecy in United States import duties cover commodities representing imports from the 10 countries valued at 60.9 million dollars in 1948. Bindings of existing duties apply to commodities representing imports valued at 4.2 million dollars; and bindings of existing duty-free treatment, to imports valued at 78 million dollars. Of the dutiable commodities on which tariff reductions were granted, reductions of 36 to 50 percent (50 percent being the maximum permissible reduction)

¹¹ Data on imports from Uruguay are included in the statistics given in this summary.

apply to imports valued at 39.1 million dollars; reductions of 25 to 35 percent, to imports valued at 18.6 million; and reductions of less than 25 percent, to imports valued at 3.1 million.

Besides the benefits derived from the concessions which the United States granted directly to the 10 acceding countries at Annecy, these countries will also obtain important indirect benefits.¹² Concessions resulting from negotiations with other countries at Annecy are applicable to dutiable imports from these 10 countries valued at 4 million dollars in 1948; and those resulting from negotiations at Geneva in 1947 are applicable to dutiable imports from them valued at 93.5 million dollars in 1948.

The ratio of dutiable imports on which duty reductions were made at Annecy and Geneva to total imports from each of the 10 countries with which the United States negotiated at Annecy varies, of course, from country to country. This ratio (based on imports in 1948) ranges from 75 percent for Italy to 99 percent for Finland, Nicaragua, and Uruguay.

Concessions Obtained by the United States at Annecy

The concessions obtained by the United States from the 10 countries with which it negotiated at Annecy consist both of commercial policy commitments contained in the so-called general provisions of the General Agreement and of commitments on the treatment to be accorded specified commodities listed in the Schedules of Concessions annexed to the Annecy Protocol. The provisions of the General Agreement with respect to most-favored-nation treatment and quantitative restrictions are designed to prevent or limit impairment of the value of scheduled concessions, and to safeguard that portion of the export trade of each contracting country which is not covered by scheduled concessions.¹³ The escape clause, permitting the suspension, modification, or withdrawal of scheduled commitments under specified circumstances, may possibly reduce the value of certain commitments made to the United States. The United States itself, however, may have occasion to make use of the escape clause, depending on developments in its import trade.

The 10 countries with which the United States negotiated trade agreements at Annecy accounted for somewhat less than 10 percent of the total export trade of the United States in each of the years 1947 and 1948. Inasmuch as 6 of these 10 countries had not previously negotiated trade agreements with the United States, the proportion of United States exports destined to countries with which the United States has trade agreements was increased as a result of the Annecy negotiations. All trade-agreement countries, including all the Annecy countries, accounted for 86 percent of

¹² As to the significance of these indirect benefits from the concessions made to other countries at Annecy and Geneva, see the section of ch. 4 on indirect benefits to acceding countries.

¹³ See ch. 4.

the total value of United States exports in 1947, and for 78 percent in 1948. The higher proportion of United States exports accounted for by non-trade-agreement countries in 1948 than in 1947 resulted principally from greatly increased exports to Germany, Austria, Japan, and Korea.

Variations in the manner of reporting imports by the Annecy countries and the nature of some concessions obtained by the United States at Annecy make it much more difficult to measure these concessions statistically than to measure the concessions granted by the United States (see ch. 4).

Total imports from the United States into the 10 countries which negotiated with this country at Annecy amounted to the equivalent of 1,369 million dollars in 1947. So far as can be determined, commodities on which the United States obtained concessions at Annecy account for 489.3 million dollars, or 36 percent of this total. Concessions reducing duties apply to imports valued at 277.3 million dollars, or 57 percent of the total for all concession items. Bindings of existing duties against increase are applicable to imports valued at 151.3 million dollars, or 31 percent of total imports of all concession items; bindings of existing duty-free treatment are applicable to imports valued at 51.8 million dollars, or about 10 percent.

On trade valued at 8.8 million dollars the commitments made by the Annecy countries cannot be classified adequately (see ch. 4); these commitments relate principally to changes in duties (from specific to ad valorem) for which no accurate basis of comparison can be found, and to commitments representing increases over the previous rates of duty.

The trade covered by concessions obtained by the United States at Annecy varies widely from country to country, depending on the economic position and commercial policy of the particular country and the size and composition of the trade between the country and the United States. Concession items cover as little as 15 percent of total imports from the United States into Haiti, and as much as 80 percent of such imports into Greece. The proportion of total imports of concession items from the United States representing products on which the United States obtained reductions in duty ranges from 1 percent for Uruguay, to 95 percent for Italy. The concessions obtained by the United States from some countries at Annecy consisted chiefly of bindings of existing duties or of free entry.

Effect of Trade-Agreement Concessions on the United States Tariff

Inclusion of the concessions granted by the United States at Annecy made 95.7 percent of total dutiable United States imports (based on 1947 data) subject to some type of trade-agreement concession; and 90.8 percent, subject to the rates reduced in some degree by trade agreements.

For a number of important commodities, the actual effects of United States duty reductions in increasing imports have been limited by certain devices either incorporated in trade agreements themselves or provided by United States law; for others, a potential increase in imports has been so limited. Some of these devices, together with examples of their use, are as follows:

1. Tariff quotas under which the reduced duties apply only to specified quantities, excess imports being dutiable at preagreement rates (e. g., cattle and petroleum—on which, however, the quotas have been suspended during recent years, groundfish fillets, butter, and the reserved right as to wool fabrics).

2. Absolute quotas under which total imports are limited (e. g., wheat and wheat flour, and long-staple cotton).

3. The requirement of licenses for imports, a device which at times has greatly restricted imports (e. g., butter and linseed oil).

4. A general quota system aimed at the maintenance of a reasonable price for domestic producers (e. g., sugar). Imports of dutiable sugar, which come principally from Cuba, like the marketing in continental United States of domestic (including insular) sugar and the marketing of duty-free Philippine sugar, have been controlled since 1934 by such a quota system to protect domestic producers of sugarcane and sugar beets. Cuban sugar is the largest single dutiable import into the United States; in 1947 imports of Cuban sugar amounted to 405 million dollars. The duty on Cuban sugar has been reduced from \$1.50 per 100 pounds (on 96° sugar) to 50 cents, or by 66⅔ percent. Under the sugar-quota system the quantity of United States imports from Cuba since 1934 has not depended at all on the rate of duty. Reduction in duty (apart from its effect in lessening the United States customs revenue), however, has had the important effect of greatly increasing the price received by Cuban producers and the consequent foreign value of United States imports. This circumstance in turn has greatly increased Cuban buying power for United States exports.

Before any trade agreements were concluded, the average ad valorem equivalent of the duties on total dutiable United States imports (weighted by the value of imports in 1947) was 28.4 percent. On the same basis the average of the rates in effect on July 1, 1949, after all the Geneva concessions had become effective, was 15.0 percent; on January 1, 1950, assuming the Annecy concessions in effect, it was 14.5 percent, an aggregate reduction of 49 percent from the preagreement rates. In spite of the importance of Cuban sugar among imports, when it is excluded, the percentage of reduction from the preagreement rates to January 1, 1950, was 45 percent, compared with 49 percent when it is included.

The proportion of dutiable imports of agricultural products on which duties have been reduced is slightly higher than that of nonagricultural

products, but the percentage by which duties have been reduced is slightly lower for agricultural than for nonagricultural products. If, however, Cuban sugar, on which the duty has been reduced by 66½ percent, is excluded, the average rate of duty on agricultural products has been reduced by 37 percent, compared with 49 percent for nonagricultural products.

The ad valorem equivalent of the duties on commodities on which the preagreement duties have been bound against increase (based on 1947 imports) averaged 10.4 percent after the conclusion of the Annecy negotiations. On dutiable imports which have not been the subject of trade-agreement concessions, the ad valorem equivalent averages 23.1 percent.

Before the conclusion of any trade agreements, the duties on dutiable articles (weighted by the value of imports in 1947) were equal to 11.1 percent of the total value of United States imports, free and dutiable. After the Geneva negotiations the average decreased to 5.9 percent; as a result of the Annecy concessions it further declined to 5.7 percent.

There was a very wide range in the average height of the duties in the various schedules of the Tariff Act of 1930 before any trade agreements were concluded—from 12 to 92 percent ad valorem, weighted by imports in 1947. After the Annecy negotiations, the average rate of duty varied somewhat less from schedule to schedule; the range, however, was still wide—from 5 to 44 percent ad valorem. The tariff schedules vary considerably in the percentage by which duties have been reduced in trade agreements; the lowest average reduction is 12 percent (on manufactures of silk) and the highest is 69 percent (on beverages).

On the basis of the value of imports in 1947, 21.5 percent of total United States imports were subject to rates of duty of 10 percent ad valorem or less before any trade agreements were concluded. The proportion of total imports in that rate bracket was 44.3 percent after the Geneva concessions went into effect, and 44.8 percent assuming the Annecy concessions in effect. Before any trade agreements were concluded, 20.4 percent of total United States imports (based on 1947 data) were subject to rates of duty higher than 40 percent ad valorem, whereas after the Annecy negotiations the proportion which fell in that bracket was less than 4 percent.

Preparations for Multilateral Trade-Agreement Negotiations in 1950

During the latter part of 1949 a number of countries not now parties to the General Agreement on Tariffs and Trade signified their desire to accede to the agreement. These countries are Austria, the Federal Republic of Germany, Guatemala, Korea, Peru, the Philippine Republic, and Turkey. Accordingly, plans were made for these countries to meet with those now parties to the General Agreement at Torquay, England,

beginning on September 28, 1950, for the purpose of negotiating tariff concessions.

In addition to negotiations looking toward the accession of new members, the Torquay Conference will also embrace negotiations between contracting parties which participated in the 1947 Geneva and 1949 Ancey Conferences without concluding bilateral negotiations with one another and which now wish to do so, as well as negotiations between contracting parties which did conclude bilateral negotiations with one another at Geneva or Ancey and which now wish to negotiate for new or additional tariff concessions. The negotiations at Torquay will follow the general pattern established at the 1947 Geneva and 1949 Ancey Conferences.

Preparations by the United States for participation in the 1950 tariff negotiations began in the latter part of 1949. In accordance with the established procedures, the Tariff Commission prepared, for the use of the Interdepartmental Committee on Trade Agreements and its country committees, analyses of the United States import trade with each of the countries scheduled to negotiate with the United States at Torquay. It also made available to the trade agreements organization its Summaries of Tariff Information on dutiable and duty-free commodities, as well as supplemental digests of information on commodities which are being considered for concessions by the United States. Simultaneously the Department of Commerce prepared, for use of the committees, analyses of the United States export trade with each of the countries which will participate in the negotiations at Torquay, as well as digests of information concerning products on which the United States will request concessions.

On the basis of these data and other information at its disposal, the Trade Agreements Committee announced on April 14, 1950, the intention of the United States to negotiate with 17 foreign countries at Torquay, and published a list of commodities which will be considered for possible concessions by the United States. On May 17, 1950, the Trade Agreements Committee in a supplementary announcement gave notice of intention to negotiate with 6 additional countries, and listed the additional commodities to be considered for possible concessions. Simultaneously with these announcements by the Trade Agreements Committee, the Committee for Reciprocity Information announced that public hearings would be held beginning May 24, 1950, and also beginning June 19, 1950, regarding possible concessions to be granted by the United States, as well as concessions to be sought by the United States from the foreign countries.¹⁴

¹⁴ For text of announcements and list of products considered, see U. S. Department of State, *The General Agreement on Tariffs and Trade: Negotiations Beginning September 1950 Under the Trade Agreements Act of 1934 as Amended and Extended*, Pub. 3819 (Commercial Pol. Ser. 126), 1950.

Of the countries which have indicated a desire to accede to the General Agreement at the Torquay Conference, the United States announced that it will consider the negotiation of tariff concessions with Austria, the Federal Republic of Germany, Guatemala, Korea, Peru, and Turkey. In addition to the proposed negotiations with these countries, the United States announced that it will consider the possibility of negotiating new or additional concessions with Australia, Belgium, Brazil, Canada, Denmark, the Dominican Republic, France, India, Indonesia, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Sweden, the Union of South Africa, and the United Kingdom. The list of commodities to be considered for possible concessions by the United States includes items in approximately 450 paragraphs and subparagraphs of the Tariff Act of 1930.

Changes in Tariffs of Foreign Countries Affecting the Operation of the Trade Agreements Program

In 1949, trade agreements were in force between the United States and 20 countries which are parties to bilateral trade agreements negotiated before the General (Geneva) Agreement of 1947, and 22 which are parties to the General (Geneva) Agreement. Of the 20 countries with which the United States has pre-Geneva agreements, 14 appear to have taken no significant action in 1949 affecting duties or other charges on imports. Five others (Argentina, Costa Rica, Haiti, Mexico, and Turkey) failed in one or more respects to comply with their trade-agreement obligations as to tariffs; the trade agreement with one country—Colombia—was terminated.

Argentina, in its 1941 trade agreement with the United States, had agreed to put into effect a lower schedule of duties on concession items when its customs receipts reached a specified level. This condition having been met, the United States Government twice (in January 1948 and in April 1949) requested compliance with the obligation, but Argentina has failed to take any action on this request.

Costa Rica's violation involved two measures discriminating against imported cigarettes and cigarette tobacco in favor of domestically manufactured cigarettes and domestic tobacco used in such cigarettes. Haiti violated that part of its agreement with the United States which prohibits new or increased charges on imports of commodities on which it granted concessions to the United States; Haiti's action consisted of an increase in the special stamp tax on consular invoices. Turkey continued the practice, begun in 1948, of permitting a higher tax to be charged on admission tickets to motion-picture theaters showing foreign films than on those showing domestically produced films. This discrimination, which affects principally films imported from the United States, conflicts with a provision in the trade agreement between Turkey and the United States

which assures United States products of national treatment with respect to all internal taxes. During 1949 Costa Rica, Haiti, and Turkey did not take action to correct the trade-agreement violations mentioned above.

Termination of the trade agreement of 1942 between Mexico and the United States was agreed upon by an exchange of notes in June 1950; the agreement will no longer be in force after December 31, 1950. This action culminated a series of issues between the United States and Mexico, most of which date from 1947. In 1947 the United States consented to a temporary increase in the import duties on commodities on which Mexico had granted concessions to this country in the 1943 trade agreement. This consent was based on the understanding, however, that negotiations would be held for the purpose of compensating the United States for Mexico's action. Negotiations were begun in 1948, but had not yet been completed by the end of 1949. In July 1947 Mexico increased its import duties on many articles not subject to concessions, and in the following November promulgated a new import tariff with higher rates of duty on virtually all items on which the duties had not been fixed in the agreement. Moreover, devaluation of the Mexican peso was accompanied (in July 1948 and again in June 1949) by general increases in valuations used for duty purposes. To the extent that the increased valuations apply to concession items, they are inconsistent with article XII of the trade agreement, which prohibits alteration of the general principles for determining dutiable value in such a way as to impair concessions. However, Mexico has also made numerous reductions in valuation for duty purposes, in accordance with its announced policy of revising official valuations downward on the basis of a general formula.

Most of the 22 foreign countries which granted concessions to the United States in the General Agreement made no important changes in import duties or other charges on imports in 1949. The few violations involved certain general provisions of the agreement, particularly the nondiscrimination provision.

China was the only General Agreement country which extensively violated the agreement; on taking control of the country, the Chinese Communists generally ignored the obligations assumed by the Chinese Nationalist Government in the agreement. Early in 1950 the Chinese Nationalist Government withdrew from the General Agreement.

Chile, by increasing import surcharges without imposing similar charges on domestic products, violated the nondiscrimination provision of the General Agreement. Burma also violated this provision by increasing the margin of discrimination in connection with certain entertainment taxes. Neither Chile nor Burma has been reported as having removed the discriminations.

In 1948 Brazil had imposed on certain products (clocks and watches, cigarettes, and numerous other articles) internal taxes which discriminated

against such products of foreign origin. The CONTRACTING PARTIES, after noting that the Brazilian Government was taking steps to remove the discrimination, agreed to review the question at a subsequent session.

The United States made representations to Cuba calling attention to the discriminatory feature of a tax on imported lumber which does not apply to domestically produced lumber; this and other matters of interest primarily to the United States and Cuba were scheduled to be discussed by the two countries at Washington beginning in February 1950. (See below.)

Incorporation of Newfoundland into the Dominion of Canada early in 1949 resulted in the substitution of Canadian for Newfoundland duties on articles entering Newfoundland. Although this action was not a violation of Canada's commitments to the United States, the net effect was to place United States exporters at a disadvantage in the Newfoundland market, compared with suppliers in the other provinces of Canada.

Legislation by the Canadian Parliament was necessary before certain obligations assumed by Canada in the General Agreement could be made effective. No action was taken in 1948 or 1949, but the necessary legislation was passed early in 1950 and became effective on June 1, 1950. This legislation eliminated the tariff preference to the United Kingdom on tin plate; discontinued a 10-percent discount from the duty on imports of certain categories of goods of Empire origin when shipped directly to Canada instead of through a third country (that is, the United States); and placed in operation a number of new fruit and vegetable duties which had been agreed upon at Geneva (the old tariff on these fruits and vegetables, however, had been administered in such a way as to result in charges approximately the same as the agreement rates).

A source of dissatisfaction on the part of the United States has been the type of discrimination against the United States in favor of the United Kingdom implicit in the manner in which Canadian antidumping duties are applied to several important classes of goods, including automobiles, linoleum and oilcloth, sanitary earthenware, sporting goods, lawn mowers, and window glass.

The actions by Brazil, Cuba, Ceylon, and Pakistan affecting the General Agreement during 1949 centered largely on the renegotiation at Annecy of the schedules of concessions which they had granted in the Geneva negotiations. The conduct of these renegotiations required the consent of the CONTRACTING PARTIES, but they were participated in only by individual General Agreement countries whose interests were involved.

Thus Brazil renegotiated with the United States and the United Kingdom on three items (powdered milk, penicillin, and almanacs and calendars). Brazil had withdrawn its concessions on these items when

it made its schedule of Geneva concessions effective on July 31, 1948. At Annecy it was agreed that Brazil might apply specified maximum rates of ordinary customs duties on these items; in compensation Brazil agreed to reduce its duties on a number of other items of interest to the United States and the United Kingdom.

Cuba had been granted permission in September 1948 to renegotiate with the United States at Annecy the rates of duty on six items (three classes of ribbons, trimmings, and galloons; nylon hosiery; tires; and tubes) on which it had granted concessions in the General Agreement. At Annecy, Cuba requested that the duties on certain colored-woven textiles also be renegotiated. Renegotiation of these items is to be accompanied by compensation in other Cuban tariff items. Deliberations with Cuba, having broken down at Annecy, were resumed in Washington in February 1950, but had been only partly completed by June 30. Cuba and the United States were able, however, to reach agreement at Annecy on a change in the Cuban rates of duty on potatoes.

The entire schedule of concessions granted by Ceylon at Geneva in 1947 was renegotiated at Annecy with the United States and a number of other countries. As a result of the renegotiations, a number of items were added to Ceylon's original schedule of concessions, a few concessions were withdrawn, and the rates of duty were increased on many other items. The United States and the other countries participating in the renegotiations with Ceylon made no changes in their Geneva schedules of concessions.

Renegotiations between Pakistan and other contracting parties at Annecy involved the withdrawal of a small number of concessions granted at Geneva on behalf of Pakistan by prepartition India. Among the concessions withdrawn only those on camphor and certain radio equipment were primarily of interest to the United States.

Quantitative Restrictions and Exchange Controls of Foreign Countries Having Trade Agreements With the United States

Use of exchange controls and quantitative import restrictions is permitted in the General Agreement on Tariffs and Trade under certain conditions; of particular importance are the controls permitted for reason of balance-of-payments difficulties and for economic development. The agreement, however, requires reduction or elimination of such controls and restrictions as soon as conditions permit.

The pre-Geneva trade agreements, 20 of which were still in force between the United States and foreign countries in 1949, do not contain provisions as elaborate or extensive as those of the General Agreement regarding the use of quantitative restrictions, although some agreements do deal with these matters to a limited extent. The United States has been willing, however, to renegotiate on these matters with certain pre-Geneva trade-agreement countries in an effort to help them solve trade

and financial problems which were not foreseen when the trade agreements were made, mostly in the 1930's.

All countries with which the United States has trade agreements employ some or all of the various types of quantitative import restrictions and exchange-control measures permitted under the General Agreement.¹⁶ In 1949 some countries continued their controls with little or no modification; the general tendency, however, was toward a tightening of the controls. There were few important relaxations of such controls, particularly those imposed on imports from the United States and other so-called hard-currency countries.

Known actions inconsistent with trade-agreement obligations as to exchange controls and quantitative restrictions have been more frequently taken by countries with which the United States has pre-Geneva trade agreements than by General Agreement countries.

Colombia (with which the 1936 trade agreement was terminated on December 1, 1949) had violated the agreement in 1948 by imposing graduated taxes on the purchase of foreign exchange, applicable to both concession and nonconcession items. These taxes, which, despite protests from the United States, continued to be effective until the termination of the agreement, violated that part of the agreement which prohibited other or higher duties or charges on imports than those stipulated in the agreement.

The United States also protested to Costa Rica in 1948 against the application of an exchange surcharge on certain imports, including those of concession items; the action of Costa Rica was considered to violate a clause of the 1937 trade agreement between the two countries which provides that scheduled items shall be exempt from all charges other, or higher, than those stipulated in the agreement. Costa Rica took no action in 1949 to correct this violation. Early in 1950 the United States waived for one year the provisions of article I of its agreement with Costa Rica, thus permitting Costa Rica to apply specified multiple exchange surcharges to scheduled items.

Guatemala likewise took no action to correct certain violations of the 1936 trade agreement with the United States, to which the United States had called attention. One of the violations by Guatemala included the prohibition or restriction of the importation of certain printed matter covered by its concessions to the United States. Early in 1949 Guatemala had prohibited entirely the importation of wheat flour (a concession item), but withdrew the order after protest from the United States. This action was followed, however, by a requirement that Guatemalan im-

¹⁶ For a general discussion of quantitative import restrictions and exchange controls, as well as a description of such controls employed by certain countries with which the United States has trade agreements, see *Operation of the Trade Agreements Program* (second report), ch. 6.

porters of wheat flour, before becoming eligible to obtain an import permit, must purchase an amount of domestically milled flour equal to the amount of hard wheat flour to be imported by them.

Venezuela suspended the issuance of import licenses for lard in February 1949 (thus, in effect, establishing an import embargo). The United States temporarily concurred in this action, pending conclusion of a satisfactory quota arrangement for lard, which subsequently was made. New quota arrangements also were agreed upon for a few other Venezuelan imports.

Two other pre-Geneva trade-agreement countries, Argentina and Mexico, have employed very rigid restrictions on imports, including quotas, import licensing, and embargoes. Argentina, in addition, employs exchange control, but Mexico does not. The foregoing restrictions—which have become increasingly severe since 1947—are directed mainly against imports from the United States, both Argentina and Mexico being extremely short of dollar exchange. Argentina admits imports on the basis of essentiality, and applies a lower rate of exchange to imports declared of high essentiality than to imports of lower essentiality; it also employs quotas. Mexico has made extensive use of embargoes, which are permitted under specified circumstances in its trade agreement with the United States; in 1949, commodities covered by more than 200 fractions (items) of the Mexican tariff (none of which were concession items) were added to the list of prohibited imports. Mexico also requires import licenses for a large number of commodities.

With few exceptions, the exchange controls and quantitative restrictions imposed by the General Agreement countries have been made under the provisions permitting such measures for balance-of-payments reasons or for purposes of economic development. However, Cuba has from time to time applied quantitative import restrictions and imposed burdensome customs formalities in a manner not only contrary to the spirit of the agreement, but in some instances clearly in violation of it. For example, United States exporters of certain textiles must comply with extremely complicated customs regulations before they can make shipments to Cuba. Since these regulations apply only to United States exporters, they violate the principle of nondiscrimination laid down in the agreement. Customs regulations which appear to be unnecessarily burdensome apply also to the importation of mixed fertilizers into Cuba. Cuba does not employ exchange control or require import licenses, but it does make extensive use of import quotas. However, the quota applied to imports of rice in 1949 is expressly provided for in Cuba's schedule of concessions in the General Agreement.

In November 1947 Canada inaugurated an extremely rigorous system of import restrictions, aimed primarily at the curtailment of imports from the United States. This action was taken by Canada on the ground that

it was necessary because of Canada's rapidly dwindling reserves of United States dollar exchange. The United States agreed not to exercise its right, provided under the 1939 trade agreement with Canada, of protest against restrictions of this kind. The General Agreement, which became operative for Canada (with certain reservations) soon after the rigid control system was launched, gives Canada the right to apply import licensing, quotas, and even embargoes, for balance-of-payments reasons. In 1948 and 1949 Canada's balance-of-payments position improved greatly, partly because of the new restrictions on imports from the United States, but mainly because of a phenomenal increase in its exports to the United States. As a result of this improvement, Canada in 1949 relaxed its restrictions (mainly embargoes and quotas) on imports of consumers' goods, and prepared to further relax some of its import restrictions in 1950. Nevertheless, during 1949 Canada strengthened the application of its licensing restrictions on imports of capital goods and certain industrial materials.

The quantitative import restrictions of the Union of South Africa, unlike those of most other countries which took such action earlier, did not become fully operative until 1949. As a party to the General Agreement, South Africa is permitted (under article XII) to apply such restrictions for balance-of-payments reasons. South Africa's import embargoes appear to have been applied in a nondiscriminatory manner as required by the agreement, but the same is not true of its exchange restrictions. Late in 1948 restrictions were imposed on the sale of exchange for imports from nonsterling countries, but not on those from the sterling area. Article XIV of the General Agreement permits exceptions to the rule of nondiscrimination under certain conditions, but imposes an obligation on the country seeking the exception to consult with the CONTRACTING PARTIES. In 1949 the CONTRACTING PARTIES not only consulted with respect to South Africa's restrictions of 1948 and approved them, but also gave "prior" approval to additional restrictions which South Africa placed in effect on January 1, 1950.

The CONTRACTING PARTIES acted in 1949 on requests of several countries for partial release from their obligations under article XVIII of the General Agreement. This article permits contracting parties to maintain protective measures (such as quantitative import restrictions) already in effect on September 1, 1947, or to adopt new ones, for purposes of economic development and reconstruction. Such measures, however, must be nondiscriminatory and are eligible for consideration only if certain specified requirements are met. Ceylon (the only country to ask for prior approval of proposed new measures under article XVIII) was granted permission to establish measures designed to further the development of a number of domestic industries by requiring prospective importers to purchase a specified amount (to be determined by a formula) of

a given domestically produced article in order to obtain a license to import a specified quantity of a similar product. India was permitted to continue the protection of the domestic production of grinding wheels by prohibiting imports of these articles except under license. Lebanon and Syria were granted permission to maintain existing quantitative import restrictions (embracing licensing, embargoes, and quotas) on a wide variety of commodities. Cuba received permission to continue the use of a quota on imports of sisal. Most releases from obligation under article XVIII were for a period of 5 years.

United States Measures Affecting Imports of Trade-Agreement Items

During 1949 the United States placed in effect the concessions which it had negotiated with Chile at Geneva in 1947 but had not previously put into effect. In the first half of 1950 the United States also placed in effect the concessions which it had negotiated with nine countries at Annecy in 1949. The United States also continued in effect other concessions granted at Geneva in 1947, as well as all concessions granted by it in those pre-Geneva bilateral trade agreements which remain operative. Except for a small number of minor upward adjustments in duties made in conformity with United States obligations under the General Agreement, United States import duties were increased on only two trade-agreement items during the period covered by this report.

Thus far (to June 30, 1950), the Tariff Commission has received 20 applications for investigations under Executive Orders 10004 and 10082 with a view to invoking the escape clause of the General Agreement on Tariffs and Trade. Ten of these applications were dismissed. As to most of these, the Commission decided, by either unanimous or majority vote, that there was not sufficient evidence to warrant a formal investigation; on two applications, there was an even division in the vote of the Commission, and the applications were therefore dismissed. On one application the Commission decided to defer definitive action pending observation and study of the impact of foreign competition on the domestic market. Seven other applications are still (June 30, 1950) under consideration to determine whether formal investigations are warranted. On one application, relating to spring clothespins, an investigation was ordered and completed during 1949. Thus far in 1950 the Commission has ordered an investigation and has held hearings on an application relating to women's fur felt hats and hat bodies.

The United States has continued to apply "absolute" import quotas¹⁶ on the importation of wheat and wheat flour, cotton (distinguishing short- and long-staple cotton), and sugar. During 1949 the Tariff Com-

¹⁶ As distinguished from "tariff" quotas; see ch. 9.

mission reopened the investigation on long-staple cotton under section 22 of the Agricultural Adjustment Act. In accordance with the Commission's findings and recommendations, the President proclaimed February 1 (instead of September 20 as heretofore) to be the opening date of the quota year for imports of cotton having a staple of $1\frac{1}{8}$ inches or more but less than $1\frac{11}{16}$ inches in length, with an interim quota for such cotton during the period September 20, 1949, to January 31, 1950.

Control of imports by means of licenses has been continued by the United States for a limited number of commodities, principally fats and oils. The import-licensing system is designed to aid in the equitable distribution of materials in world short supply and to assist in the orderly liquidation of temporary surpluses of stocks owned and controlled by the Government.

The United States has continued the practice of requiring that specified minimum proportions of domestically produced synthetic rubber be used in the manufacture of certain rubber products. These mixing regulations for rubber, established during the war, have been continued as a means of preserving a domestic synthetic rubber industry. They do not conflict with the General Agreement, and apparently have had little or no hampering effect on imports of natural rubber, which has been in short supply.

The first part of the document
 discusses the general principles
 of the project and the
 objectives to be achieved.
 It also outlines the
 scope of the work and
 the resources available.
 The second part of the
 document describes the
 methodology used in the
 study and the results
 obtained. This includes
 a detailed account of the
 data collected and the
 analysis performed.
 The final part of the
 document discusses the
 conclusions drawn from the
 study and the implications
 for future research.

Chapter 2

Amendment of Trade Agreements Legislation and Procedures

During the latter half of 1948 and the first half of 1949 the trade agreements program was conducted under the provisions of the Trade Agreements Act of 1934, as amended, and the Trade Agreements Extension Act of 1948.¹ The Trade Agreements Extension Act of 1948, in addition to extending the President's authority to negotiate trade agreements for only one year, differed from preceding extension acts principally in the functions assigned to the Tariff Commission. It provided (sec. 3) that, before entering into trade-agreement negotiations, the President must transmit to the Tariff Commission a list of the articles which were to be the subject of negotiations. The Commission was then required to make an investigation, including a public hearing, and to report to the President the maximum decrease in the rate of duty which could be made with respect to each listed commodity without causing or threatening serious injury to the domestic industry producing like or similar articles, or to determine the minimum increase that might be required in a given instance to avoid such injury. The act provided (sec. 5) that, should the President conclude a trade agreement establishing any rate of duty lower than that thus found by the Commission, he must transmit to the Congress, within 30 days of the effective date of the agreement, a copy of the agreement, identifying the articles on which such action had been taken and stating the reasons for his action. The act also provided (sec. 4) that neither the Tariff Commission nor any of its members, officers, or employees should participate in any manner (except to report findings and to furnish facts, statistics, and other information) in making decisions as to the proposed terms of any trade agreement or in negotiating any such agreement.

Trade Agreements Extension Act of 1949

Legislative history

Since the President's authority to negotiate trade agreements under the extension act of 1948 was due to expire June 30, 1949, the administra-

¹ For a detailed discussion of the provisions of the Trade Agreements Extension Act of 1948, see *Operation of the Trade Agreements Program* (second report), ch. 2. For the earlier history of the trade agreements legislation, see *Operation of the Trade Agreements Program* (first report), pt. 2, ch. 2.

tion took action immediately upon the convening of the Eighty-first Congress to obtain an extension of that authority. In the President's state of the Union message to Congress of January 5, 1949, he said: "At this time I recommend that we restore the Reciprocal Trade Agreements Act to full effectiveness, and extend it for 3 years."² Three days later, in a letter to the chairmen of the Senate Committee on Finance and the House Committee on Ways and Means, the President stated that "the restrictive provisions and limited extension" of the 1948 act were materially hampering the effectiveness of United States participation in the cooperative effort to remove unnecessary obstacles to the building of a stable and prosperous world. He therefore urged that the act of 1948 be promptly repealed and that the Trade Agreements Act, as it existed on March 1, 1948, be extended until June 12, 1951.

House bill 1211, embodying the administration's proposals, was introduced in the House of Representatives on January 10, 1949. The Committee on Ways and Means, with a Democratic majority in its membership as a result of the congressional elections of 1948, held public hearings from January 24 to February 1, and the bill was reported favorably by the committee on February 4. Five days later it passed the House by a vote of 319 to 69.

The Senate Committee on Finance (also under Democratic control) held public hearings on House bill 1211 from February 17, 1949, through March 8, 1949. Although the Committee on Finance reported favorably on March 11, recommending that the House bill be passed without amendment, the pressure of other legislation and the illness of the chairman of the Finance Committee prevented House bill 1211 from coming to a vote in the Senate until September 15, 1949. On that date, after rejecting a number of proposed amendments, the Senate passed the bill by a vote of 62 to 19. Forty-seven Democratic and 15 Republican Senators supported the measure; 1 Democrat and 18 Republicans voted against it. The bill was signed by the President on September 26, 1949.

Provisions

The new law—the Trade Agreements Extension Act of 1949—repealed the Trade Agreements Extension Act of 1948 and extended the President's authority to negotiate trade agreements for a period of 3 years from June 12, 1948 (the effective date of the 1948 act). It also amended section 350 of the Tariff Act of 1930 (the original Trade Agreements Act) by deleting certain language which referred to the depression conditions existing at the time when section 350 was enacted. A further provision of the new law removes the 50-percent limitation on rate changes fixed by trade agreements legislation so far as such limitation applies to increases in rates of duty on goods imported from Cuba. This provision

² *Congressional Record*, vol. 95, pt. 1 (81st Cong., 1st sess.), Jan. 5, 1949, p. 76.

makes it possible to increase rates on Cuban products to a level with those applicable to imports from other countries. Thus when it seems desirable, in negotiations with countries other than Cuba, to increase the United States duty on imports of a given product, it is possible under this provision to make a compensatory increase on a similar product imported from Cuba, and thus avoid violation of the principle in the General Agreement on Tariffs and Trade that no margin of preference shall be increased.

The functions of the Tariff Commission under the act of 1949 are the same as those prescribed before the passage of the act of 1948; that is, the Commission is one of the named agencies from which the President shall seek information and advice in the negotiation of trade agreements. The Commission is not required, as it was under the act of 1948, to conduct investigations to determine the maximum decreases in rates of duty that can be effected without causing or threatening to cause serious injury to domestic industries, or to determine the minimum increase that would be required in a given instance to avoid such injury. The issue of the so-called peril-point investigations was the most controversial in the congressional debate on the extension act of 1949.

***Congressional committee reports on House bill 1211*³**

In reporting to the House on House bill 1211, the majority members of the Ways and Means Committee stated that there was general agreement that the trade agreements program should be extended in some form, and that the principal alternatives before the Congress were extension of the act in its 1948 form or a return to the earlier procedures. The majority group favored the latter alternative. In their opinion the procedures in effect before 1948 had proved workable over a period of 14 years. They stated that adequate safeguards to American industry had been provided by the care with which commodities had been selected for tariff reduction, by the use in some instances of tariff quotas or seasonal restrictions on concessions, and by the escape-clause procedure, which made it possible to withdraw or modify a concession which was causing or threatening to cause serious injury to a domestic industry. With these safeguards in operation, they felt that the so-called peril-point investigations provided for in the 1948 act were unnecessary.

Moreover, the Democratic majority were of the opinion that the peril-point procedure was defective in that it subordinated other Government agencies to the Tariff Commission. Even though the President was not obligated to follow the recommendations of the Commission in its peril-point reports, the Democratic majority contended that such reports

³ See the following documents: (1) U. S. House of Representatives, Rept. No. 19 [pursuant to H. R. 1211], 81st Cong., 1st sess., 1949; and Views of the Minority, pt. 2. (2) U. S. Senate Rept. No. 107 [to accompany H. R. 1211], 81st Cong., 1st sess., 1949; and Minority Views, pt. 2.

usually set the pattern for later action, and that a report prepared under the 1948 act would almost inevitably narrow the trade agreements organization's action and lessen the scope of the concessions offered. The Commission's judgment, they felt, should not prevail over that of the Department of Agriculture in agricultural matters or that of the National Military Establishment regarding national defense.

Although the act of 1948 assigned this predominant role to the Tariff Commission in investigations, this act forbade the members of the Commission or any of its officers or employees from taking part in the formulation of policy or in the negotiation of agreements. "This," said the majority members, "is a complete waste of talents and abilities. . . . In the give and take of discussion on any tariff concession under the procedure of the preceding 14 years, the contribution of the Tariff Commission was invaluable."

A further objection to the peril-point procedure, according to the majority members, was that it resulted in a duplication of effort. The Tariff Commission hearings under the 1948 act did not develop information on export products; such information was presented to the Committee for Reciprocity Information, which also received the same kind of testimony on imports as was presented to the Tariff Commission.

To the argument that the 1948 act enabled the Tariff Commission to be scientific and objective in its findings, the majority members replied that the Commission's judgment need not be less objective when reached in discussions with other agencies than when the Commission is acting alone. Although it is wasteful not to use the skills and knowledge of the Tariff Commission to the fullest extent, the majority members contended, there is equally every advantage in utilizing the abilities and resources of all the agencies concerned with economic foreign policy.

The majority members then considered and rejected the suggestion that contemplated action on particular rates of duty should be made known at the time of public hearings by the Committee for Reciprocity Information. Such action, it was claimed, was manifestly impractical in that it would destroy a good part of the United States bargaining power.

In the opinion of the majority members, extension of the trade agreements program in the form provided for in House bill 1211, without "the fallacies and subterfuges of the Trade Agreements Extension Act of 1948," was the only action consistent with United States foreign policy as a whole. It offered the best hope of avoiding drastic curtailment of exports when foreign aid should stop and recipient countries should be required to pay for goods from the United States. Moreover, they felt, a major contribution of an effective trade agreements program is the stimulus which it provides for private trade by arresting the trend toward state control over trading.

In concluding its report, the Ways and Means Committee quoted from testimony in favor of an effective trade agreements program as presented by various groups and organizations representative of the business community, labor organizations, farmers, and the public press.

The report of the Senate Finance Committee recommending enactment of House bill 1211 was brief and added nothing to the arguments advanced by the House Committee on Ways and Means in support of the bill. Members of the Senate were referred to the House report for more detailed information.

Eight Republican members of the Ways and Means Committee submitted a minority report opposing the enactment of House bill 1211 for the reason that it would repeal, rather than extend, the Trade Agreements Extension Act of 1948, and thus eliminate what they considered to be procedural safeguards to domestic producers and to national security in the conduct of the trade agreements program. Appreciating, however, that the 1948 act was destined to be repealed, they urged that, as a bare minimum, House bill 1211 be amended to provide—

(1) For the continuation of the "peril point" report of the Tariff Commission established by the Trade Agreements Extension Act of 1948; and

(2) For the insertion of an "escape clause" in all trade agreements which do not now contain such a clause.

The minority members stated that the "peril point" report gives the President the advantage of having the findings of the whole Commission, rather than a single Commissioner, with respect to every item which is the subject of trade-agreement negotiation. They stated that the following reasons were among the initial ones for delegating to the Tariff Commission the responsibility of providing the President with the peril-point reports:

(1) To assist the President and the State Department in adhering to the publicly announced policy of not injuring any segment of our domestic economy in the conduct of the trade-agreements program;

(2) To safeguard the health of our industries essential to national defense;

(3) To satisfy the pyramiding complaints by spokesmen of American industry, agriculture, and labor that they were not receiving adequate consideration in the negotiation of trade agreements;

(4) To improve the preliminary procedural phase of the trade-agreement negotiations by utilizing fully the capabilities of the bipartisan Tariff Commission as a fact-finding legislative agency for which it was originally created by the Congress in 1916;

(5) To return to Congress a small measure of its constitutional responsibility to "levy and collect taxes, duties, imposts and excises" and to "regulate commerce with foreign nations";

(6) To lift the veil of unnecessary secrecy surrounding the conduct of our trade-agreements program.

To show the continuing need for the peril-point procedure, the minority members listed 63 groups and organizations which gave testimony in favor of its retention. Some industries, according to the minority report, "showed that their very existence was at stake and that the elimination of

the Tariff Commission's 'peril point' report might be the factor instrumental in their extinction." The minority members contended that "the testimony points unmistakably to the fact that there is an immediate and urgent need to focus attention on the injury test to our domestic economy if some industries are to endure and increasing unemployment is to be avoided. The 'peril point' report was designed to focus attention on this aspect of our trade agreements program."

In asserting their belief that the most important factor in the United States foreign economic rehabilitation program was the maintenance of a prosperous domestic economy, the Republican minority urged retention of the peril-point report as a device to help combat a recession in business of which they said some signs were already apparent. "The Tariff Commission's 'peril point' report," they said, "will be of inestimable value to the President in preventing this possible but unnecessary disaster through any ill-advised tariff reduction because the findings of the Commission are based on economic realities."

Alarming evidence had been presented, the minority members stated, showing that several industries which manufactured vital military equipment in World War II were in a critical condition as a direct result of tariff concessions. They concluded that the peril-point report should be continued so that the President might be informed concerning the points below which tariff reductions would seriously endanger industries which are vital to national defense.

On the subject of the escape clause, they stated that some industries benefited by that protection while others did not, inasmuch as this clause was not included in agreements negotiated before 1943. They contended that as a matter of equity the clause should be written into all agreements which did not already include it.

The Republican minority of the Senate Finance Committee submitted a separate report explaining why they could not support House bill 1211. They believed that the peril-point procedure should be retained. Administration officials had often given assurance that no industry would be injured in the process of making trade-agreement concessions. In practice, however, "calculated risks are substituted for the promised calculated safeguarding" and it was for that reason that the minority members favored retention of the peril-point report.

The minority report also concluded that complaints against the peril-point procedure had proved unfounded in practice. The Tariff Commission completed its first investigation—involving more than 400 commodities—well within the time specified by the act, and 90 percent of the Commission's findings on peril points were unanimous. The requirements of the act had in no way hampered or delayed the negotiations which began at Annecy, France, in April 1949.

The minority members criticized the administration for delaying

submission of the Charter for an International Trade Organization to the Congress until House bill 1211 had passed the House of Representatives, had been processed by the Senate Finance Committee, and had been calendared and scheduled for early consideration in the Senate. In view of the close relationship between the charter and the bill for extending the trade agreements authority, Congress, they stated, should have had an opportunity to give them coordinated consideration.

The minority report referred to testimony to the effect that various industries were being subjected to injury or threat of injury by unfair import competition. It expressed the belief that such representations were too strong to be ignored, and that safeguards should be established. The majority of the witnesses making appeals for protection against unfair import competition favored continuation of the peril-point provision.

In conclusion, the Republican minority in the Senate committee indicated their intention to offer amendments which would retain the peril-point procedure and modify it somewhat so that the President would be required to report to Congress on only those duty reductions which he had made in excess of the peril points reported to him by the Tariff Commission. The minority also indicated their approval of such noncontroversial new features of the bill as those eliminating obsolete language and those authorizing certain changes in United States tariffs applicable to imports from Cuba.

President's statement on signing the act

The President approved the Trade Agreements Extension Act of 1949 on September 26, 1949. In doing so, he stated that its passage, "free or the crippling restrictions" of the 1948 act, was a reaffirmation of the United States intention to press forward toward expanded world trade at a time when such action is most urgently needed. The further import of his remarks was to relate the trade agreements program to the general economic foreign policy of the United States. He referred particularly to the permanent Charter for an International Trade Organization, urging Congress to act favorably on United States adherence to that charter.

Executive Order 10082

Executive Order 10082, prescribing revised procedures for the administration of the trade agreements program to conform to the new act of Congress, was signed by the President on October 5, 1949.⁴ This order revokes the provision of Executive Order 10004 that the Tariff Commission investigate each item on the list of articles to be considered in negotiating a trade agreement and report its findings to the President within 120 days. It continues the requirement of the earlier order that the Commission

⁴ See analysis in Department of State Press Release No. 767, October 5, 1949.

keep informed on the operation and effect of trade agreements in force and report at least once a year to the President and to Congress on the operation of the program. Also continued is the Tariff Commission's function in administering the escape clause which, under the new as well as two earlier Executive orders, must be written into all new trade agreements concluded by the United States.

As previously stated, certain restrictions placed upon the activities of the Tariff Commission and its staff by the Trade Agreements Extension Act of 1948 were repealed by the act of 1949. The new Executive order therefore provides for the Commission the same degree of participation in trade-agreement activities which existed before the passage of the 1948 act.

The remaining provisions of Executive Order 10082 do not differ materially from those of Executive Order 10004, since they prescribe the same type of interdepartmental organization as has hitherto existed for administering the trade agreements program.

Chapter 3

Developments Respecting the General Agreement on Tariffs and Trade

HISTORY AND NATURE OF THE GENERAL AGREEMENT

The General Agreement on Tariffs and Trade,¹ the most important and most comprehensive agreement entered into by the United States under the Trade Agreements Act, is a multilateral agreement in which the United States and 31 other countries now participate. As now constituted, the General Agreement embraces the agreement entered into by the 23 original contracting parties at Geneva in 1947, and the Annecy Protocol of 1949, which provides for the accession of 10 additional countries.²

The history of the General Agreement is inseparable from the history of the preparation of the proposed Charter for an International Trade Organization (ITO). The General Agreement was originally negotiated in connection with proceedings of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment, which had been constituted by a resolution of the Economic and Social Council of the United Nations. At this session, which was held at Geneva, Switzerland, April–October 1947, the committee also completed its draft of the charter (known as the Geneva draft) for consideration by the United Nations Conference on Trade and Employment which met at Havana, Cuba, from November 1947 to March 1948. The 23 countries which participated in preparing the General Agreement were the same as those which, as members of the Preparatory Committee, participated in the preparation of the Geneva draft of the charter.

The General Agreement consists of two parts: (1) The so-called general provisions, consisting of numbered articles which set forth rules whereby the trade between the contracting parties shall be conducted, and (2) the schedules of tariff concessions resulting from the various bilateral negotiations sponsored at first by the Preparatory Committee for the United

¹ A more extended description of the General Agreement on Tariffs and Trade is presented in *Operation of the Trade Agreements Program* (first report), pt. 2, pp. 39–60. See also United Nations Interim Commission for the International Trade Organization, *The Attack on Trade Barriers: A Progress Report on the Operation of the General Agreement on Tariffs and Trade from January 1948 to August 1949*, Geneva, 1949.

² Nine of the ten Annecy countries have acceded to the General Agreement. Uruguay has not yet (June 30, 1950) signed the Annecy Protocol.

Nations Conference on Trade and Employment and, after the formation of the General Agreement, by the CONTRACTING PARTIES acting as a group. Under the existing provisional application of the agreement, the contracting parties are not required to amend existing legislation or to promulgate new legislation in order to adhere more closely to the agreement. They are, however, expected not to enact new legislation inconsistent with it.

Under the General Agreement, initial tariff negotiations are conducted bilaterally, on a product-by-product basis. Ordinarily, each participating country negotiates on the basis of the principal-supplier rule, granting concessions on each import commodity to the country that has been the principal supplier of that commodity or gives promise of becoming the principal supplier. The understandings reached in these bilateral negotiations are combined to form the respective schedules of tariff concessions which are set forth in the agreement.

Most of the general articles of the General Agreement on Tariffs and Trade, as originally formulated at Geneva in 1947, were practically identical with corresponding articles of the Geneva draft of the proposed ITO Charter. Provision was made that these articles should be superseded by the corresponding articles of the charter when ITO was established. Since most of the articles of the charter which were paralleled in the General Agreement were amended at the Havana Conference on Trade and Employment, and since there was no prospect that the charter would soon come into effect, the CONTRACTING PARTIES at two sessions held during 1948 amended many of the articles in the General Agreement to conform to the final version of the charter as drafted at Geneva. The First Session of the CONTRACTING PARTIES was held at Havana from February 28 to March 24, 1948, at the end of the United Nations Conference on Trade and Employment, and the Second Session was held at Geneva from August 16 to September 14, 1948.

DEVELOPMENTS SINCE MARCH 1949 RESPECTING THE GENERAL AGREEMENT

The amendments to the articles of the General Agreement which were adopted at the First and Second Sessions of the CONTRACTING PARTIES were described in *Operation of the Trade Agreements Program* (second report), which covers the period from April 1948 to March 1949.³ A Third Session of the CONTRACTING PARTIES was held simultaneously with the Tariff Negotiations Meeting at Annecy, France, from April to August 1949.

Although no amendments to the general provisions of the General Agreement were adopted during the Third Session of the CONTRACT-

³ See pp. 21-26 of that report.

ING PARTIES at Annecy, a number of consultations and discussions relating to those provisions were held. The more important of these had to do with tariff preferences, quantitative restrictions instituted for balance-of-payments reasons, and quantitative restrictions designed to promote economic development. Other consultations and discussions related to internal taxation of imported goods, discrimination regarding exports, customs unions, and rebates on commodities subject to excise duties.

Tariff Preferences (Art. I)

In article I of the General Agreement the CONTRACTING PARTIES agree not to grant new tariff preferences and not to increase existing ones. The CONTRACTING PARTIES have also recognized the provisions of the proposed ITO Charter, which require that tariff negotiations among members shall be directed to the elimination of existing preferences, as well as toward reduction of most-favored-nation rates of duty.

In the tariff negotiations between Cuba and the United States at Geneva in 1947 the United States granted to Cuba a binding of the then existing preferential rates of duty on a number of commodities. At the Annecy Conference the United States negotiated with third countries on some of these products. The reductions offered by the United States in the most-favored-nation rate of duty, for some products, diminished the Cuban margin of preference and, for others, eliminated it. Cuba protested this action of the United States, claiming that, for those products on which both the most-favored-nation rates and the Cuban preferential rates were bound in the United States schedule at Geneva, the margins of preference were contractually bound until at least January 1, 1951 (after which concessions may be withdrawn or modified without joint action by the contracting parties), and that such margins of preference could not be reduced without Cuba's consent. In the opinion of Cuba, the commitment of the United States on the preferential margins was confirmed by the provisions of a separate bilateral agreement concluded by the United States and Cuba during the course of the 1947 negotiations. The United States took the position that prior consent by Cuba was not required.

The Cuban protest was examined by the CONTRACTING PARTIES during the session at Annecy, and the position of the United States was upheld. The CONTRACTING PARTIES decided (1) that the determination of rights and obligations of member countries arising out of a bilateral agreement is not a matter within the competence of the CONTRACTING PARTIES; (2) that in subsequent negotiations the reduction of a rate of duty on a product below that provided in a schedule of the General Agreement does not require unanimous consent of the contracting parties in accordance with the provisions of article XXX; and (3) that a margin of preference on an article specified in either the most-

favored-nation or the preferential parts of a schedule, or in both of them, is not bound against decrease by the provisions of the General Agreement. At the same time, the CONTRACTING PARTIES recognized that a member country considering itself to have been deprived of benefits which it believes should accrue to it under the General Agreement could have recourse to the nullification or impairment procedures specified in article XXIII. After the adoption of the decision of the CONTRACTING PARTIES, the Cuban Delegation announced that it was withdrawing from the Third Session.

Quantitative Restrictions for Balance-of-Payments Reasons (Arts. XI-XIV)

Article XI of the General Agreement prohibits in general various nontariff restrictions on international trade such as import prohibitions, quotas, licensing systems, and other quantitative control measures. Article XII, however, recognizes that problems of postwar economic adjustment make it impracticable to attain this long-run objective immediately. Provision, therefore, is made for temporary departure from the general rule when necessary to safeguard a country's balance of payments or to effect a necessary increase in its monetary reserves. Article XIII provides that, in the administration of such quantitative restrictions permitted in accordance with this principle, discrimination shall not be practiced against any contracting party to the agreement. It has been recognized, however, that compliance with this provision would not be possible during the postwar period. Accordingly, article XIV—as well as an amendment to the proposed ITO Charter adopted at Havana—permits certain deviations from the rule of nondiscrimination for balance-of-payments reasons.⁴

At the Third Session at Annecy, the CONTRACTING PARTIES held their first consultation, as required by article XII, with a member country which had instituted quantitative restrictions in order to safeguard its balance-of-payments position and to arrest a serious decline in its monetary reserves. The Union of South Africa had imposed certain exchange restrictions which had been approved by the International Monetary Fund. It had also imposed certain nondiscriminatory prohibitions on the importation of nonessential commodities, an action which required consultation with the contracting parties either before the restrictions were introduced, or, if that was impracticable, immediately thereafter.

After preliminary discussion in a working party, the CONTRACTING PARTIES examined the nature of South Africa's balance-of-payments difficulties, the possible effect of the restrictions on the economies of

⁴ For a discussion of these deviations, see *Operation of the Trade Agreements Program* (second report), pp. 22-23.

other contracting parties, and possible alternate corrective measures. The provisions of article XII require no formal approval or disapproval by the contracting parties, but merely provide for a full and free exchange of views. The consultation first considered those restrictions instituted by South Africa in November 1948 and extended in March 1949. It then turned to a "prior consultation" regarding South Africa's plan for a new set of restrictions to be introduced in July 1949. The CONTRACTING PARTIES recognized that there had been a further serious decline in South Africa's monetary reserves since the restrictions were first introduced; that the system of exchange quotas had failed to correct the disequilibrium in South Africa's balance of payments; and that South Africa intended to intensify its restrictions, particularly against imports from the sterling area. The South African representatives agreed to submit to their Government the suggestions advanced by the CONTRACTING PARTIES during the course of the consultation.

Quantitative Restrictions for Economic Development (Art. XVIII)

Article XVIII of the General Agreement, as amended at Geneva in 1948, permits contracting parties to maintain any nondiscriminatory non-tariff protective measures (such as quantitative restrictions) which were in existence on September 1, 1947, for purposes of economic development or reconstruction.⁶ The provisions of article XVIII, however, also enable contracting parties to impose new measures of special assistance to promote the development or reconstruction of industry or agriculture. These measures may involve release from a negotiated commitment, from obligations under a general provision of the agreement, or both. Prior approval of the CONTRACTING PARTIES must be obtained for these new measures, but approval by the CONTRACTING PARTIES is mandatory if the quantitative restriction meets certain specific standards, even though it conflicts with the commercial-policy provisions of the agreement.

Six parties to the General Agreement—Chile, Cuba, India, Lebanon and Syria, the Netherlands (for Indonesia), and the United Kingdom (for Mauritius and Northern Rhodesia)—gave notice of measures already adopted which they desire to maintain under article XVIII. One party—Ceylon—made application for prior approval of such a proposed measure. Examination of these measures and of the supporting statements was one of the principal subjects before the CONTRACTING PARTIES at their Third Session at Annecy.

As a result of the examination, the Netherlands measures (for Indo-

⁶ For a discussion of the amendment adopted in 1948, see *Operation of the Trade Agreements Program* (second report), pp. 24–25.

nesia) were withdrawn. Chile acknowledged that its measures fell more properly within the category of balance-of-payments restrictions, and withdrew its application for their examination under article XVIII. Lebanon and Syria similarly acknowledged that some of their measures were balance-of-payments restrictions, but for a number of others they were granted releases to maintain protective measures. Cuba was allowed to continue, for 5 years, measures to protect its sisal industry, provided that an element of discrimination be removed. India was given a qualified authorization to restrict imports of grinding wheels. The United Kingdom agreed to withdraw certain quantitative restrictions on imports into Mauritius and Northern Rhodesia, inasmuch as the purpose of the measures could be equally well met by tariff protection. Ceylon had applied for authority to restrict imports of a wide range of industrial products. It was decided to grant the requested release from obligations for most of the products; for others, releases were made conditional upon the satisfactory outcome of negotiations with the interested contracting parties.

Discrimination With Respect to Exports (Art. I)

During the Third Session of the CONTRACTING PARTIES at Annecy, Czechoslovakia charged that the United States was discriminating between contracting parties in the administration of its system of export controls, and that the licensing requirements and formalities imposed by the United States constituted a violation of the General Agreement and resulted in impairment of the benefits to Czechoslovakia. The United States, however, pointed out that its export controls were for the purpose of preventing war materials and commodities which could contribute to war potential from reaching certain countries, and that in its opinion the general and security provisions of the agreement permitted this action. The CONTRACTING PARTIES rejected Czechoslovakia's contention that the United States had failed to carry out its obligations under the agreement.

Internal Taxation of Imported Products (Art. III)

Article III of the General Agreement requires the contracting parties to grant national treatment with regard to internal taxes on products imported from other contracting parties; accordingly, imported products may not be subjected to internal taxes or other charges of any kind in excess of those levied directly or indirectly on like domestic products. Existing internal taxes which do not accord national treatment to products imported from other contracting parties, however, may be maintained. In an amendment to article III adopted at Geneva in 1948, the contracting parties recognized that internal taxes and other internal

charges⁶ should not be applied to imported or domestic products so as to afford protection to domestic production.⁷ The amendment also made provision for conversion of existing taxes into tariff duties.

During the Third Session of the CONTRACTING PARTIES a question arose as a result of the action by Brazil in revising the rates of internal taxes on certain products, including watches, clocks, beer, spirits, apéritifs, and cigarettes. For many years Brazil has employed, largely for revenue purposes, an extensive system of "consumption" taxes. In the application of these taxes, many imported products are subject to taxes substantially higher than those levied on like domestic products. The consumption tax on imported liqueurs, for example, has been double that on domestically produced liqueurs. In the revision of Brazil's consumption taxes, the tax on liqueurs was increased six times, but the differential of 100 percent between the rate on domestic and foreign products was maintained.

The countries exporting these products to Brazil contended that the Brazilian action widened the margin of discrimination. Brazil, on the other hand, contended that, since the former law required that the foreign product be taxed at twice the rate for the domestic product, the increase was consistent with existing legislation, and therefore not contrary to the provisions of the Protocol of Provisional Application. Notwithstanding this contention, the Brazilian Government agreed to request its Congress to amend the laws in question as soon as possible, in order to bring them into conformity with article III of the General Agreement. The CONTRACTING PARTIES agreed to review the question at their next session.

Customs Unions (Art. XXIV)

Article XXIV of the General Agreement provides an exemption from the most-favored-nation principle for trade between nations forming a customs union or entering into an interim agreement preparatory to the formation of such a union, provided the agreements entered into fulfill certain conditions and provided they may be expected to achieve the desired results within a reasonable time.⁸

Two groups of countries were accepted as customs unions by the CONTRACTING PARTIES for the purpose of the 1947 Geneva negotiations: Belgium, the Netherlands, and Luxemburg (the Benelux Customs Union) and Lebanon and Syria (the Lebano-Syrian Customs

⁶ As well as laws, regulations, and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing, or use of products in specified amounts or proportions.

⁷ See *Operation of the Trade Agreements Program* (second report), p. 24.

⁸ For a discussion of article XXIV and the amendment relating to free trade areas adopted at Geneva in 1948, see *Operation of the Trade Agreements Program* (second report), p. 21.

Union).⁹ During the Third Session at Annecy the CONTRACTING PARTIES examined and approved the proposal of South Africa and Southern Rhodesia to restore the customs union which had existed between these two countries for more than 20 years before 1930.¹⁰ Denmark, Norway, and Sweden reported to the CONTRACTING PARTIES that they are examining the possibility of establishing a Scandinavian customs union, possibly to include Iceland also. The CONTRACTING PARTIES were also informed of tentative proposals for the formation of a Franco-Italian customs union and of a customs union to embrace four Latin American countries—Colombia, Venezuela, Ecuador, and Panama.

Rebate of Excise Duties

Before its partition in 1947, India had granted the rebate of excise duties on several commodities, such as tea, tobacco, and sugar, when they were destined for export to foreign countries. After partition, the Dominion of India continued to maintain such excise duties, as well as the system of rebates on exports, but collected excise duties on exports to the Dominion of Pakistan without granting rebates. Pakistan charged that withholding the rebates constituted discriminatory treatment and violated India's most-favored-nation obligations.

At their Second Session, the CONTRACTING PARTIES invited India and Pakistan to consult with each other on this problem. At the Third Session, the two countries reported that they had reached agreement. Each country agreed to grant full rebate on commodities exported to the other whenever rebates of excise duties were granted on exports of these commodities to third countries. They also agreed that for a period of one year, pending the establishment of their trade relations on a definitive basis, the two countries would grant each other rebates on exports of all commodities subject to excise duties, even though such rebates were not applicable to exports of these commodities to other countries.

Other Developments

Imposition of import restrictions by South Africa in November 1948 gave rise to the question of how the consultation provisions of the General Agreement could be implemented when the CONTRACTING PARTIES were not in session. No intersession procedure had been specifically provided for in the agreement, since it was anticipated that the General Agreement procedures would be superseded at an early date by corresponding provisions of the Havana Charter, under which the ITO would assume the consultative functions now exercised by the contracting parties. At

⁹ Operation of the Lebano-Syrian Customs Union was suspended March 14, 1950.

¹⁰ An interim agreement looking toward the reestablishment of the customs union between South Africa and Southern Rhodesia is now in effect.

their Third Session, the CONTRACTING PARTIES agreed upon a set of arrangements for intersession consultation. These arrangements included appointment of committees which were representative of the CONTRACTING PARTIES and which could be convoked to begin the necessary study and consideration in urgent cases arising between the regular sessions.

To shorten the time required at sessions of the CONTRACTING PARTIES for consultations under article XVIII (quantitative restrictions for economic development), the CONTRACTING PARTIES adopted procedures for the administration of that article between sessions. These procedures included the formation of a committee of the CONTRACTING PARTIES to consider any applications for new protective measures submitted between sessions.

Article XV of the General Agreement provides that any contracting party which is not a member of the International Monetary Fund, or which ceases to be a member of the Fund, shall enter into a special exchange agreement with the CONTRACTING PARTIES. This special agreement is designed to insure that the objectives of the General Agreement will not be frustrated as the result of action in exchange matters by any such contracting party. At the Third Session a Committee which had been set up at the Second Session completed the drafting of such a special exchange agreement which closely follows similar provisions of the Articles of Agreement of the International Monetary Fund. This special agreement was approved by the CONTRACTING PARTIES.

At their Third Session, the CONTRACTING PARTIES also made two decisions affecting the territorial application of the General Agreement. Because of the changed international status of Palestine, they agreed that the United Kingdom should no longer be regarded as a contracting party for the customs territory formerly included in the Palestine mandate. Because of the union of Newfoundland and Canada on April 1, 1949, the CONTRACTING PARTIES decided that the concessions granted by the United Kingdom on behalf of Newfoundland at Geneva in 1947 were no longer part of the General Agreement.¹¹ On this decision, the United States reserved the right to take up any questions with the governments concerned when sufficient time shall have elapsed to ascertain the effects of the change.

Other matters discussed by the CONTRACTING PARTIES at Annecy include certain technical questions relating to the status of several protocols to the General Agreement; minor verifications and rectifications in the Geneva schedules; and a request by the United Nations Educational, Scientific and Cultural Organization for assistance and advice on the

¹¹ For a discussion of the effects of the union of Newfoundland with Canada on trade between the United States and Newfoundland, see ch. 7.

problem of reducing trade barriers on educational, scientific, and cultural materials.

Changes in Membership

Aside from the accession of 9 of the 10 Annex countries, two changes in the membership of the General Agreement took place during the early part of 1950: Indonesia was admitted as a contracting party in its own right, and China ceased to be a contracting party. With these changes, however, the number of contracting parties to the General Agreement (including the Annex accessions) remains the same as before (32).

Indonesia

The Republic of the United States of Indonesia having become an independent and sovereign state on December 27, 1949, the Government of the Netherlands requested that the CONTRACTING PARTIES admit Indonesia to membership in the General Agreement. On February 24, 1950, the CONTRACTING PARTIES, acting under the provisions of article XXVI of the General Agreement, recognized Indonesia as an independent contracting party. That portion of the Benelux schedule of concessions (schedule II, section C) which was negotiated at Geneva by the Netherlands on behalf of the Netherlands Indies (now Indonesia) became schedule XXI of the General Agreement.

China

On March 6, 1950, the Chinese Nationalist Government notified the Secretary General of the United Nations that, effective 60 days after that date, China would cease to be a contracting party to the General Agreement on Tariffs and Trade and that the schedule of tariff concessions granted by the Republic of China at Geneva in 1947 (schedule VIII) would cease to be effective. This action by China was in accordance with paragraph 5 of the Protocol of Provisional Application of the General Agreement.¹²

Since the withdrawal of China from the General Agreement, the United States has had under consideration the extent to which the concessions negotiated by the United States with China at Geneva should be withdrawn. The Trade Agreements Committee is now (June 30, 1950) concluding its consideration of the items that should be withdrawn from schedule XX of the agreement as a consequence of China's withdrawal. Notification by the United States to the other contracting parties of the items which it contemplated would be withdrawn will be made in the near future. Following this notification the United States will consult with the contracting parties claiming an interest in these items if they request such consultation.

¹² See ch. 7 for a discussion of the actions of the Chinese Communist Government with respect to the General Agreement.

PREPARATIONS FOR THE ANNECY CONFERENCE

Preparations by the CONTRACTING PARTIES

At the First Session of the CONTRACTING PARTIES, held at Havana during the concluding weeks of the United Nations Conference on Trade and Employment, several countries not yet parties to the General Agreement indicated their interest in acceding to it. To make plans for their accession, and to consider proposed amendments to the general provisions and other matters which had arisen, mostly as a result of the Havana Conference, the Second Session of the CONTRACTING PARTIES was scheduled. This session took place at Geneva from August 16 to September 14, 1948, at which time a timetable and procedures were adopted for bringing the following 11 countries into the General Agreement:

Denmark

Greece

Peru

Dominican Republic

Haiti

Sweden

El Salvador

Italy

Uruguay

Finland

Nicaragua

Later, Colombia and Liberia were added to the list of countries indicating a desire to accede to the agreement.

In the fall of 1948, the countries which had accepted the invitation to participate in the 1949 negotiations exchanged copies of their customs tariffs and the details of other import charges imposed by them, as well as statistics of their import trade for representative prewar and postwar years. They also submitted to each of the other participating countries with which they desired to negotiate a preliminary list of the products on which they intended to request concessions.¹³ Later each participating country transmitted to each of the other countries a final list of the commodities upon which it intended to request tariff and other concessions.¹⁴

On April 11, 1949, the countries mentioned above (except El Salvador and Peru, which did not send delegations) met at Annecy, France, together with the 23 signatories to the General Agreement. This meeting, convoked to negotiate concessions in tariffs and other import restrictions, constituted the Tariff Negotiations Meeting, as distinct from the Third Session of the CONTRACTING PARTIES, which had begun at Annecy on April 8, 1949. At the opening of the tariff negotiations, each partici-

¹³ For a more detailed discussion of the procedures involved in preparing for multilateral tariff negotiations under the General Agreement, see ch. 6 of this report.

¹⁴ The United States is required by Executive order to give public notice of all items in its tariff which are to be the subject of negotiations, and to hold public hearings to receive the views of parties who have an interest in such possible negotiations. Hence, the "preliminary" request lists submitted to the United States by other countries are treated as the definitive lists.

pating country made known the concessions it was prepared to offer to each country from which a request for concessions had been received. As at Geneva, the actual negotiations were conducted by "negotiating teams" responsible to their respective delegations.

Preparations by the United States

The negotiations conducted by the United States at Annecy were initiated under the usual trade agreements procedures, as amended by the Trade Agreements Extension Act of 1948. In accordance with such procedures, and at the request of the trade agreements organization, the Tariff Commission in the latter part of 1948 prepared for the use of the Interdepartmental Committee on Trade Agreements and its country committees statistical analyses of the United States import trade with each of the countries which had indicated a desire to negotiate with the United States. In late 1948 and early 1949 the Commission also revised its Summaries of Tariff Information, which provide detailed information on United States import commodities, for the use of the interdepartmental trade agreements organization and other interested persons and organizations.¹⁵ Simultaneously, at the request of the trade agreements organization, the Department of Commerce prepared for the use of the Trade Agreements Committee and the country committees analyses of the United States exports to each of the new countries preparing to negotiate at Annecy.

In accordance with the provisions of the Trade Agreements Extension Act of 1948, members of the Tariff Commission did not serve on the Trade Agreements Committee during the preparations for the Annecy Conference, and members of the Commission's staff did not serve as members of the country committees nor take part in their deliberations. At the request of the Trade Agreements Committee, however, certain members of the Commission's staff were present as observers at virtually all its meetings and those of the country committees which made preparations for the negotiations at Annecy. The Tariff Commission observers responded to requests of these committees for technical information and assistance, and observed their proceedings for the information of members of the Tariff Commission.

On the basis of the data provided by the country committees and other information at its disposal, the Trade Agreements Committee issued as of November 5, 1948, the customary notice of intention to enter into

¹⁵ The Commission's Summaries of Tariff Information comprise 15 volumes (actually 39 documents, many volumes being in several parts) covering about 1,800 commodities or groups of commodities that are dutiable or subject to import-excite or processing taxes, and 1 volume (of 5 separate parts) covering 500 commodities that are free of duty—all 16 volumes covering schedules 1-16 of the Tariff Act of 1930.

negotiations with the enumerated countries.¹⁶ At the same time it published a list of commodities to be considered for possible concessions by the United States. Also on November 5, 1948, in accordance with the provisions of section 3 (a) of the Trade Agreements Extension Act of 1948, this list was transmitted by the President to the Tariff Commission.

Simultaneously, both the Tariff Commission and the Committee for Reciprocity Information (CRI) gave notice of concurrent hearings to be held by them beginning December 7, 1948.¹⁷ The Tariff Commission's hearings, at which testimony was received from interested parties and organizations regarding possible injury or threat of injury to the United States industries concerned, were held pursuant to the provisions of the Trade Agreements Extension Act of 1948; that act required the Commission to "hold hearings and give reasonable public notice thereof" as a part of the investigations described earlier in this report (see chapter 2). On March 4, 1949, the Commission reported to the President its findings on the list of commodities.

On December 17, 1948, the Trade Agreements Committee published notice of its intention to negotiate also with Colombia and Liberia, thus raising to 13 the number of new countries with which the United States would negotiate at Annecy. The additional list of commodities involved was made public at the same time, together with several commodities supplementary to those on the list of November 5 for negotiation with the original 11 countries which contemplated accession to the General Agreement. On the same date, the President transmitted a list of these additional commodities to the Tariff Commission. The Committee for Reciprocity Information and the Tariff Commission held concurrent hearings on these supplemental articles from January 25 to January 27, 1949. On April 14, 1949, the Commission reported to the President its findings with respect to these additional commodities.

CHARACTER OF THE ANNECY CONFERENCE

The Conference held at Annecy, France, from April to August 1949, consisted of two separate but interrelated meetings. The first, which began on April 8 and ended on August 13, was the Third Session of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade. The second, which began on April 11 and ended on August 27, 1949, was the Tariff Negotiations Meeting sponsored by the contracting parties.

¹⁶ For a detailed description of the procedure followed by the Interdepartmental Committee on Trade Agreements and the operation of the trade agreements country committees in negotiating trade agreements, see *Operation of the Trade Agreements Program* (first report), pt. 2, pp. 31-36.

¹⁷ The hearings of both the Tariff Commission and CRI extended from December 7 through December 14, 1948.

Third Session of the CONTRACTING PARTIES

Participating in the Third Session were the 23 countries which had acceded to the General Agreement negotiated at Geneva in 1947. At this session the CONTRACTING PARTIES considered principally matters of procedure at the Annecy Conference, the question of amendments to the general provisions of the General Agreement or consultations arising out of those provisions, and, at the end of the Conference, policies relating to the admission of new parties to the General Agreement.

In addition to the Committee of the Contracting Parties on Special Exchange Arrangements, which was in existence at the beginning of the Third Session, the CONTRACTING PARTIES established 10 working parties to facilitate the work at Annecy. These working parties dealt with the following subjects: Accession; article XVIII (quantitative restrictions for economic development); South African import restrictions and consultation procedure; the customs union between South Africa and Southern Rhodesia; rectifications in the Geneva schedules; Australian valuations and changes in schedule I; Brazilian internal taxes; emergency measures to resolve the crisis in the Cuban textile industry; budget and program; and the proposed third set of tariff negotiations.

Represented by observers at the Third Session were the "acceding" countries, all of whom are signatories of the Havana Charter. Observers were also present representing the International Monetary Fund, the Organization for European Economic Cooperation, and the United Nations Educational, Scientific and Cultural Organization.

Tariff Negotiations Meeting

In the Tariff Negotiations Meeting, not only the 23 original contracting parties but also the 11 countries which desired to accede to the General Agreement participated. This meeting resulted in a series of bilateral agreements formulated by the negotiating teams representing the respective countries—the same practice that was employed at the Geneva Conference in 1947. These bilateral instruments were later combined into separate schedules for each participating country to form the Annecy Protocol to the General Agreement, which, after being duly signed, became a part of the General Agreement. Not all of the bilateral negotiations at this meeting were between the 23 original contracting parties and the 11 acceding countries; a number of the latter also negotiated with each other.

To coordinate the tariff negotiations and to determine policy on matters requiring joint action by the CONTRACTING PARTIES and the acceding countries, the heads of the various delegations to the Annecy Conference at the outset established a Tariff Negotiations Committee, consisting of representatives of all participating countries. To act as a steering organization for this Committee, they also established a Tariff

Negotiations Working Party consisting of representatives of seven countries, including the United States.

Renegotiations by Certain Countries

With a few exceptions, it was not contemplated that the original 23 parties to the General Agreement would reopen negotiations with each other at Annecy. The General Agreement makes no general provision for modifying the negotiated schedules of duties before January 1, 1951. Nevertheless, the CONTRACTING PARTIES may authorize changes in the schedules provided unanimous consent is obtained, and they have been disposed to grant such authorizations if observance of the scheduled duties would cause serious difficulties for the country requesting authorization. The CONTRACTING PARTIES received requests from four countries—Brazil, Ceylon, Cuba, and Pakistan—for permission to modify or withdraw duties specified in their schedules of the General Agreement. At the Second Session at Geneva in August-September 1948, the CONTRACTING PARTIES authorized these countries to renegotiate certain concessions granted by them at Geneva in 1947.¹⁸

Brazil had requested permission to renegotiate with the United States and the United Kingdom the concessions on three items in its schedule which the Brazilian Congress had been reluctant to approve, and which Brazil therefore withdrew when it put the General Agreement into effect. At the time of its request, Brazil pointed out to the CONTRACTING PARTIES that its Congress had established rates of duty lower than those specified on many other items in its schedule of the General Agreement.

Ceylon's request to renegotiate with several contracting parties, including the United States, arose because of the serious balance-of-payments difficulties in which Ceylon found itself. Ceylon did not sign the Protocol of Provisional Application until June 1948 (effective in July). Meanwhile, in December 1947, it had increased duties on many items covered in its schedule of the agreement. As a result of these tariff increases (which were imposed for both revenue purposes and balance-of-payments reasons), Ceylon, on signing the Protocol, made the reservation that it could not give effect to certain concessions it had granted at Geneva. Nevertheless Ceylon expressed a willingness to renegotiate on those concessions.

Cuba indicated that its request to renegotiate with the United States on certain textile items in its schedule resulted principally from a desire to take measures to resolve a reported crisis in its textile industry, involving unemployment and reduced production.

The request of Pakistan to renegotiate with four contracting parties,

¹⁸ The details of the proposed renegotiations are discussed in *Operation of the Trade Agreements Program* (second report), pp. 33-36.

including the United States, arose out of the fact that Pakistan became a self-governing dominion during the course of the negotiations at Geneva in 1947. Before signing the Protocol of Provisional Application of the General Agreement in June 1948, Pakistan had increased the import duties on a few items on which concessions had been made on its behalf by prepartition India. It, therefore, desired to renegotiate six items, on the ground that these concessions were not in balance with the concessions received by Pakistan.

Renegotiations between these four countries and the contracting parties with which the concessions had originally been negotiated took place during the Annecy Conference. The CONTRACTING PARTIES approved the results of the renegotiations by Brazil and Pakistan on July 8, 1949 ("compensation" was required of Brazil but not of Pakistan). The results of the renegotiations by Ceylon were approved on August 13, 1949. The renegotiations requested by Cuba with the United States were not completed by the end of the Third Session, but discussions between the two countries were continued thereafter on a bilateral basis.

Changes in the Brazilian and Pakistani schedules resulting from the renegotiations were incorporated in a Protocol of Modifications opened for signature by all the contracting parties at the end of the Third Session. A protocol replacing schedule VI of the General Agreement (Ceylon) was also opened for signature at the same time.

Participation by the United States¹⁹

The United States Delegation to the Annecy Conference, which served for both the Third Session of the CONTRACTING PARTIES and the Tariff Negotiations Meeting, was composed of 85 persons from United States Government agencies; about 60 of these persons were officials. About one-third of the officials were members of the United States tariff-negotiating teams. Six such United States teams were designated to negotiate with representatives of the following countries or groups of countries: Denmark and Finland; Sweden; Italy; Greece and Liberia; the Dominican Republic and Haiti; and Colombia, Uruguay, and Nicaragua.

Each United States negotiating team was composed of representatives from the Departments of State and Commerce.²⁰ The negotiators received assistance from technical experts, advisers, and consultants detailed to Annecy by various agencies of the Government, including not only the two departments just mentioned but also the Departments of

¹⁹ See also Woodbury Willoughby, "The Annecy Conference on Tariffs and Trade," *Department of State Bulletin*, vol. 21, Nov. 21, 1949, pp. 774-778.

²⁰ Originally, all but one of the teams were headed by representatives of the Department of State; in the latter part of the negotiations, after the departure of the original State Department heads, two other teams were headed by representatives of other Government agencies.

Agriculture, Treasury, Labor, and Defense; the Tariff Commission; and the Economic Cooperation Administration. Negotiating teams of the United States also had the benefit of the direction and counsel of the official United States delegates to the Conference,²¹ who also constituted the membership of the Trade Agreements Committee, which held sessions at Annecy. The Supreme Commander of the Allied Powers (Japan) and the United States Military Governor for Germany were represented briefly at the Annecy Conference by observers and consultants.

In accordance with the provisions of the Trade Agreements Extension Act of 1948, members of the Tariff Commission did not serve on the Trade Agreements Committee at the Annecy Conference, and members of its staff did not serve on the negotiating teams nor participate in the actual negotiations. At the request of the Trade Agreements Committee, however, eight members of the Commission's staff attended the Conference—seven as consultants to the United States Delegation, and one as a member of its secretariat. The Tariff Commission consultants provided the United States negotiating teams with technical information on the tariff status of the various commodities being considered for concessions by the United States, as well as the trade in these commodities. They also attended the negotiating meetings as observers, for the purpose of keeping the Tariff Commission informed of developments.

SCOPE OF THE ANNECY TARIFF NEGOTIATIONS

Number of Countries and Agreements

A total of 34 countries met at Annecy for the Tariff Negotiations Meeting. Of these countries, 23 were contracting parties to the General Agreement, and 11 were countries desiring to accede to that agreement. Of the latter countries, Colombia did not reach agreement at Annecy with several important countries, including the United States. Toward the end of the Conference, therefore, it withdrew its application to accede to the General Agreement at the Third Session, thus reducing the number of "acceding" countries to 10.²²

²¹ The official United States Delegation to the Conference consisted of the Chairman (Department of State), the Vice Chairman (Department of Commerce), and representatives of the Departments of Labor, Defense, Treasury, and Agriculture, and the Economic Cooperation Administration.

²² The Colombian and United States Delegations jointly notified the Secretariat that, in view of the basic difficulties underlying their tariff negotiations, it was not possible to conclude them, and that they would therefore remain as "uncompleted negotiations" which both delegations hoped might be concluded at a later date. The United States Delegation recognized Colombia's need to make a revision of its customs tariff in order to adjust it to present-day conditions, but found that the high level of a number of the proposed rates of duty in the Colombian tariff was a major obstacle that could not be completely overcome. Tariff concessions agreed upon at Annecy between Colombia and 12 other participating countries will probably remain in suspense.

As at Geneva in 1947, not every one of the countries participating in the Annecy Conference negotiated with every other country: for many countries the trade involved was not sufficient to warrant the exchange of concessions. Of the 220 theoretically possible negotiations between the original contracting parties and the acceding countries, 127 individual negotiations were actually concluded. Of the 55 possible negotiations between the acceding countries themselves, 20 were concluded. In all, 147 bilateral negotiations were concluded at Annecy.

The Annecy negotiations further expanded the share of world trade carried on under the principles of the General Agreement on Tariffs and Trade. Commerce among the 23 original contracting parties, together with the 10 countries which acceded to the General Agreement at Annecy, accounts for nearly four-fifths of all world trade. Tariff concessions made at Geneva in 1947 and Annecy in 1949 now apply to products which account for more than two-thirds of the total import trade of the participating countries, and for more than half of the total import trade of the world.

Enlargement of the General Agreement

The results of the Annecy negotiations are embodied in the Annecy Protocol of Terms of Accession to the General Agreement on Tariffs and Trade and the Annecy Schedules of Tariff Concessions.²³ The Schedules of Tariff Concessions are divided into Annex A, which supplements the schedules of the original contracting parties, and Annex B, which contains the schedules of the acceding governments. As in the General Agreement in 1947, the schedules of concessions annexed to the Annecy Protocol of Terms of Accession include commitments to reduce or eliminate import duties on specified articles, to bind existing customs treatment (including duty-free status) of specified articles, and to reduce or eliminate tariff preferences on specified articles. At the Third Session of the CONTRACTING PARTIES it was decided that the Annecy schedules should run for a period ending on the same date as the original Geneva schedules (i. e., January 1, 1951), and that the terms of accession be in the form of a collateral contract to the General Agreement, rather than an amendment of the text pursuant to article XXXII.

As a result of the tariff negotiations at Annecy, the General Agreement concluded at Geneva in 1947 has been enlarged both as to the number of individual schedules and as to the content of most of the schedules of

²³ U. S. Department of State, *General Agreement on Tariffs and Trade: The Annecy Protocol of Terms of Accession and the Annecy Schedules of Tariff Concessions*, Pub. 3664 (Commercial Pol. Ser. 121), 1949.

the original contracting parties. The Geneva negotiations of 1947 resulted in 20 separate country schedules (numbered I through XX).²⁴ The Annecy negotiations added 10 new country schedules (numbered XXII through XXXI).²⁵ It also added new tariff items to all the original 20 Geneva schedules except those for Burma (IV) and Southern Rhodesia (XVI).

The new schedules incorporated in the General Agreement after the Annecy negotiations are as follows:²⁶

Schedule	Country	Schedule	Country
XXII	Denmark.	XXVII	Italy.
XXIII	Dominican Republic.	XXVIII	Liberia.
XXIV	Finland.	XXIX	Nicaragua.
XXV	Greece.	XXX	Sweden.
XXVI	Haiti.	XXXI	Uruguay. ¹

¹ As yet (June 30, 1950), Uruguay has not signed the Annecy Protocol.

The general provisions of the General Agreement, as modified, are designed to supplement, and some of them to safeguard, the tariff concessions enumerated in the schedules annexed to the Annecy Protocol. These provisions, which the acceding countries obligate themselves to observe, relate to trade discriminations and such nontariff trade barriers as quantitative restrictions on imports and internal taxation. Each negotiating country, for example, agrees to extend to all other contracting parties all tariff concessions provided for in the schedules annexed to the protocol as soon as those concessions become applicable. To a greater or lesser extent, each of the contracting parties will benefit from concessions on certain items which are of interest in its trade but on which it did not originally negotiate with the particular countries granting the concessions. The same is true with regard to concessions made by the original contracting parties at Geneva in 1947. Since each of the Geneva concessions accrues to each of the countries which acceded at Annecy, the acceding countries will benefit substantially from the earlier concessions; this consideration was taken into account in the Annecy negotiations.

²⁴ Although 23 countries negotiated at Geneva, only 20 schedules appear in the General Agreement as a result of these negotiations: the concessions granted by Belgium, the Netherlands, and Luxemburg (the Benelux Customs Union) formed one schedule; so did those granted by Lebanon and Syria (the Lebano-Syrian Customs Union).

²⁵ Schedule XXI was reserved for Colombia, which withdrew its application for accession toward the end of the Annecy Conference. Schedule XXI was subsequently assigned to Indonesia when that country became an independent contracting party.

²⁶ For a list of the 20 Geneva schedules, see *Operation of the Trade Agreements Program* (first report), pt. 2, p. 59.

Entry Into Force of the Annecy Protocol

After the conclusion of the second round of tariff negotiations, the Annecy Protocol of Terms of Accession to the General Agreement on Tariffs and Trade was deposited with the Secretary-General of the United Nations. It was open for signature by the original contracting parties at the headquarters of the United Nations, Lake Success, New York, from October 10, 1949, until November 30, 1949, and, for signature by the acceding governments, from October 10, 1949, until April 30, 1950.

Under the terms of the Annecy Protocol, accession of each of the additional 10 countries was to be decided upon by the original 23 contracting parties to the General Agreement if two-thirds (16) of the latter signed the protocol with respect to that particular country by the required date of November 30, 1949. For each acceding government in respect of which two-thirds of the original contracting parties signed by November 30, 1949, the Annecy Protocol was to enter into force on January 1, 1950, provided it had been signed by that particular acceding country by November 30, 1949. If it had not been signed by the acceding government by November 30, 1949, it was to enter into force for that country on the thirtieth day after the day upon which it was signed by such acceding government.

By November 30, 1949, a total of 22 of the 23 original contracting parties (all but Cuba) had signed the Annecy Protocol, thus deciding favorably on the accession of the 10 acceding countries. By that date, however, only one of the acceding countries—Haiti—had signed the protocol and had accepted certain pending modifications in the General Agreement required to make its signature effective; thus only the schedule for Haiti became effective on January 1, 1950. Between November 30, 1949, and April 30, 1950, all the other acceding countries except Uruguay signed the protocol; the schedules for each of these countries became effective on the thirtieth day after the date of its signature.

The Annecy Protocol became provisionally effective for each of the 10 acceding countries which negotiated at Annecy on the following dates, which are also the dates on which concessions granted by the United States in the negotiations with the respective countries were made effective:

<i>Country</i>	<i>Date</i>	<i>Country</i>	<i>Date</i>
Denmark.....	May 28, 1950	Italy.....	May 30, 1950
Dominican Republic.....	May 19, 1950	Liberia.....	May 20, 1950
Finland.....	May 25, 1950	Nicaragua.....	May 28, 1950
Greece.....	Mar. 9, 1950	Sweden.....	Apr. 30, 1950
Haiti.....	Jan. 1, 1950	Uruguay. ¹	

¹ Not yet effective.

FOURTH SESSION OF THE CONTRACTING PARTIES²⁷

The Fourth Session of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade was held at Geneva, Switzerland, from February 22 to April 3, 1950. All the original 23 contracting parties, except Cuba, Lebanon, and Syria, were represented. The agenda of the session included a discussion of plans for the third set of tariff negotiations which it was decided would be held at Torquay, England, beginning in September 1950; an examination of the trade practices of participating governments and their effect on the general reduction of barriers to international trade; and subjects related to the routine operation of the General Agreement.

At the Fourth Session, two countries—Indonesia and Greece—became contracting parties, and one country—China—gave notice of its withdrawal from the General Agreement. In addition to the representatives of the contracting parties, observers were present from six other countries which are in process of acceding to the General Agreement as a result of the 1949 Annex negotiations, as well as from three additional countries which expect to participate in the 1950 multilateral tariff negotiations. Observers from the International Monetary Fund and the Organization for European Economic Cooperation also attended the session.

Preparations for the Torquay Conference

Present indications are that about 40 countries will participate in the Torquay Conference; the total number of bilateral discussions to be conducted there for the final multilateral exchange of tariff concessions is expected to exceed 300.

In addition to settling many problems concerning the physical conduct of the 1950 negotiations, the CONTRACTING PARTIES discussed the principles which will govern the negotiations, in order to assure continuation of the great majority of the tariff reductions and bindings which resulted from the negotiations in 1947 and 1949, and to assure a further substantial reduction in the general level of tariffs, particularly by countries which now have a generally high level of rates.²⁸

In setting the stage for the 1950 tariff negotiations, the CONTRACTING PARTIES expressed general agreement with the view that those negotiations should not be used as a medium for renegotiating concessions granted at Geneva or Annex, or for the raising of tariffs, even

²⁷ The material in this section is based on U. S. Department of State Press Release No. 317, April 5, 1950. A detailed discussion of the actions of the CONTRACTING PARTIES at their Fourth Session will be given in the next report of the Tariff Commission on the operation of the trade agreements program.

²⁸ For a detailed discussion of the preparations for the Torquay Conference, see ch. 6.

though each contracting party has the technical right to adjust individual rates after January 1, 1951. They also reaffirmed the rule, followed at previous negotiations, that the binding of a low rate of duty should be considered equivalent to the reduction of a high rate.

Examination of Trade Practices of Participating Countries

In order to assure compliance with the basic obligations of the General Agreement and to find means of hastening the end of postwar nontariff restrictive measures, the CONTRACTING PARTIES at their Fourth Session examined the operation of those nontariff import and export controls which are now employed by participating countries.

Two reports relating to nontariff import and export restrictions were adopted by the CONTRACTING PARTIES.

The first report examines, country by country, the import procedures of those contracting parties which are taking advantage of the right, during the postwar transitional period, to employ import restrictions because of balance-of-payments difficulties. This report, the first of a series of annual surveys, is designed to prepare for the time (March 1952) when discriminatory restrictions may no longer be imposed by a participating country without consulting the CONTRACTING PARTIES. The report indicates that about two-thirds of the contracting parties are now, to a greater or lesser degree, taking advantage of the provisions of the General Agreement which temporarily permit discriminatory import restrictions for balance-of-payments reasons. The report also deals with the role played by state-trading countries and by such group arrangements as the sterling area and the Organization for European Economic Cooperation.²⁰

The second report examines the effects of import and export restrictions and the encouragement these devices give to the development of uneconomic industries, thus making it more difficult to achieve the objective of abolishing bilateralism and restoring competition in international trade. There was general agreement among the CONTRACTING PARTIES that, with some minor exceptions, use for protective purposes of the types of export restrictions examined at the Fourth Session is not in accord with provisions of the General Agreement. Import restrictions, it was recognized, even when imposed for balance-of-payments reasons, would at times necessarily provide incidental protective effect which was not intended when they were imposed. The CONTRACTING PARTIES agreed that every effort should be made to minimize this protective effect in order to facilitate the removal of these restrictions as rapidly as balance-of-payments considerations permit. They also agreed that each

²⁰ Contracting Parties to the General Agreement on Tariffs and Trade, *First Report on the Discriminatory Application of Import Restrictions*, United Nations Sales No.: GATT/1950-1, Geneva, 1950.

country should review its present system of quantitative restrictions on imports and exports, in the light of the discussions and the conclusions reached at the Fourth Session.³⁰

The CONTRACTING PARTIES also examined the effects of bilateral arrangements on international trade patterns. They concluded that, although currency devaluation and increases in production have somewhat mitigated the effects of bilateralism, there remains the danger that bilateral arrangements, together with continuing relatively high prices in certain soft-currency markets, may attract goods which might otherwise have found a dollar market and thus have served to reduce balance-of-payments difficulties.

Other Proceedings of the Fourth Session

In the category of routine business and settlement of complaints, the CONTRACTING PARTIES granted a request by the United States concerning the importation of potatoes; examined and made recommendations on a complaint by Chile against an Australian fertilizer subsidy; took action on applications by Ceylon, Syria, Lebanon, and Haiti to permit the use of special measures for their economic development; and prepared a protocol of rectifications which corrects errors in the text of certain parts of the tariff schedules annexed to the General Agreement.

The release granted to the United States permits the United States to alter the figure in its schedule of concessions which determines the quantity of potatoes which may be imported at the lower rate of duty negotiated at Geneva in 1947. Under the waiver, the United States may limit the importation of table stock potatoes into the United States at the reduced rate to 1 million bushels, plus any amount by which the 1950 domestic crop should fall below 335 million bushels, instead of 350 million bushels as provided in the Geneva schedule of 1947.

STATUS OF UNITED STATES TRADE AGREEMENTS AFTER THE ANNECY NEGOTIATIONS

Trade Agreements in Effect

On July 1, 1950, the United States was a party to trade agreements with 46 foreign countries, negotiated under the authority of the Trade Agreements Act, as amended. These countries may be classified in three groups, as follows:

1. Countries (11) with which pre-Geneva or pre-Annecy trade agreements have been superseded by either the General Agreement in Geneva

³⁰ Contracting Parties to the General Agreement on Tariffs and Trade, *The Use of Quantitative Restrictions for Protection and Other Commercial Purposes*, United Nations Sales No.: GATT/1950-3, Geneva, 1950.

or the Annecy negotiations (together with dates on which these countries put the General Agreement into provisional effect):

<i>Country</i>	<i>Date</i>	<i>Country</i>	<i>Date</i>
Belgium.....	Jan. 1, 1948	Haiti.....	Jan. 1, 1950
Brazil.....	July 31, 1948	Luxemburg.....	Do.
Canada.....	Jan. 1, 1948	Netherlands.....	Do.
Cuba.....	Do.	Sweden.....	Apr. 30, 1950
Finland.....	May 25, 1950	United Kingdom.....	Jan. 1, 1948
France.....	Jan. 1, 1948		

2. Countries (20) with which the United States had no agreements in force to be superseded by the General Agreement in either the Geneva or Annecy negotiations (together with dates on which these countries put the General Agreement into provisional effect):

<i>Country</i>	<i>Date</i>	<i>Country</i>	<i>Date</i>
Australia.....	Jan. 1, 1948	Italy.....	May 30, 1950
Burma.....	July 30, 1948	Lebanon.....	July 30, 1948
Ceylon.....	Do.	Liberia.....	May 20, 1950
Chile.....	Mar. 16, 1949	New Zealand.....	July 31, 1948
China.....	May 22, 1948	Nicaragua ¹	May 28, 1950
Czechoslovakia.....	Apr. 21, 1948	Norway.....	July 11, 1948
Denmark.....	May 28, 1950	Pakistan.....	July 31, 1948
Dominican Republic.....	May 19, 1950	Southern Rhodesia.....	July 12, 1948
Greece.....	Mar. 9, 1950	Syria.....	July 31, 1948
India.....	July 9, 1948	Union of South Africa.....	June 14, 1948

¹ A previous agreement between the United States and Nicaragua became effective October 1, 1936, but the duty concessions were terminated March 10, 1938.

3. Countries (15) with which the United States has trade agreements but which are not parties to the General Agreement (together with effective dates of these bilateral trade agreements):³¹

<i>Country</i>	<i>Date</i>	<i>Country</i>	<i>Date</i>
Argentina.....	Nov. 15, 1941	Mexico ¹	Jan. 30, 1943
Costa Rica.....	Aug. 2, 1937	Paraguay.....	Apr. 9, 1947
Ecuador.....	Oct. 23, 1938	Peru.....	July 29, 1942
El Salvador.....	May 31, 1937	Switzerland.....	Feb. 15, 1936
Guatemala.....	June 15, 1936	Turkey.....	May 5, 1939
Honduras.....	Mar. 2, 1936	Uruguay ²	Jan. 1, 1943
Iceland.....	Nov. 19, 1943	Venezuela.....	Dec. 16, 1939
Iran.....	Jan. 28, 1944		

¹ The trade agreement with Mexico will be terminated as of December 31, 1950.

² Uruguay negotiated at Annecy, with a view to accession to the General Agreement, but has not yet (June 30, 1950) signed the Annecy Protocol.

Of the countries above enumerated, Guatemala, Peru, and Turkey have indicated their desire to participate in the tariff negotiations at Torquay, with a view to acceding to the General Agreement.

³¹ The trade agreement between the United States and Colombia, which became effective May 20, 1936, was terminated by mutual consent, effective December 1, 1949.

Suspension or Termination of Pre-Geneva or Pre-Annecey Trade Agreements

On October 30, 1947, the day the General Agreement was signed at Geneva, the United States also signed supplementary bilateral agreements with Belgium-Luxemburg, Canada, Cuba, France, the Netherlands, and the United Kingdom. These supplementary agreements provide for suspension of the bilateral trade agreements previously in force between the United States and those countries. The earlier trade agreements are to remain inoperative only so long as the United States and each of the countries concerned are both contracting parties to the General Agreement. Consequently if the General Agreement should fail to come into full force, or if the United States or any of the parties with which it negotiated supplementary agreements on October 30, 1947, should fail to become, or should cease to be, contracting parties to the General Agreement, the respective earlier trade agreements would be revived. This revival is not contingent on the Trade Agreements Act still being in force.

Of the 10 countries with which the United States negotiated at Annecey, 4 had previously negotiated trade agreements with the United States. These countries are Finland, Haiti, Sweden, and Uruguay. After the Annecey negotiations, the United States and these 4 countries jointly agreed to terminate, rather than suspend, the trade agreements previously in force, such termination to take effect on the dates when the respective countries should become parties to the General Agreement, and when the concessions initially negotiated by the United States with the respective countries at Annecey become effective.³²

Termination of Trade Agreement With Colombia

During the multilateral tariff negotiations at Annecey in 1949, the United States and Colombia entered into negotiations looking toward the exchange of tariff concessions and the accession of Colombia to the General Agreement on Tariffs and Trade. However, basic difficulties which developed during the course of the negotiations prevented their completion. The United States Delegation, though recognizing Colombia's need to revise its customs tariff in order to adjust it to present-day conditions, found that the height of a number of the proposed rates of duty in the Colombian tariff was a major obstacle that could not be

³² The general provisions of the trade agreement of 1936 between the United States and Nicaragua were terminated upon Nicaragua's accession to the General Agreement. The duty concessions in the agreement were terminated on March 10, 1938. For the purposes of this report, therefore, Nicaragua is considered to be a country with which the United States did not have a trade agreement when the Annecey negotiations began.

completely overcome at the Annecy Conference. Colombia, therefore, withdrew its application to accede to the General Agreement.

In the view of the Colombian and United States Delegations to the Annecy Conference, continued application of the existing trade agreement between the two countries, which became effective May 20, 1936, presented a number of special problems. Inasmuch as the agreement was entered into when economic, monetary, and fiscal conditions were substantially different from those which prevailed in 1949, the two delegations agreed to recommend to their respective governments that the agreement be terminated.

In accordance with this recommendation the two governments subsequently agreed that the trade agreement should cease to be in force on and after December 1, 1949. Under the provisions of the Trade Agreements Act of 1934, as amended, the President of the United States on November 5, 1949, proclaimed the termination of the trade agreement with Colombia, effective December 1, 1949. Pending the conclusion of new arrangements, commercial relations between Colombia and the United States will be governed by the provisions of the Treaty of Peace, Amity, Navigation, and Commerce between the United States and the Republic of New Granada, signed at Bogotá on December 12, 1846. Upon the termination of the agreement, the rates of duty on Colombian products entering the United States became those specified in the Tariff Act of 1930, as modified by trade agreements between the United States and other countries.

Renegotiation of Schedule I and Termination of the Trade Agreement With Mexico

Renegotiation of the Mexican concessions to the United States (schedule I) in the trade agreement of 1943 between the two countries continued during 1949, but no final settlement was reached. The renegotiations, based on principles agreed upon by the two countries in December 1947, had begun in April 1948.³³

In view of the evident impossibility of carrying out a mutually satisfactory revision of the agreement, the Mexican and United States representatives of the respective negotiating groups on June 19, 1950, agreed to recommend to their respective governments that the trade agreement between their two countries be jointly denounced, the denunciation to take effect 6 months after the date on which, through an exchange of notes, the recommendation might be approved by the two governments. In a subsequent exchange of notes between Mexico and the United

³³ The events leading to the renegotiation of the Mexican concessions to the United States were discussed in detail in *Operation of the Trade Agreements Program* (second report), pp. 38-39.

States, it was jointly agreed that the trade agreement should cease to be in force after December 31, 1950. Under present United States laws and policies, the duty concessions to Mexico, upon termination of the trade agreement, cease to have effect, and the commodities on which concessions were made become subject to the rates specified in the Tariff Act of 1930, as modified by trade agreements between the United States and other countries.

Chapter 4

Concessions Granted and Obtained by the United States at Annecy

CONCESSIONS GRANTED BY THE UNITED STATES

This section of the report deals with the concessions granted by the United States to the 10 countries with which it negotiated at Annecy in 1949.¹

The concessions granted by the United States in schedule XX of the Annecy Schedules of Tariff Concessions establish the treatment to be accorded the specified commodities upon their importation into the United States. For some items the concessions consist of reductions from the previously existing rates of duty; for others they consist of bindings of the existing rates against increase; and for still others, bindings of the existing duty-free status. Under then existing as well as present legislation, the maximum reduction which could be made in the import duty on any commodity is 50 percent of the duty in effect on January 1, 1945.

A few of the concessions granted by the United States at Annecy were limited by tariff quotas, or were otherwise qualified.² For example, the reduction in duty granted to Denmark on butter is applicable only to specified quantities entered during two specified periods of each year, imports in excess of those quantities during the specified periods remaining dutiable at the rate of duty prevailing before the concession was granted (i. e., the rate in the Tariff Act of 1930). Import licensing for butter imported into the United States, instituted during the war, continues under legislation which has been extended until July 1, 1951.³ The concessions to the Dominican Republic on sugar and liquid sugar are effective only during such time as the sugar quota and marketing system specified in title II of the Sugar Act of 1948, or a substantially equivalent system, is in effect. In granting the concession on lemons to Italy, the United States reserved the right to increase the rate of duty on lemons entered in any calendar year in excess of an aggregate weight equal to

¹ A subsequent chapter discusses the effects of the Annecy concessions, together with previous concessions granted by the United States in trade agreements, on the level of the United States tariff.

² For a discussion of qualifications on particular concessions in earlier trade agreements, see *Operation of the Trade Agreements Program* (first report), pt. 3, pp. 22-28.

³ See the section of this chapter on concessions by countries (Denmark).

5 percent of the production of lemons in the United States during the preceding calendar year.

The concessions granted by the United States at Annecy are not applicable solely to commodities imported into the United States from the particular country with which the concession was initially negotiated. Under the general provisions of the General Agreement on Tariffs and Trade, the concessions are extended to all countries participating in that agreement. The concessions are also extended, of course, to countries which are not parties to the General Agreement but with which the United States has most-favored-nation obligations. Moreover, under the Trade Agreements Act, the concessions are extended to all countries which have not been found by the President to be discriminating against the commerce of the United States.⁴

Importance of the Annecy Countries in United States Import Trade

Table 1 compares United States imports in 1947 and 1948⁵ from the countries with which the United States negotiated at Annecy with imports from other groups of trade-agreement countries and from the non-trade-agreement countries.

The 10 countries with which the United States negotiated at Annecy accounted for 5.2 percent of the value of total imports into the United States in 1947 and for 5.4 percent in 1948. In terms of the value of imports in 1948, Italy (1.3 percent of total imports), Sweden (1.3 percent), and Uruguay (0.9 percent) were the most important of the countries with which the United States negotiated.

Since 6 of the 10 countries with which the United States negotiated at Annecy did not previously have trade agreements with this country,⁶ the negotiations increased the proportion of its import trade with trade-agreement countries. This increase, however,⁷ was more than offset by the termination of the trade agreement with Colombia, effective December 1, 1949, after the Annecy Conference. Countries with which the United States now has trade agreements, including all the Annecy countries,⁷ accounted for 77 percent of the value of total United States imports in 1947, and for 76 percent in 1948. Countries with which the United States has not negotiated trade agreements accounted for 23 percent of the total import trade of the United States in 1947 and 24 percent in 1948.

⁴ Sec. 350 (a), Tariff Act of 1930, as amended.

⁵ The latest years for which complete statistics are available.

⁶ A trade agreement between the United States and Nicaragua became effective in 1936, but the duty concessions were terminated in 1938. For the purposes of this report, therefore, Nicaragua is considered to be a country with which the United States did not have a trade agreement when the Annecy negotiations began.

⁷ Uruguay has not yet (June 30, 1950) acceded to the General Agreement.

TABLE 1.—United States imports for consumption from trade-agreement countries, by groups and selected countries, and from non-trade-agreement countries, 1947 and 1948¹

[Value in millions of dollars]

Source	1947		1948	
	Value	Percent of total	Value	Percent of total
Agreement countries:				
Countries (10) with which the United States negotiated at Annecy:				
Denmark.....	5	0.1	6	0.1
Dominican Republic.....	30	.5	35	.5
Finland ²	40	.7	39	.5
Greece.....	12	.2	14	.2
Haiti ²	20	.4	19	.2
Italy.....	41	.7	91	1.3
Liberia.....	11	.2	13	.2
Nicaragua.....	9	.2	12	.2
Sweden ²	92	1.6	91	1.3
Uruguay ³	31	.6	63	.9
Total, Annecy countries.....	291	5.2	383	5.4
Countries (22) with which the United States negotiated at Geneva.....	3,186	56.4	3,939	56.0
Countries (14) not party to the General Agreement but with which the United States has agreements.....	887	15.7	1,038	14.8
Total, agreement countries.....	4,364	77.3	5,360	76.2
Nonagreement countries.....	1,279	22.7	1,678	23.8
Total, all countries.....	5,643	100.0	7,038	100.0

¹ Preliminary.

² The pre-Annecy trade agreement with the United States was terminated when the Annecy schedule of tariff concessions entered into force.

³ Uruguay has not yet (June 30, 1950) acceded to the General Agreement. When Uruguay's Annecy schedule of tariff concessions enters into force, the pre-Annecy trade agreement between Uruguay and the United States will be terminated.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Based on import trade in 1947, the share of United States imports supplied by trade-agreement countries before the Annecy negotiations was 79 percent; the corresponding share based on the trade in 1948 was 77 percent.

Scope of the Concessions

United States imports from the 10 countries with which the United States negotiated at Annecy amounted to 382.5 million dollars in 1948. Of this total value, dutiable imports represented 182.4 million dollars, and those free of duty 200.1 million. In return for the concessions which

TABLE 2.—United States imports in 1948, dutiable and free, from the 10 countries with which the United States negotiated at Annecy: Total value and value of commodities on which the United States granted concessions initially to each country, by kinds of commitment

[In thousands of dollars]

Country	Total imports	Dutiable imports	Duty-free imports	Imports of concession items						
				Total	Dutiable items bound or reduced				Free-list items bound	
					Total	Rate of duty bound	Rate of duty reduced			
							Less than 25 percent	25 to 35 percent		36 to 50 percent
Denmark.....	5,921	4,086	1,835	1,565	1,516	180	97	1,239	49	
Dominican Republic.....	35,187	10,465	24,722	5,745	5,656	1,427	20	4,209	89	
Finland.....	38,606	3,016	35,590	24,788	1,724	51	567	1,106	23,064	
Greece.....	14,450	12,834	1,616	11,202	10,380	221	156	8,136	1,867	
Haiti.....	19,220	3,257	15,963	1,875	1,772	427	451	91	803	
Italy.....	90,893	75,197	15,696	30,371	27,599	1,207	524	2,297	23,571	
Liberia.....	13,054	3	13,051	4,186	18	18	18	18	4,186	
Nicaragua.....	11,714	2,462	9,252	162	6,179	347	1,571	49	4,212	
Sweden.....	90,886	11,040	79,846	52,549	10,246	399	273	7,485	46,370	
Uruguay.....	62,526	59,993	2,533	10,621	10,246	399	273	7,485	2,089	
Total.....	382,457	182,353	200,104	143,064	65,090	4,208	3,123	18,645	39,114	77,974

Source: Compiled from official statistics of the U. S. Department of Commerce.

the United States obtained in the negotiations, it granted concessions (including bindings) on products accounting for 143.1 million dollars, or 37 percent of this total value of 382.5 million. Of these products, 65.1 million dollars' worth were dutiable and 78 million dollars' worth were free of duty. Based on United States imports in 1948 from *all* countries, the concessions negotiated at Annecy and not previously negotiated at Geneva apply to imports valued at approximately 250 million dollars.

Table 2 shows United States imports in 1948 from the 10 Annecy countries. It also shows for that year imports of commodities on which concessions were initially granted by the United States to each of the 10 countries; these are tabulated according to the character and extent of the concessions.

Concessions granted by the United States at Annecy included reductions in duties, bindings of existing rates of duty, and bindings of duty-free status. Reduced United States duties apply to commodities representing imports from the 10 countries valued at 60.9 million dollars in 1948, or 33 percent of total dutiable imports from these countries. Bindings of existing duties apply to imports valued at 4.2 million dollars, or 2 percent of total dutiable imports; and bindings of the existing duty-free treatment apply to imports valued at 78 million, or 39 percent of total duty-free imports from acceding countries.

Of the dutiable imports of commodities subject to rates of duty reduced at Annecy (valued at 60.9 million dollars in 1948), reductions ranging from .36 to 50 percent are applicable to imports valued at 39.1 million dollars, or 64 percent of the total; reductions ranging from 25 to 35 percent, to imports valued at 18.6 million, or 31 percent; and reductions of less than 25 percent, to imports valued at 3.1 million, or 5 percent.

Indirect Benefits to Acceding Countries

In addition to the benefits derived from the concessions initially granted to them by the United States at Annecy, the acceding countries will obtain in their own right certain other substantial benefits from the concessions made by this country to other acceding countries at Annecy and from the concessions negotiated with other contracting parties to the General Agreement at Geneva in 1947. Even though it is the policy of the United States to extend any trade-agreement concession to all countries (unless the President excepts a given country for reasons stated in the law) whether or not they are parties to a trade agreement with the United States, the 10 countries which negotiated at Annecy will still find it advantageous to participate directly, through the General Agreement itself, in the concessions granted other countries under the agreement. Inasmuch as data are not available to show the indirect benefits which will accrue to the Annecy countries as a result of bindings of existing

rates of duty and bindings on the free list, the subsequent analysis deals only with such indirect benefits as result from reductions in duty.

For the 10 countries with which the United States negotiated at Annecy, table 3 shows the extent to which they will benefit directly from duty reductions granted to them by the United States at Annecy, and indirectly from the duty reductions granted to other countries at Annecy and at Geneva. In addition to direct reductions in duty applicable to United States imports from the 10 countries valued at 60.9 million dollars in 1948, these countries receive indirect benefits applicable to imports valued at 4 million dollars as a result of the negotiations with other countries at Annecy and applicable to imports valued at 93.5 million dollars as a result of the negotiations with the original contracting parties at Geneva in 1947. Based on the value of United States imports in 1948, therefore, the 10 Annecy countries together receive benefit of duty reductions applicable to 158.5 million dollars' worth of imports.

The ratio of dutiable imports to total imports from the 10 countries covered by duty reductions both at Annecy and Geneva (weighted by

TABLE 3.—United States dutiable imports in 1948 from the 10 countries with which the United States negotiated at Annecy: Total value and value of commodities on which the United States granted reductions in duty at Annecy and Geneva

[Value in thousands of dollars]

Country	Total dutiable imports	Dutiable imports on which duty reductions were made—				
		Initially to each of the 10 countries at Annecy	To other countries at Annecy (indirect benefits)	In 1947 at Geneva (indirect benefits)	At both Annecy and Geneva	
					Value	Percent of total dutiable imports
Denmark.....	4, 086	1, 336	653	1, 634	3, 623	89
Dominican Republic...	10, 465	4, 229	26	3, 763	8, 018	77
Finland.....	3, 016	1, 724	348	920	2, 992	99
Greece.....	12, 834	10, 159	113	2, 211	12, 483	97
Haiti.....	3, 257	1, 345	355	1, 139	2, 839	87
Italy.....	75, 197	26, 392	1, 339	28, 515	56, 246	75
Liberia.....	3	(¹)	(²)	(²)	(²)	-----
Nicaragua.....	2, 462	18	20	2, 419	2, 457	99
Sweden.....	11, 040	5, 832	1, 172	3, 286	10, 290	93
Uruguay.....	59, 993	9, 847	2	49, 654	59, 503	99
Total or average.....	182, 353	60, 882	4, 028	93, 541	158, 451	87

¹ Concessions to Liberia were entirely free-list bindings.

² Negligible or nil.

Source: Compiled from official statistics of the U. S. Department of Commerce.

imports in 1948) is 87 percent. For the individual countries which negotiated with the United States at Annecy the corresponding ratios are 99 percent for Finland, Nicaragua, and Uruguay; 97 percent for Greece; 93 percent for Sweden; 89 percent for Denmark; 87 percent for Haiti; 77 percent for the Dominican Republic; and 75 percent for Italy (see table 3).

Effect of Annecy Concessions on United States Import Trade

Inasmuch as none of the concessions granted by the United States at Annecy have been in effect more than a few months, it is too early, on the basis of trade experience, to evaluate the effects of those concessions on the United States import trade. Because of the relatively narrow scope of the trade covered by the Annecy concessions, however, their net effect on the import trade cannot be great.

The concessions granted by the United States directly to the 10 Annecy countries apply to imports from *all* countries valued at about 250 million dollars in 1948, or 3.5 percent of total United States imports in that year. This share includes the trade in commodities on which existing duties or duty-free status was bound—types of concessions which are valuable, but which in themselves cannot operate to increase trade.

Commodities on which reductions in duty were directly granted to the 10 Annecy countries accounted for imports from those countries valued at 60.9 million dollars in 1948, or 0.9 percent of total United States imports, dutiable and free, from all countries in that year. With the addition of such indirect benefits as accrue to the Annecy countries and the 22 other original contracting parties, the total trade involved in the reductions in duty granted by the United States at Annecy probably amounted to about 100 million dollars in 1948, or almost 1.5 percent of United States imports from all countries in that year.

Concessions by Countries⁸

Denmark

United States imports from Denmark in 1948 amounted to 5.9 million dollars; of this total value 4.1 million represented dutiable commodities, and 1.8 million, commodities which are free of duty. At Annecy, the United States granted concessions to Denmark on commodities accounting for imports valued at 1.6 million dollars, or 27 percent of total imports

⁸ For a detailed discussion of the principal concessions granted on individual commodities by the United States at Annecy, see U. S. Department of State, *Analysis of Protocol of Accession and Schedules to the General Agreement on Tariffs and Trade Negotiated at Annecy, France, April–August 1949*, Pub. 3651 (Commercial Pol. Ser. 120), 1949, pp. 140–193. A tabulation of the items on which the United States made tariff concessions at Annecy, showing the extent and nature of the concessions and United States imports in 1948, appears on pp. 195–235 of that document.

from that country in 1948. By far the greater part of the concessions to Denmark consist of reductions in rates on dutiable commodities and bindings of such rates; most concessions (applicable to imports valued at 1.2 million dollars in 1948) consist of reductions ranging from 36 to 50 percent in the rates of duty (see table 2).

In addition to the concessions negotiated with Denmark, duty reductions made to other countries at Annecy cover products accounting for imports from Denmark valued at \$639,000 in 1948. Duty reductions made at Geneva in 1947 apply to imports from Denmark which were valued at 1.6 million dollars in 1948. Duty reductions made at Geneva and Annecy together cover 89 percent of dutiable United States imports from Denmark, based on imports in 1948 (see table 3).⁹

Concessions negotiated with Denmark at Annecy include duty reductions on the following items: Range finders for cameras; heavy noncarburetor internal-combustion engines; sterling-silver tableware; miscellaneous manufactures of silver; butter; blue-mold cheese; orchard-grass seed; aquavit; high-valued silver jewelry; and certain works of art. Existing duties on spring clothespins and Emmentaler cheese were bound against increase. Flint and rennet were bound on the free list.

The reduction in the duty on butter (from 14 to 7 cents per pound) is applicable only to 5 million pounds imported in the period April 1 to July 15, inclusive, and to 5 million pounds imported in the period July 16 to October 31, inclusive, in any year. Under the General Agreement, effective January 1, 1948, 50 million pounds of butter may be imported into the United States during the period from November 1 of any year to the following March 31 at the rate of 7 cents per pound. Imports during any one of these three periods in excess of these specified quantities remain dutiable at 14 cents per pound. Thus the reduced rate of 7 cents per pound may now apply to no more than 60 million pounds of butter per year.

Import licensing for butter imported into the United States, instituted during the war under War Food Order No. 63, has been continued since the war. The purpose of the licensing is to divert shipments to countries where there is a shortage of fats and to assist in the orderly liquidation of temporary surpluses of stocks owned or controlled by the Government. Legislation authorizing import licensing has been extended until July 1, 1951. Thus far the effect of import licensing has been to exclude imports of butter almost entirely.

Dominican Republic

Imports into the United States from the Dominican Republic in 1948 were valued at 35.2 million dollars, of which 10.5 million represented

⁹ As to the significance of the indirect benefits from the concessions made to other countries at Annecy and at Geneva, see the section of this chapter on indirect benefits to acceding countries.

products subject to duty, and 24.7 million, products which are free of duty. Commodities on which the United States originally granted concessions to the Dominican Republic at Annecy account for imports amounting to 5.7 million dollars in 1948, or 16 percent of total imports from that country. Of this amount, 4.2 million dollars represents commodities on which the United States granted reductions in duty; almost all these reductions range between 36 and 50 percent. Bindings of existing duties apply to imports valued at 1.4 million dollars (see table 2).

Besides the concessions negotiated with the Dominican Republic, reductions in duties were made to other countries at Annecy on products accounting for imports from the Dominican Republic valued at \$26,000 in 1948. Duty reductions granted at Geneva in 1947 apply to imports from the Dominican Republic which were valued at 3.8 million dollars in 1948. Duty reductions made at both Geneva and Annecy apply to 77 percent of dutiable United States imports from that country, based on imports in 1948 (see table 3).¹⁰

The principal concessions granted directly to the Dominican Republic at Annecy include reductions in the duties on liquid sugar and industrial molasses; a binding of the duty on sugar; and the duty-free binding of certain crude articles for dyeing, coloring, or staining. The reduction in the duty on liquid sugar and the binding of the duty on sugar are effective only during such time as the sugar quotas specified in the Sugar Act of 1948, or substantially equivalent legislation, are in effect in the United States.

Reductions in duties granted to the Dominican Republic on several commodities diminished or eliminated the margin of preference previously extended to Cuba. The Cuban preferences on rum, prepared or preserved guavas, and certain jellies, jams, and marmalades (principally of tropical fruits) were eliminated. On liquid sugar, industrial molasses, cigar leaf (filler) and scrap tobacco, mangoes, mango and guava paste and pulp, and candied, crystallized, or glace pineapples, the preferences were reduced. Reductions in duties negotiated with the Dominican Republic on these products, other than liquid sugar, industrial molasses, and cigar leaf (filler) and scrap tobacco, were also negotiated with Haiti.

Finland

United States imports from Finland in 1948 amounted to 38.6 million dollars, of which 35.6 million represented duty-free products, and 3 million, dutiable products. At Annecy, the United States granted concessions to Finland on products representing imports valued at 24.8 million dollars, or 64 percent of total imports from that country, in 1948. By far the greater part of the concessions to Finland consist of duty-free

¹⁰ As to the significance of the indirect benefits from the concessions made to other countries at Annecy and at Geneva, see the section of this chapter on indirect benefits to acceding countries.

bindings, which apply to imports valued at 23.1 million dollars in 1948; all the commodities so bound, however, had already been bound to other countries at Geneva in 1947. Reductions in duties granted to Finland cover commodities accounting for imports valued at 1.7 million dollars in 1948; most of these concessions (applicable to imports valued at 1.1 million dollars) consist of reductions ranging from 36 to 50 percent (see table 2).

In addition to the concessions negotiated with Finland, duty reductions made to other countries at Annecy apply to products accounting for imports from Finland valued at \$348,000 in 1948. Duty reductions granted at Geneva in 1947 apply to imports from Finland valued at \$920,000 in 1948. Thus the duty reductions granted at both Geneva and Annecy cover 99 percent of dutiable United States imports from Finland, based on imports in that year (see table 3).¹¹

Concessions negotiated with Finland at Annecy consist of the binding of the duty-free status of certain kinds of wood pulp; duty reductions on granite, certain types of cutlery such as hunting knives, birch plywood, wood spools, doors, certain types of unprocessed paperboard and pulpboard, greaseproof and imitation parchment paper, wrapping paper (other than sulphite), and ski wax; and a binding of the existing duty on Gruyère process cheese.

Greece

In 1948 United States imports from Greece were valued at 14.4 million dollars, of which 12.8 million represented dutiable products and 1.6 million, those which were free of duty. At Annecy the United States granted Greece concessions applicable to imports valued at 11.2 million dollars in 1948, or 78 percent of total imports from that country in that year. Of the imports in 1948 on which concessions were made, 10.4 million dollars' worth were dutiable and \$822,000 worth were free of duty. By far the greater part of the concessions on dutiable products (valued at 8.1 million dollars in 1948) consist of reductions ranging from 25 to 35 percent (see table 2).

Besides the concessions negotiated with Greece, reductions in duty made to other countries at Annecy cover products accounting for imports from Greece valued at \$113,000 in 1948. Duty reductions made at Geneva in 1947 apply to imports from Greece which were valued at 2.2 million dollars in 1948. Thus the duty reductions made at both Geneva and Annecy apply to 97 percent of total dutiable imports from Greece in 1948 (see table 3).¹²

¹¹ As to the significance of the indirect benefits from the concessions made to other countries at Annecy and at Geneva, see the section of this chapter on indirect benefits to acceding countries.

¹² See footnote 11.

The principal items on which duty reductions were granted in negotiations with Greece at Annecy are cigarette leaf tobacco, olive oil, olives, and currants. Emery ore, mastic gums and resins, and inedible olive oil were bound on the free list.

Haiti

Imports into the United States from Haiti in 1948 were valued at 19.2 million dollars, of which 3.2 million represented products subject to duty, and 16 million, products which are free of duty. Commodities on which the United States negotiated concessions with Haiti at Annecy account for imports valued at 1.9 million dollars in 1948, or 10 percent of total United States imports from Haiti in that year. Duty reductions ranging from 36 to 50 percent apply to imports valued at \$803,000; reductions ranging from 25 to 35 percent, to imports valued at \$91,000; and reductions of less than 25 percent, to imports valued at \$451,000. Bindings of existing duties cover imports amounting to \$427,000, and bindings of duty-free treatment to imports amounting to \$103,000 (see table 2).

In addition to the reductions in duty negotiated with Haiti, the United States granted reductions in duty to other countries at Annecy on products accounting for \$355,000 worth of United States imports from Haiti in 1948. Duty reductions made by the United States in 1947 at Geneva apply to imports from Haiti which were valued at 1.1 million dollars in 1948. Thus the duty reductions made at both Geneva and Annecy cover 87 percent of dutiable United States imports from Haiti, based on imports in 1948 (see table 3). Duty-free bindings made to other countries at Geneva and Annecy apply to more than three-fourths of the total duty-free imports from that country in 1948.¹³

The principal concessions negotiated with Haiti at Annecy include reductions in the duties on vetivert oil, mahogany household ware, and footwear with vegetable fiber uppers and with soles other than leather or rubber; bindings of the existing duties on alpargatas and certain braided articles of vegetable fiber other than cotton; and binding of the duty-free status of lemon-grass oil.

Several duty reductions granted to Haiti at Annecy diminished or eliminated the margins of preference previously accorded to Cuba. Preferences on rum, prepared or preserved guavas, and certain jellies, jams, and marmalades (principally those of tropical fruits) were eliminated. Preferences on mangoes, mango and guava paste and pulp, and candied, crystallized, or glace pineapples were reduced. The concessions negotiated with Haiti on these products were also negotiated with the Dominican Republic.

¹³ See footnote 11.

Italy

United States imports from Italy in 1948 were valued at 90.9 million dollars, of which 75.2 million represented dutiable commodities, and 15.7 million, commodities free of duty. At Annecy, the United States granted concessions to Italy on products representing imports valued at 30.4 million dollars, or 33 percent of total imports from Italy, in 1948; these concessions apply to 27.6 million dollars' worth of dutiable products and 2.8 million dollars' worth of products which are free of duty. Of the concessions on dutiable products, most (applicable to imports valued at 23.6 million dollars in 1948) consist of tariff reductions ranging from 36 to 50 percent (see table 2).

Besides the duty reductions negotiated with Italy, the United States granted duty reductions to other countries at Annecy on products which account for imports from Italy valued at 1.3 million dollars in 1948. Duty reductions made at Geneva in 1947 apply to imports from Italy which were valued at 28.5 million dollars in 1948. Duty reductions made at both Geneva and Annecy therefore apply to 75 percent of total dutiable imports from Italy, based on imports in 1948 (see table 3).¹⁴

The principal dutiable commodities on which concessions were negotiated with Italy at Annecy are olive oil, various kinds of cheese, canned tomatoes and tomato sauce, accordions and parts, vermouth, cotton quilts or bedspreads, cherries, cotton jacquard-figured tapestries, anchovies and antipasto, wool-felt hat bodies, various marble products, lemons, lemon oil, talc, pork sausage, and various hemp products. Among the principal commodities bound on the free list were chestnuts; citrons and citron peel in brine; sumac; and bergamot oil.

Liberia

Imports into the United States from Liberia in 1948 were valued at 13.1 million dollars, of which all but \$3,000 represented products entering free of duty. Concessions negotiated with Liberia by the United States at Annecy consist of bindings of duty-free treatment applicable to imports valued at 4.2 million dollars, or 32 percent of total United States imports from Liberia in 1948. Commodities bound on the free list are rubber latex (not including jelutong, or pontianak), palm oil, and palmyra, piassava, and palm-leaf fibers.

In addition to the duty-free bindings negotiated with Liberia at Annecy, similar bindings were granted to other countries at Geneva in 1947 on a large part of the remaining commodities which are imported duty-free from Liberia. The most important product on which a concession

¹⁴ As to the significance of the indirect benefits from the concessions made to other countries at Annecy and at Geneva, see the section of this chapter on indirect benefits to acceding countries.

accrues to Liberia as a result of the Geneva concessions is crude rubber, n. e. s. (not elsewhere specified); imports of this product from Liberia in 1948 were valued at 8.6 million dollars. The concessions granted on duty-free products at both Geneva and Annecy cover articles which accounted for approximately 98 percent of total duty-free imports from Liberia in 1948.¹⁵

Nicaragua

United States imports from Nicaragua in 1948 were valued at 11.7 million dollars, of which 9.2 million represented products which are free of duty, and 2.5 million, dutiable products. At Annecy the United States granted to Nicaragua concessions on products which account for imports valued in 1948 at \$162,000, or somewhat more than 1 percent of total United States imports from Nicaragua in that year. Duty reductions were granted on two products, accounting for imports valued at \$18,000 in 1948; and the duty-free status was bound for five commodities, accounting for imports valued at \$144,000 (see table 2).

Besides the reductions in duty negotiated with Nicaragua at Annecy, reductions in duty negotiated with other countries there apply to imports from Nicaragua valued at \$20,000 in 1948. Reductions in duty made at Geneva in 1947 apply to imports from Nicaragua valued at 2.4 million dollars in 1948. Thus the duty reductions made at both Geneva and Annecy cover articles which account for 99 percent of dutiable United States imports from Nicaragua, based on imports in 1948 (see table 3). Although concessions negotiated with Nicaragua cover only a small part of the duty-free imports from that country, duty-free bindings made to other countries at Annecy and Geneva apply to a substantial part of the remaining products imported duty-free from Nicaragua.¹⁶

Concessions negotiated with Nicaragua at Annecy consist of reductions in the duties on crude Peru balsam and crude balsams, n. s. p. f. (not specially provided for), and binding of the duty-free status of crude ipecac, brazilwood, fustic wood, Spanish cedar logs, and hewn railroad ties.

Sweden

Imports into the United States from Sweden in 1948 were valued at 90.9 million dollars, of which 79.9 million represented duty-free products, and 11 million dutiable products. United States concessions granted to Sweden at Annecy cover imports valued at 52.5 million dollars in 1948, or 58 percent of total imports from Sweden in that year. Duty-free bindings negotiated with Sweden apply to imports valued at 46.4 million dollars in 1948. Reductions in duties granted to Sweden apply to com-

¹⁵ See footnote 14.

¹⁶ See footnote 14.

modities accounting for 5.8 million dollars' worth of imports from that country in 1948. By far the greatest number of duty reductions (applicable to imports valued at 4.2 million dollars in that year) range from 36 to 50 percent (see table 2).

In addition to the duty reductions negotiated with Sweden at Annecy, duty reductions negotiated with other countries there apply to imports from Sweden valued at 1.2 million dollars in 1948. Those made at Geneva in 1947 apply to imports from Sweden which in 1948 amounted to 3.3 million dollars. The duty reductions made at both Annecy and Geneva thus cover 93 percent of the dutiable imports from that country, based on imports in 1948 (see table 3). Duty-free bindings negotiated with other countries at Annecy and Geneva apply to a large part of the commodities which are imported free of duty from Sweden but which were not bound in direct negotiations with that country at Annecy.¹⁷

Concessions negotiated with Sweden at Annecy include duty reductions on certain chemicals (chrome alums, xylocaine, potassium hydroxide, and sodium hydroxide), cellulose sponges, granite, granular or sponge iron, plywood of red pine and alder, insulating board, wallboard, certain fiberboard, greaseproof and imitation parchment paper, sulphite wrapping paper, matches, and a large number of iron and steel products including ingots, blooms, slabs, billets, bars, sheets, plates, wire rods and wire, strips, bearings, tubes, sanitary ware, saws, penknives, scissors and shears, razors (other than safety razors), surgical instruments, pliers, files, hand tools, and some types of machines. Existing duties were bound against increase on portable stoves and spring clothespins. The duty-free status was bound on cream separators valued at not more than \$50 each, iron ore, certain types of wood pulp, and hard crisp rye bread.

*Uruguay*¹⁸

United States imports from Uruguay in 1948 were valued at 62.5 million dollars, of which 60 million represented dutiable products, and 2.5 million, duty-free products. At Annecy, the United States granted Uruguay concessions applicable to imports valued at 10.6 million dollars in 1948, or 17 percent of total imports from Uruguay in that year. Almost all of the concessions consisted of duty reductions. Duty reductions of 50 percent cover two commodities, which in 1948 accounted for United States imports from Uruguay valued at 2.1 million dollars; a reduction of 25 percent covers one commodity, which accounted for imports valued at 7.5 million (see table 2).

Besides the duty reductions negotiated with Uruguay at Annecy, those made to other countries at Annecy and Geneva were applicable to

¹⁷ As to the significance of the indirect benefits from the concessions made to other countries at Annecy and at Geneva, see the section of this chapter on indirect benefits to acceding countries.

¹⁸ Uruguay has not yet (June 30, 1950) acceded to the General Agreement.

products accounting for imports from Uruguay valued at 49.7 million dollars in 1948. The duty reductions made at both Geneva and Annecy cover products which account for 99 percent of dutiable imports from Uruguay, based on imports in 1948 (see table 3). Duty-free bindings granted by the United States at Geneva and Annecy cover a large part of duty-free imports from Uruguay.¹⁹

The concessions negotiated with Uruguay at Annecy include reductions in the duties on cattle hides and meat extracts, and in the minimum ad valorem duty on canned beef (including canned corned beef). The existing duties on casein, canned meats, n. e. s., and prepared or preserved meats, n. s. p. f., were bound against increase. In addition, the duty-free status was bound on the following articles: Unmanufactured agates; dried blood, n. s. p. f.; crude bones; ground bones and bone ash, dust, meal, and flour; animal carbon for fertilizer; and tankage, unfit for human consumption.

CONCESSIONS OBTAINED BY THE UNITED STATES

The concessions obtained by the United States from the 10 countries with which it negotiated at Annecy in 1949 are of two kinds: (1) Commercial policy commitments contained in the general provisions of the General Agreement, which the Annecy countries provisionally accept by accession thereto, and (2) commitments on the treatment to be accorded specified commodities listed in the schedules of concessions annexed to the Annecy Protocol.²⁰

The general provisions of the General Agreement on Tariffs and Trade (as distinguished from the schedules of concessions on particular commodities) have been discussed in detail in a previous report by the Tariff Commission.²¹ The most important of the general provisions which have a bearing on United States export trade are (1) those providing (in some cases with exceptions of varying importance) for most-favored-nation treatment of imports into the respective contracting countries; (2) those limiting the freedom of action of such countries to use quantitative restrictions on imports (quotas) and exchange controls; and (3) those providing, under specified circumstances, for modification or withdrawal by such countries of their scheduled commitments.

The provisions of the General Agreement with respect to most-favored-

¹⁹ As to the significance of the indirect benefits from the concessions made to other countries at Annecy and at Geneva, see the section of this chapter on indirect benefits to acceding countries.

²⁰ For simplicity of expression, commitments made by foreign countries in the General Agreement on Tariffs and Trade (including the Annecy Protocol) are here referred to as if they applied only to trade with the United States; they apply equally, of course, to trade with all other countries which are parties to the General Agreement.

²¹ See *Operation of the Trade Agreements Program* (first report), pt. 2.

nation treatment and quantitative restrictions are designed to prevent or limit impairment of the value of scheduled concessions obtained by each country from other contracting countries, and to safeguard that portion of the export trade of each contracting country which is not covered by scheduled concessions. Although the United States has accepted the same limitations on its freedom of action as the other contracting parties have, these limitations have a different significance for the United States than they do for most other contracting countries. Since the beginning of the depression in the 1930's there has been increased use by foreign countries of nontariff trade controls such as import quotas and exchange controls, as well as a growing tendency toward discriminatory treatment of imports from different countries. Because of the excess of United States exports over imports, and the difficulties of many foreign countries in obtaining adequate dollar exchange, these practices have created many problems for United States exporters, and, at least temporarily, have detracted from or nullified many of the benefits obtained by the United States. The United States, on the other hand, has not generally followed policies which would have been in violation of the limitations contained in the General Agreement. Moreover, even if the United States were free to do so, it would be less likely than other contracting parties, at least in the near future, to apply measures contrary to these general provisions.

The provision in the General Agreement permitting suspension, modification, or withdrawal of scheduled commitments under specified circumstances may possibly reduce the value of some of these commitments to the United States. However, the United States may have occasion to make considerable use of these escape provisions, depending on developments in its import trade.

In the statistical analysis in this section of the report, no attempt has been made to measure the effects of the general provisions on United States exports to the Annecy countries. Presumably, however, these provisions will operate to forestall the imposition of measures detrimental to the United States export trade.

The scheduled concessions in the Annecy Protocol which were negotiated originally by the acceding countries with the United States establish the treatment to be accorded specified commodities upon their importation from the United States into the respective countries. For virtually all commodities listed in the schedules of concessions, the maximum rate of duty which may be levied on such imports is specified. For some items, the treatment guaranteed in the schedules consists of reductions from the previously existing rates of duty; for others it represents bindings of existing rates against increase, bindings of duty-free status, or, for a few, increases in the existing rates.

Concessions obtained by the United States at Annecy, of course, are

not applicable only to imports into the acceding countries from the United States. By the terms of the general provisions of the General Agreement the same concessions are accorded to all other countries participating in the agreement, and, in accordance with the unconditional most-favored-nation principle—to which the United States and many other countries subscribe—are extended widely to countries not parties to that agreement.²² By the same token, the concessions obtained at Annecy by foreign countries from countries other than the United States—the so-called indirect concessions—are extended to the United States.

The trade in most of the commodities covered by concessions made by the Annecy countries to the United States can be tabulated according to the character of the commitments on each commodity—reductions of rates of duty, bindings of rates of duty against increase, bindings of duty-free entry, and other commitments. Such tabulations constitute most of the statistical data given later in this section of the report. The tables are similar to some of those already presented for the concessions granted by the United States. However, because of the importance of foreign concessions other than duty reductions or bindings of existing customs treatment, and for other reasons which are set forth later, the data regarding foreign concessions cannot be so simply and adequately summarized as those dealing with the concessions granted by the United States.

Importance of the Annecy Countries in United States Export Trade

Table 4 shows, for 1947 and 1948, the relative importance (as markets for United States exports) of the countries with which the United States negotiated at Annecy. The table also shows the relative importance of all other trade-agreement countries combined and of all the non-trade-agreement countries combined.²³

The 10 countries with which the United States negotiated at Annecy together accounted for less than 10 percent of the export trade of the United States in each of the years 1947 and 1948—9.5 percent in the former year and 8.1 percent in the latter. In terms of the value of the trade in 1947, Italy (3.4 percent), Sweden (2.8 percent), and Greece (1.2 percent) ranked highest among the ten countries as markets for United States exports.

²² Such extension of concessions may be provided by a country's laws (as in the United States) or by the provisions of trade agreements with other countries.

²³ The Commission's first report on the *Operation of the Trade Agreements Program* (pt. 4, pp. 14-16) shows United States domestic exports (average 1935-39 and selected years 1935-47) to the individual countries with which the United States negotiated at Geneva in 1947; to the individual countries not parties to the General Agreement but with which the United States had trade agreements; and to the principal countries with which the United States did not have trade agreements.

TABLE 4.—United States domestic exports to trade-agreement countries, by groups and selected countries, and to non-trade-agreement countries, 1947 and 1948¹

[Value in millions of dollars]

Destination	1947		1948	
	Value	Percent of total	Value	Percent of total
Agreement countries:				
Countries (10) with which the United States negotiated at Ancey:				
Denmark.....	77.7	0.5	53.5	0.4
Dominican Republic.....	49.2	.3	46.8	.4
Finland ²	59.2	.4	36.2	.3
Greece.....	166.1	1.2	234.3	1.9
Haiti ²	25.1	.2	20.1	.1
Italy.....	478.6	3.4	412.1	3.3
Liberia.....	6.7	.1	7.6	.1
Nicaragua.....	17.3	.1	20.5	.2
Sweden ²	395.1	2.8	117.5	.9
Uruguay ³	75.2	.5	59.8	.5
Total, Ancey countries.....	1,350.2	9.5	1,008.4	8.1
Countries (22) with which the United States negotiated at Geneva.....	8,606.9	60.4	6,759.3	54.1
Countries (14) not party to the General Agreement but with which the United States has agreements.....	2,316.4	16.2	1,956.7	15.6
Total, agreement countries.....	12,273.5	86.1	9,724.4	77.8
Nonagreement countries.....	1,978.8	13.9	2,769.6	22.2
Total, all countries.....	14,252.3	100.0	12,494.0	100.0

¹ Preliminary.

² The pre-Ancey trade agreement with the United States was terminated when the Ancey schedule of tariff concessions entered into force.

³ Uruguay has not yet (June 30, 1950) acceded to the General Agreement. When Uruguay's Ancey schedule of tariff concessions enters into force, the pre-Ancey trade agreement between Uruguay and the United States will be terminated.

Source: Computed from official statistics of the U. S. Department of Commerce.

Six of the ten countries with which the United States negotiated at Ancey did not have trade agreements with this country at the time of the negotiations.²⁴ The proportion of United States exports destined to countries with which the United States has trade agreements, therefore, was increased somewhat as a result of the Ancey negotiations. Shortly after the Ancey Conference, however, this proportion was reduced somewhat as a result of the termination of the trade agreement with Colombia,

²⁴A trade agreement between the United States and Nicaragua became effective in 1936, but the duty concessions were terminated in 1938. For the purposes of this report, therefore, Nicaragua is considered to be a country with which the United States did not have a trade agreement when the Ancey negotiations began.

effective December 1, 1949. Trade-agreement countries, except Colombia, including all the Ancey countries, accounted for 86 percent of the total value of United States exports in 1947; the same group of countries, exclusive of the six countries which had no trade agreements with the United States before the Ancey negotiations, accounted for 81 percent of the United States exports in that year. Corresponding percentages based on 1948 trade data are 78 percent and 72 percent, respectively.

Countries with which the United States has negotiated no trade agreement accounted for 14 percent of United States export trade in 1947 and 22 percent in 1948. The higher proportion for 1948 than for 1947 resulted principally from greatly increased United States exports to Germany, Austria, Japan, and Korea; the combined value of exports to these countries rose from 264 million dollars in 1947 to 1.4 billion in 1948.

Scope of the Concessions

So far as is practicable by statistical measurement, the scope of the concessions obtained by the United States from foreign countries in the Ancey negotiations is shown in table 5. The table is based largely on import statistics²⁵ of the several countries for a single year, mainly 1947.

Table 5 shows, for the specified year, total imports into each of the Ancey countries from the United States, and imports of the commodities covered by the commitments made to the United States at Ancey. These commitments are classified chiefly on the basis of whether they involve reduction from the previous rates of duty or binding of the previous tariff treatment. Some commitments, however, cannot be classified on the basis of concessions. Among these are (1) commitments assuring that the rate of duty on a commodity when imported from the United States will be no higher than the rate on specified similar or like commodities when imported from any other country; (2) commitments involving changes from specific to ad valorem duties, or vice versa, for which changes it has not been possible to find an accurate basis for comparison; and (3) commitments, virtually all involving a change from a specific to an ad valorem duty, which represent an increase over the previous rates of duty. Advances in prices or currency devaluation had greatly reduced the ad valorem equivalents of the specific duties on almost all of the commodities involved. Commitments of these three types are classified in table 5 under "Other commitments."

In compiling the data for table 5, it was not possible to follow a uniform procedure for all countries. The procedures actually employed, and limitations of the data, are described in a later section of this chapter.

²⁵ For the Dominican Republic, Haiti, and Liberia, United States export statistics for 1947 are used. For Finland and Italy the data are from the official statistics of the respective countries for 1948 (see following section of this chapter on procedure).

TABLE 5.—Imports (mainly in 1947¹) from the United States into countries with which the United States negotiated at Annecy, by kinds of commitment

[In thousands of dollars]

Country	Total imports from the United States	Imports from the United States on which commitments were made				
		Total	Kind of commitment			
			Reduction of duty	Binding of duty against increase	Binding of duty-free status	Other commitments
Denmark.....	125,780	21,700	351	17,121	3,876	352
Dominican Republic.....	49,167	13,402	1,664	10,878	860	-----
Finland.....	50,000	16,552	2,399	2,969	7,634	3,550
Greece.....	17,777	14,291	5,889	7,685	-----	717
Haiti.....	25,116	3,769	222	3,281	266	-----
Italy.....	538,122	239,580	227,579	478	7,444	4,079
Liberia.....	6,680	2,743	595	2,114	34	-----
Nicaragua.....	17,904	4,953	661	1,974	2,169	149
Sweden.....	455,675	150,987	37,735	85,861	27,391	-----
Uruguay.....	82,342	21,280	194	18,964	2,122	-----
Total.....	1,368,563	489,257	277,289	151,325	51,796	8,847

¹ For Finland and Italy, the data are for 1948.

Source: Compiled from official statistics of the respective countries.

Total imports from the United States into the 10 countries with which the United States negotiated at Annecy amounted to 1,369 million dollars in 1947. Of this total, 489 million dollars, or about 36 percent, represents imports of articles subject to concessions granted to the United States.

The largest single class of concessions obtained by the United States from the Annecy countries consists of those involving reductions in rates of duty. Articles subject to such concessions account for imports from the United States valued at 277.3 million dollars in 1947, or about 20 percent of total imports from this country in that year and 57 percent of imports of all classes of concession items.

Duty-free treatment bound by the Annecy countries covers their imports from the United States valued at 51.8 million dollars in 1947; this amount represents about 4 percent of their total imports from the United States in 1947 and about 10 percent of total imports of all concession items. These bindings are less extensive than bindings of free entry granted by the United States, principally because duty-free articles constitute a smaller proportion of total imports into those countries from the United States than of total United States imports from the Annecy countries. A more important class of concessions to the United States

by the Annecey countries comprises those which bind the existing rates of duty against increase; this type of concession covers trade valued at 151.3 million dollars in 1947, or 11 percent of their total imports from the United States and about 31 percent of their imports of concession items. Although bindings of duty-free entry or of existing rates of duty could not be expected to increase imports, such bindings may be of considerable importance in forestalling the imposition of new or increased duties which might result in a reduction of imports.

There are wide variations among the countries with which the United States negotiated at Ancecy in the proportion of total imports from the United States represented by concession items and in the relative importance of the different kinds of concessions granted. Concession items account for as little as 15 percent of total imports from the United States for Haiti, and for as much as 80 percent for Greece. The proportion of total imports of concession items represented by reductions in duty ranges from 1 percent for Uruguay, to 95 percent for Italy. Similar variations occur from country to country in the relative importance of the other types of concessions set forth in table 5. The many reasons for these differences derive principally from variations in economic position and commercial policy of the several countries and in the magnitude and composition of their trade with the United States. The concessions obtained by the United States from each of the Ancecy countries are discussed in greater detail in a later section of this chapter.

Procedure in Compiling Data on Concessions Obtained

The data in table 5, though fairly adequate for general purposes of comparison, are neither complete nor wholly accurate. In the schedules of concessions for some of the acceding countries, reductions in or bindings of rates of duty or bindings of duty-free status were granted on some commodities which had not previously been classified separately in their import statistics or in United States export statistics. For some of these items, estimates of the value of the trade are included in table 5, particularly if the trade in the item is known to be large. If the trade covered by the available data was known to be predominantly trade in the concession item, the statistics covering more than a scheduled concession have sometimes been used. For many items, however, it has not been possible to include data in the table. Although the statistics thus involve errors both of overstatement and understatement of the scheduled concessions, the data as a whole probably understate the concessions.

For the Dominican Republic, Haiti, and Liberia, table 5 gives the United States export statistics rather than import statistics of the respective countries. The statistical classes which the Dominican Republic and Haiti employ to record import data do not correspond with the paragraphs in their tariff schedules. The Liberian import statistics do

not identify imports by country of origin; they report only total imports from all countries of specified commodities or groups of commodities. Consequently, the amount of trade covered by the concessions obtained by the United States from each of these three countries can be more closely approximated by using United States export statistics than by using their import statistics.

Four of the Annecy countries—Finland, Haiti, Sweden, and Uruguay—had previously negotiated trade agreements with the United States; the data shown in table 5 for those countries, therefore, require special comment. The pre-Annecy agreements with these countries were terminated when the Annecy agreement became effective.²⁶ Some of the rates of duty that had been reduced in the earlier agreements concluded by these countries with the United States, however, were further reduced at Annecy. On the other hand, concessions granted by these countries to the United States on a few commodities listed in the earlier agreements are not included in the Annecy Protocol and, hence, are now terminated. Although the relation between the pre-Annecy trade agreements and the Annecy concessions is discussed later in this chapter, the statistical analysis of the concessions obtained at Annecy (table 5) does not take into account the combined effects of concessions made both in the earlier agreements and in the Annecy negotiations. Moreover, it has not been feasible to indicate statistically the amount of trade involved in those concessions in the pre-Annecy agreements which are now terminated.²⁷ The basis for comparison of the concessions by countries obtained by the United States has been either the rate of duty in the tariff of the respective country or the conventional rate established by a pre-Annecy trade agreement, whichever is applicable in each case. An analysis of the concessions obtained by the United States in the pre-Annecy agreements is contained in a previous report by the Commission.²⁸

Concessions by Countries²⁹

Denmark

Imports into Denmark from the United States in 1947 totaled 125.8 million dollars. Of this total, commodities included in the 73 tariff items

²⁶ Uruguay has not yet (June 30, 1950) acceded to the General Agreement. Upon the accession of Uruguay its pre-Annecy trade agreement with the United States will be terminated.

²⁷ In general, the few former concessions which are now terminated were not included in the negotiations at Annecy because the United States now has only a minor interest in the trade in those items.

²⁸ See *Operation of the Trade Agreements Program* (first report), pt. 4.

²⁹ For the schedules of concessions on individual products obtained by the United States from each country, as well as an analysis of each schedule, see U. S. Department of State, *Analysis of Protocol of Accession and Schedules to the General Agreement on Tariffs and Trade, Negotiated at Annecy, France, April-August 1949*, Pub. 3651 (Commercial Pol. Ser. 120), 1949.

on which the United States obtained concessions at Annecy represent 21.7 million dollars, or about 17 percent. Computations based on 1947 trade data, however, probably understate the scope of the concessions obtained by the United States from Denmark. In 1947 Denmark imported from the United States substantial quantities of various commodities ordinarily obtained from European and Far Eastern countries; on the other hand, Denmark's shortage of dollars curtailed customary imports of certain other commodities from the United States. In 1939, imports of commodities on which Denmark granted concessions to the United States at Annecy were valued at 14.8 million dollars, or about 56 percent of total Danish imports from the United States in that year.

Most concessions obtained by the United States from Denmark at Annecy represent bindings of existing duties against increase and bindings of duty-free entry. The bindings of existing rates of duty apply to products representing Danish imports from the United States which were valued at 17.1 million dollars, or about 79 percent of total imports of concession items, in 1947; bindings of duty-free status apply to products representing imports valued at 3.9 million dollars, or 18 percent of the total imports of concession items. Since most of the rates in the Danish tariff are relatively moderate, most of the rates bound are equivalent to 10 percent ad valorem or less.

Duty reductions obtained by the United States cover items representing Danish imports from the United States valued at \$351,000 in 1947, or less than 2 percent of total imports of concession items. On one tariff item—motion pictures—the concession involved a change from an ad valorem to a specific rate of duty. Formerly, Denmark, like many other countries, found it difficult to establish for imported motion-picture film a fair value on which to levy the previous ad valorem rate (10 percent). The concession rate (30 Danish krone per kilogram, or about 2 cents per foot) will avoid this difficulty. In 1947 Denmark imported \$352,000 worth of United States motion-picture film, or less than 2 percent of total Danish imports of concession items from the United States.

Dominican Republic

Dominican imports from the United States in 1947 were valued at 49.2 million dollars. Concessions obtained by the United States at Annecy on 71 Dominican tariff items apply to imports valued in that year at 13.4 million dollars, or about 27 percent of total imports from the United States.

Concessions obtained by the United States from the Dominican Republic consist predominantly of bindings of existing duties against increase; commodities covered by such concessions account for imports valued at 10.9 million dollars in 1947, or more than 80 percent of total Dominican imports of concession items from the United States in that year. Reductions in duty cover imports valued at 1.7 million dollars, or about 12 percent of total imports of concession items; bindings of duty-

free entry cover imports valued at \$860,000, or about 7 percent of total imports of concession items.

Finland

In 1948 Finland imported United States goods valued at 50 million dollars.³⁰ Of this value, 16.6 million dollars, or about 33 percent, represents imports of articles covered by the 78 tariff classifications on which the United States obtained concessions at Annecy.

The largest group of concessions obtained by the United States from Finland consists of bindings of duty-free treatment. These concessions apply to articles accounting for Finnish imports of United States goods valued at 7.6 million dollars in 1948, or 46 percent of total imports of concession items. Raw cotton accounts for most of the imports covered by bindings of duty-free entry; in 1948 Finnish imports of raw cotton from the United States amounted to 6.8 million dollars.

Almost all the commitments to the United States by Finland on dutiable items involve a change from specific to ad valorem rates of duty. Most of the negotiated ad valorem rates amount to 15 percent or less; these rates apply to commodities which accounted for about 80 percent of the value of total Finnish imports of dutiable concession items from the United States in 1948. The remaining negotiated ad valorem rates range from 20 to 30 percent.

Direct comparisons between the negotiated ad valorem rates and the previous specific rates of duty in Finland's tariff are, of course, impossible. For the purpose of determining the trade covered by each class of concession obtained by the United States from Finland, the negotiated ad valorem rates are compared with the 1939 ad valorem equivalent of the former specific rates. On this basis, reductions in duty cover imports in 1948 of United States goods valued at 2.4 million dollars, or 15 percent of total Finnish imports of concession items. Bindings of existing duties cover imports valued at 3 million dollars, or 18 percent.

Other commitments made by Finland to the United States apply to commodities which in 1948 accounted for about 21 percent of total imports of all classes of concession items. Virtually all the commitments by Finland in this latter group involve changes from specific to ad valorem rates of duty wherein the scheduled rate was higher than the 1939 ad valorem equivalent of the pre-Annecy specific rate. Most of the newly established ad valorem rates applicable to items included in this group are, however, 10 percent or less, and none are higher than 15 percent. Also included in this group of commitments is the specific Finnish as-

³⁰ Data on Finnish imports for 1948 were readily available, and probably indicate more accurately the scope of concessions obtained by the United States from Finland than the data for 1947 do. The proportion of Finnish imports of concession items compared with total imports from the United States was 48 percent in 1939 and 18 percent in 1947.

insurance to the United States that the import duty levied on leaf tobacco imported from the United States shall be the same as that levied on leaf tobacco imported from any other country.

Greece

In 1947 Greek imports from the United States were valued at 17.8 million dollars. Articles included in the 51 tariff items on which the United States obtained concessions account for 14.3 million dollars of that value, or about 80 percent of the total imports from the United States. This proportion is much larger for Greece than for any other Annecy country.

Virtually all the concessions obtained by the United States from Greece consist of either reductions in duty or bindings of the existing duty.³¹ Commodities on which Greece granted the United States reductions in duty account for imports valued at 5.9 million dollars in 1947, or about 41 percent of total imports of concession items; bindings of existing rates of duty apply to imports valued at 7.7 million dollars, or about 54 percent.³² Nearly half the trade covered by reductions in duty represents imports of wheat flour; about three-fourths of the trade covered by bindings of existing duties represents wheat and dried milk. Imports of items on which Greece granted the United States other commitments were valued at \$717,000 in 1947, or about 5 percent of total imports of concession items.³³

Roughly half the number of concessions obtained by the United States on dutiable items, accounting for about 15 percent of total Greek imports of concession items from the United States, involve a change from specific to ad valorem rates of duty. Most of such ad valorem rates, representing about four-fifths of the Greek imports from the United States accounted for by these items, are less than 15 percent; the remaining rates in this group range from 15 to 23 percent.

Because of the possibility that Greece may adopt a new tariff, maximum ad valorem rates were also established on a number of items, to become effective at such time as the respective specific rates are changed to an ad valorem basis. In general these maximum rates about equal or are lower than the 1938 ad valorem equivalent of the respective specific rates.

³¹ Although the Greek schedule of tariff concessions to the United States included the binding of duty-free treatment for one tariff item, this item was not separately classified in the Greek import statistics, and a satisfactory estimate of the trade involved was not practicable.

³² For items on which the concession granted by Greece involves a change from a specific to an ad valorem rate of duty (see following paragraph in text), the negotiated ad valorem rate is compared to the 1938 ad valorem equivalent of the corresponding specific rate.

³³ All of the commitments by Greece in this group involve changes from specific to ad valorem rates of duty wherein a comparison of the rates has not been possible or the scheduled rate is higher than the 1938 ad valorem equivalent of the pre-Annecy specific rate.

These items account for about one-third of the value of total Greek imports from the United States of concession items in 1947.

In order to offset the effects of extensive currency depreciation on the specific rates of duty in its tariff, the Greek Government now employs two coefficients for converting the metallic drachma (in which rates of duty are stated) to the paper drachma (the circulating medium of the country). These coefficients are the so-called enumerated coefficients, which were used by Greece before the war, and the so-called additional coefficient, which was adopted after the war. To safeguard the concessions obtained by the United States at Annecy the enumerated coefficients are bound against increase. A definite procedure, to replace the previous practice of periodic arbitrary adjustments, is also established for adjusting the additional (postwar) coefficient. Under this procedure, changes in the postwar coefficient are governed by the value of the paper drachma in terms of the gold sovereign.

The Greek internal tax structure includes numerous so-called internal excise taxes (consumption taxes), many of which have a greater incidence on imported products than on domestic products. In the Annecy negotiations the United States obtained the elimination or substantial reduction of the Greek luxury tax (a so-called consumption tax) on four items. Moreover, by accession to the General Agreement, Greece obligates itself to accord national treatment to imported products on matters of internal taxation, as provided under article III of that agreement. Consequently, when the General Agreement comes fully into force, the United States export trade will benefit from the elimination of the discriminatory features of Greek internal taxes that bear more heavily on products imported from the United States than on similar domestic products.³⁴

Haiti

In 1947 total Haitian imports from the United States were valued at 25.1 million dollars. Of this value, articles included in the 51 tariff items on which the United States obtained concessions at Annecy account for 3.8 million dollars, or 15 percent. This proportion is smaller than that for any of the other Annecy countries.

Most of the concessions obtained by the United States, whether measured by the number of items or the amount of trade to which they apply, consist of bindings of existing rates of duty. These concessions cover articles which account for Haitian imports from the United States amounting to 3.3 million dollars in 1947, or 87 percent of total imports

³⁴ Under the Annecy Protocol, Greece is obligated to apply part II of the general provisions of the General Agreement only to the fullest extent not inconsistent with existing legislation. So long as the General Agreement is applied provisionally, Greece is not obligated to eliminate the existing discriminatory features of its internal tax system, except as specifically provided for in its schedule of concessions.

of concession items.³⁵ Items on which the United States obtained reductions in rates of duty at Annecy account for 6 percent of total imports of concession items, and bindings of duty-free treatment, for 7 percent.

In addition to commitments on tariff treatment of specified products, Haiti and the United States reached agreement on two surtaxes imposed by Haiti on all imports into that country. Under the provisions of the 1935 trade agreement between the United States and Haiti, imports from the United States specified in the schedule of Haitian concessions had been subject to a 5-percent emergency surtax rather than the 20-percent emergency surtax applicable to imports from most other countries as well as to imports from the United States not specified in the trade agreement. To permit the uniform application of the 20-percent rate to all imports from all sources, Haiti agreed to the downward adjustment of its basic import duties on the items subject to only the 5-percent surtax when imported from the United States. In consideration for the United States agreeing to the increase from 5 to 20 percent in surtaxes, Haiti undertook to reduce its basic rate to such a level that the total levy (basic import duty plus surtax) would not exceed the existing basic rate plus 5 percent.

Agreement was also reached by the United States and Haiti on a similar problem involving a surtax of 3 percent ad valorem. Like the emergency surtax, this tax did not apply to imports from the United States of articles which were specified in the Haitian schedule of concessions in the trade agreement of 1935. In view of the importance of Haitian import charges as sources of revenue, as well as the reduced incidence of the specific rates of duty in the Haitian tariff, the United States agreed to the application of the 3-percent ad valorem surtax to those exempt items subject to specific rates of duty. Items subject to ad valorem or compound rates of duty will continue to be exempt from this surtax until the Haitian Government levies a tax of equal magnitude on similar domestic products.

Italy

Italian imports from the United States in 1948 were valued at 538.1 million dollars. Articles on which the United States obtained concessions at Annecy account for imports valued in that year at 239.6 million dollars, or nearly 45 percent of Italy's total imports from the United States.³⁶

Before the Annecy negotiations, Italy had initiated a project looking

³⁵ About two-thirds of the tariff items in this group of concessions had been in the pre-Annecy trade agreement between Haiti and the United States.

³⁶ Italian statistics are not available for imports of more than a third of the 207 tariff items and subitems on which the United States obtained concessions at Annecy. Consequently, the proportion of total Italian imports from the United States covered by concession items is to some degree understated.

toward the adoption of a completely new tariff with both a new nomenclature and a new schedule of duties. Repeated devaluations of the lira after 1938 greatly reduced the ad valorem equivalents of the duties in the present Italian tariff (that of 1921), most of which are specific. The projected tariff will consist almost entirely of ad valorem duties. Most of the rates in the projected tariff are higher than the 1938 ad valorem equivalents of the present rates. Like many other countries, Italy currently employs within the framework of the General Agreement, quantitative restrictions for balance-of-payments reasons. It is intended, however, that the system of quotas, which was used extensively for protective purposes in prewar years, will not be reintroduced. When the projected tariff is instituted, the "import license fee" of 3 percent ad valorem, which was increased to 10 percent in 1947, will be reduced to a nominal level or abolished.

In accordance with Italy's desire to employ ad valorem duties in its tariff, virtually all the concessions obtained by the United States involve a change from specific to ad valorem rates. The negotiated ad valorem rates range from 6 to 40 percent; on about half the tariff items and sub-items the rates are fixed at 20 percent or less.

Direct comparison between the negotiated ad valorem rates and the specific rates in the existing tariff is, of course, impossible. For the purposes of this report, however, the negotiated ad valorem rates are compared with the 1938 ad valorem equivalent of the present rates in the Italian tariff. Commodities on which Italy granted the United States reductions in duty at Annecy account for imports valued at 227.6 million dollars in 1948, or 95 percent of total Italian imports of concession items from the United States. About nine-tenths of this trade represents wheat and raw cotton. Imports of articles covered by other types of commitment are as follows: Bindings of existing duties, \$478,000, or less than 1 percent of total imports of concession items; bindings of duty-free entry, 7.4 million dollars, or 3 percent; and other commitments, 4.1 million dollars, or 2 percent. The last-named class consists primarily of articles on which the negotiated ad valorem duties represent an increase over the 1938 ad valorem equivalents of the respective existing duties.

Liberia

Liberian imports from the United States in 1947 totaled 6.7 million dollars. Commodities covered by the 29 tariff items on which the United States obtained concessions account for imports amounting to 2.7 million dollars, or about 41 percent of that total.

Almost all Liberian import duties are imposed for revenue purposes. Although the United States obtained reductions in duty at Annecy on several tariff items, most of the concessions, in terms of the amount of trade involved, consist of bindings of existing rates of duty. These

bindings cover articles which account for Liberian imports from the United States amounting to 2.1 million dollars in 1947, or about 77 percent of total imports of concession items. Articles on which the duties were reduced (including 5 tariff items transferred from the dutiable to the free list) account for imports valued at \$595,000, or 22 percent; articles for which duty-free status was bound account for imports valued at \$34,000, or about 1 percent of total imports of concession items.

Nicaragua

Imports into Nicaragua from the United States in 1947 were valued at 17.9 million dollars. The 40 tariff items on which the United States obtained concessions at Annecy represent imports amounting to 5 million dollars, or about 28 percent of that value.

A pre-Annecy trade agreement between Nicaragua and the United States had become effective in 1936, but the duty concessions contained in the agreement were terminated in 1938.³⁷ Although under no legal obligation to do so, Nicaragua continued to apply the scheduled rates established in the agreement to imports from the United States. In this analysis, however, the duty concessions obtained by the United States in the Annecy negotiations are compared with the general rates of duty in the Nicaraguan tariff rather than with the scheduled rates.

Most of the concessions obtained by the United States from Nicaragua at Annecy consist of bindings of existing duties or bindings of duty-free treatment. These concessions apply to articles representing Nicaraguan imports valued at 4.1 million dollars in 1947, or about 84 percent of total imports of concession items from the United States. Articles on which the United States obtained reductions in duties account for 13 percent of total imports of concession items; on one item, accounting for 3 percent of total imports of concession items, the duty was increased over the former general rate.

At the time of the Annecy negotiations, Nicaragua expected that its tariff would be completely revised by December 31, 1950. On six tariff items, representing about 25 percent of total imports of concession items in 1947, the concessions obtained by the United States are guaranteed only until that date. On three of these items and on seven others, accounting altogether for about 30 percent of total imports of concession items (in 1947), Nicaragua reserved the right to impose new duties or to increase the existing duties; the maximum permissible height of the duty on each such tariff item, however, is specified in the Nicaraguan schedule of the General Agreement.

Sweden

Imports into Sweden from the United States in 1947 were valued at 455.7 million dollars. Products covered by the 135 Swedish statistical

³⁷ The general provisions of the agreement, including assurance of most-favored-nation treatment, remained in effect.

classifications on which the United States obtained concessions at Annecy account for imports from the United States valued at 151 million dollars, or about 33 percent of this value.

Articles on which the United States obtained reductions in duties at Annecy represent imports from the United States in 1947 amounting to 37.7 million dollars, or 25 percent of total Swedish imports of concession items. Bindings of the existing rates of duty, however, apply to a considerably higher proportion of the total imports; articles covered by this class of concessions represent imports amounting to 85.9 million dollars in 1947, or 57 percent of total imports of concession items. Bindings of duty-free entry apply to imports from the United States valued at 27.4 million dollars, or 18 percent of imports of concession items.

On 41 of the 135 statistical classifications, accounting for about 27 percent of total Swedish imports from the United States of concession items in 1947, Sweden reserved the right at any time to convert its specific duties to the alternate ad valorem rates specified in the Swedish schedule of tariff concessions. If established, these ad valorem rates in general will be about equal to, or lower than, the prewar (1936-38) ad valorem equivalents of the present specific rates. Of the 41 statistical classes involved, 37 are subject to alternate ad valorem rates of 15 percent or less; three, to alternate rates of 20 percent; and one, to an alternate rate of 25 percent.

*Uruguay*³⁸

In 1947 imports into Uruguay from the United States were valued at 82.3 million dollars. Items covered by the 129 tariff classifications on which the United States obtained concessions at Annecy account for imports amounting to 21.3 million dollars, or about 26 percent of total imports.

Concessions obtained by the United States from Uruguay consist chiefly of bindings against increase of duties on commodities specified in the 1943 trade agreement between the two countries. These bindings cover commodities accounting for imports from the United States which were valued at 19 million dollars in 1947, or about 89 percent of total Uruguayan imports of concession items. Items on which the United States obtained reductions in duties account for about 1 percent of the total; and bindings of duty-free status for 10 percent.

Most of the rates of duty in the Uruguayan tariff are ad valorem. The ad valorem rates, however, are assessed on the basis of aforos, or official valuations, and the Uruguayan duties are therefore, in effect, specific duties. To assure the United States and other countries at Annecy that the concessions they obtained will not be nullified by changes in the official valuations, Uruguay bound the existing aforos against increase

³⁸ Uruguay has not yet (June 30, 1950) acceded to the General Agreement.

until January 1, 1951.³⁹ The aforos for each tariff item on which Uruguay negotiated at Annecy are specified in the Uruguayan schedule of tariff concessions.

Concessions by Commodities⁴⁰

This section briefly analyzes the concessions obtained by the United States in the Annecy negotiations, by commodities and groups of commodities. Table 6 summarizes the concessions obtained on 28 commodity classifications. For each classification, the table shows imports from the United States into the 10 Annecy countries (mainly for 1947) of commodities on which concessions were obtained, by kinds of commitment. The data in table 6 are subject to the same limitations described earlier in this chapter (see section on procedure in compiling data on concessions obtained).

Concessions obtained by the United States at Annecy are applicable, on the basis of 1947 imports into the Annecy countries from the United States, to a greater value of imports of agricultural products than of nonagricultural products; about 57 percent of total imports of concession items were of agricultural commodities. The kind of commitment granted by foreign countries on these two general classifications of products differed greatly. Agricultural commodities on which duties were reduced accounted for over four-fifths of the imports of agricultural products on which the United States obtained concessions; bindings of existing duties account for about 7 percent, and bindings of duty-free treatment, for 11 percent. On nonagricultural commodities the majority of the concessions obtained were bindings of existing duties. Imports of nonagricultural articles, by kind of commitment, were as follows: Reductions in duties, 24 percent of total imports of such articles on which the United States obtained concessions; bindings of existing duties, 62 percent; bindings of free entry, 10 percent; and other commitments, 4 percent. Wide variations exist, of course, in the kind of treatment accorded individual commodities and groups of commodities (see table 6).

In terms of the trade involved, the two most important groups of agricultural commodities on which the United States obtained concessions at Annecy are grains and cereal products, and cotton. These commodities together account for over 80 percent of the imports from the United States into the Annecy countries of agricultural products covered by concessions. Among the groups of nonagricultural products, automotive

³⁹ The date after which modifications in or withdrawals of tariff concessions may be made without the concurrence of the CONTRACTING PARTIES acting jointly.

⁴⁰ For concessions granted on individual products by each country, see Department of State, *Analysis of Protocol of Accession and Schedules to the General Agreement on Tariffs and Trade, Negotiated at Annecy, France, April-August 1949*, Pub. 3651 (Commercial Pol. Ser. 120), 1949.

vehicles and parts, industrial machinery, metals and metal manufactures, and nonmetallic minerals and manufactures are the most important. These groups together account for nearly 60 percent of the imports from the United States into the Annecy countries of nonagricultural products covered by concessions.

TABLE 6.—Imports (mainly in 1947¹) of concession items from the United States into countries with which the United States negotiated at Annecy, by commodity groups and kinds of commitment

[In thousands of dollars]

Commodity group	Total imports on which commitments were made	Imports by kind of commitment			
		Reduction of duty	Binding of duty against increase	Binding of free status	Other commitments
Agricultural:					
Grains and cereal products.....	174,050	162,680	7,993	3,377	-----
Fresh fruit.....	4,697	4,079	207	411	-----
Dried fruit.....	13,340	5,090	156	8,094	-----
Canned fruit and fruit juices.....	1,603	1,323	280	-----	-----
Vegetables and vegetable preparations.....	2,487	1,618	869	-----	-----
Dairy products.....	6,934	4,360	2,574	-----	-----
Meat and related products.....	4,613	3,600	378	635	-----
Cotton.....	55,433	43,664	564	11,205	-----
Tobacco.....	14,809	286	5,756	7,444	1,323
Miscellaneous agricultural products.....	1,050	340	703	7	-----
Nonagricultural:					
Fish.....	383	2	381	-----	-----
Cigars and cigarettes.....	425	-----	-----	425	-----
Automotive vehicles and parts.....	54,270	30,032	22,683	968	587
Aircraft and parts.....	1,577	-----	1,032	545	-----
Industrial machinery.....	23,383	356	18,389	1,541	3,097
Agricultural machinery and implements.....	9,118	757	5,252	2,420	689
Electrical machinery and appliances.....	16,380	981	14,110	965	324
Office machines and equipment.....	5,885	164	4,725	-----	996
Metals and metal manufactures.....	23,129	191	22,825	4	109
Nonmetallic minerals and manufactures.....	21,696	8,318	4,397	8,841	140
Chemicals, paints, and related products.....	12,232	3,537	6,706	1,934	55
Medicinals, pharmaceuticals, and toilet preparations.....	3,364	1,322	2,042	-----	-----
Textiles and furs.....	8,666	8,570	8,096	-----	-----
Rubber and leather products.....	17,929	3,521	14,269	16	123
Wood and paper.....	2,029	303	1,554	172	-----
Naval stores.....	3,398	-----	1,195	2,203	-----
Motion pictures and photographic products.....	2,974	125	1,532	3	1,314
Miscellaneous nonagricultural products.....	3,403	70	2,657	586	90
Total.....	489,257	277,289	151,325	51,796	8,847

¹For Finland and Italy, the data are for 1948.

Source: Compiled from official statistics of the respective countries.

Chapter 5

Effect of Trade-Agreement Concessions on the United States Tariff

This chapter of the report is designed to supplement earlier reports of the Tariff Commission on the effect that trade-agreement concessions have had on the level of the United States tariff. For the purpose of measuring the effect of the concessions granted by the United States at Annecy, it is assumed that all such concessions became effective on January 1, 1950.¹

Basis for Analysis

The analysis contained in this section does not show the effect of trade-agreement concessions on the United States import trade or on the domestic economy. Like the corresponding analyses in earlier Tariff Commission reports, it indicates the proportion of dutiable imports into the United States that has been covered by concessions involving duty reductions or bindings of preexisting rates, and the extent to which average rates of duty have been reduced by trade agreements. It also shows the proportion of duty-free imports that has been bound in that status by trade agreements.

The changes in the average rates of duty since the trade agreements program went into effect, which rates are shown in the following tables, are not intended to indicate the extent to which the level of duties at any given time actually restricted imports. No method exists for ascertaining the quantities of goods which are excluded from entry at given levels of duties.

In the Commission's first report, *Operation of the Trade Agreements Program, June 1934 to April 1948*, the statistical analysis of concessions granted by the United States in trade agreements (including those granted at Geneva) was based on import statistics for the year 1939. In addition, the Commission in May 1949 issued a special report, *Effect of Trade Agreement Concessions on United States Tariff Levels Based on Imports in 1947*; it covered all trade-agreement concessions in effect on January 1, 1949, (i. e., including all the Geneva concessions except those to Chile, which had not then gone into effect). A later Commission

¹ Only the concessions granted to Haiti became effective January 1, 1950. For the dates on which the concessions granted to the other Annecy countries became effective, see ch. 3.

report—*Trade-Agreement Concessions of the United States: Extent to Which Authority Under the Trade Agreements Acts To Reduce Rates of Duty Has Been Exercised*—was issued in August 1949; the statistical analyses in it were based on import data for 1947.

As in the last two reports mentioned above, the analysis below is based on import statistics for 1947.² This analysis shows the effects of trade-agreement concessions on the United States tariff as of July 1, 1949 (after all the Geneva concessions, including those for Chile, had gone into effect), and as of January 1, 1950 (when the Annecy concessions are assumed to have become effective).

Between 1939 (the year used as a basis for calculation of the effect of duty reductions on the tariff in the Commission's first report on the operation of the trade agreements program) and 1947 (the base year used in this report), the great increase in prices sharply reduced the average ad valorem equivalents of specific and compound duties. For example, table 8 of this report shows the average ad valorem equivalents of the rates of duty on total dutiable imports before any trade agreements to have been 28.4 percent when weighted by the value of 1947 imports, whereas *Operation of the Trade Agreements Program* (first report) showed the figure to have been 48.2 percent when weighted by the value of imports in 1939.³

Effect of the Annecy Concessions

Table 7 shows, on the basis of 1947 statistics, the amount and proportion of United States dutiable imports on which the United States granted concessions at Annecy, as well as the average ad valorem equivalents of the rates of duty in effect before any agreements, and those in effect on July 1, 1949, and on January 1, 1950. The table distinguishes between dutiable imports on which reductions in duty were granted at Annecy and those on which the rates of duty were bound; and each of these groups is further divided on the basis of the treatment which had been given to those rates of duty in pre-Annecy trade agreements. Thus the dutiable imports on which duties were reduced at Annecy are classified according to whether the duties previously (1) had been reduced; (2) had been bound at the rates existing before any trade agreements were made; or (3) had not been included in any agreement. The dutiable imports on which the duties were bound at Annecy are tabulated according to whether they were (1) bound at the original preagreement

² Although statistics for 1948 and 1949 are available, the analysis in this chapter is based on the import statistics for 1947 in order to provide a basis for comparison with statistics in the two special reports mentioned above.

³ *Operation of the Trade Agreements Program* (first report) contains a discussion of the combined effect on the average rate of duty on dutiable imports resulting from the increase in prices and from reductions of duties in trade agreements (pt. 3, pp. 10-12).

TABLE 1. China Goods dutiable imports for consumption in 1941: Average ad valorem equivalents of rates of duty in effect before any trade agreements, on July 1, 1949, and on Jan. 1, 1950,¹ by treatment accorded rates at Annecy

Treatment accorded at Annecy ²	United States dutiable imports for consumption		Average ad valorem equivalent based on rates in effect—			Average reduction	
	Value	Percent of total dutiable imports	Before any agreements	On July 1, 1949	On Jan. 1, 1950 ¹	Preagreement rates to July 1, 1949	July 1, 1949 to Jan. 1, 1950
Covered by Annecy Protocol:	<i>Thousand dollars</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Duty reduced:							
Previously reduced.....	83,760	3.8	32.88	25.54	16.96	22.3	33.6
Previously bound at preagreement rates.....	19,520	.9	10.84	10.84	7.86	-----	27.5
Previously not in any agreement.....	19,297	.9	24.69	24.69	13.50	-----	45.3
Total or average, duty reduced.....	122,577	5.6	28.08	23.07	14.97	17.9	35.1
Duty bound:							
Bound at preagreement rates: not previously in any agreement.....	971	-----	60.45	60.45	60.45	-----	-----
Bound at rates previously reduced.....	19,152	.9	31.01	15.00	15.00	51.6	-----
Total or average, duty bound.....	20,123	.9	32.43	17.19	17.19	47.0	-----
Total or average, covered by Annecy.....	142,700	6.5	28.69	22.24	15.28	22.5	31.3
Not covered by Annecy Protocol.....	2,063,020	93.5	28.34	14.46	14.46	49.0	-----
Total or average, dutiable imports.....	³ 2,205,720	100.0	28.36	14.96	14.51	47.2	3.0

¹ On the basis of all tariff concessions made by the United States at Annecy (August 1949) being in effect on Jan. 1, 1950.

² This table does not include imports from Cuba of items subject to a Cuban preferential rate of duty even though the general rate was subject to a concession at Annecy; see section on tariff preferences, ch. 3.

³ The figure for total dutiable imports in this table (2,206 million dollars) is based on a tabulation by the U. S. Tariff Commission of official import statistics for individual items. It is about $\frac{3}{10}$ of 1 percent smaller than the most recent (preliminary) total (2,212 million dollars) of the U. S. Department of Commerce.

Source: Compiled from official statistics of the U. S. Department of Commerce.

rates (previously not having been in any trade agreement) or (2) bound at the rates to which they had previously been reduced.⁴

The data in table 7 show that concessions granted by the United States at Annecy apply to articles which accounted for 6.5 percent of the value of total dutiable United States imports in 1947. The average ad valorem equivalent on the dutiable imports thus covered was as follows: 28.7 percent before any trade agreements went into effect; 22.2 percent on July 1, 1949, after all the Geneva concessions had gone into effect; and 15.3 percent on January 1, 1950, when the Annecy concessions are assumed to have become effective. The average reduction from the preagreement rates to those in effect on July 1, 1949, was 22.5 percent; the concessions made at Annecy resulted in a further reduction from the average rate in effect on July 1, 1949, of 31.3 percent. The post-Annecy rates on dutiable imports averaged 46.7 percent lower than the rates before any trade agreements were concluded.

Imports of commodities on which duties were reduced at Annecy accounted for 5.6 percent of total dutiable imports in 1947. The average ad valorem equivalent of the duties on these commodities was 28.1 percent before any agreements, 23.1 percent on July 1, 1949, and 15.0 percent on January 1, 1950. The average reduction from the preagreement rates to July 1, 1949, was 17.9 percent; the concessions at Annecy resulted in an average reduction from the rates in effect on July 1, 1949, of 35.1 percent. As would be expected, the average reduction in duties on commodities which had not previously been the subject of trade-agreement concessions was higher (45.3 percent) than the reduction on those on which the duties had previously been reduced in trade agreements (33.6 percent), or that on those which had previously been bound against increase at preagreement levels (27.5 percent).

Existing duties were bound against increase at Annecy on commodities accounting for 0.9 percent of total dutiable imports in 1947. The average ad valorem equivalent applicable to the dutiable commodities thus bound was 32.4 percent before any agreement, and 17.2 percent on both July 1, 1949, and January 1, 1950, or a reduction of 47 percent. Almost all the imports in this classification consist of commodities on which the duties were bound at rates to which they had previously been reduced in trade agreements. The average ad valorem equivalent of the duties on these commodities was 31.0 percent before any agreements, and 15.0 percent on both July 1, 1949, and January 1, 1950, or a reduction of 51.6 percent.

The small value of imports of commodities on which duties were bound at the preagreement rates, not having previously been bound in any

⁴ In the Annecy negotiations, no rates of duty were rebound at levels at which they had previously been bound in trade agreements.

agreement, were subject to duties on which the ad valorem equivalent averaged 60.5 percent.

Combined Effect of All Trade Agreements

Table 8, based on the import statistics for 1947, summarizes the effects on United States tariff levels of all trade agreements, including those negotiated at Geneva and Annecy and those with countries which did not participate in the Geneva or Annecy negotiations.

Concessions made in all trade agreements, including those made at Annecy, apply to articles which accounted for 95.7 percent of total dutiable imports in 1947.⁵ This percentage includes the relatively small group (4.9 percent) on which the preagreement rates of duty⁶ have been bound against increase. The rates of duty applicable to commodities accounting for 90.8 percent of total dutiable imports in 1947 have been reduced in greater or lesser degree by trade agreements. On some of these commodities, however, the duty reductions have been limited by tariff quotas, imports in excess of the quotas being dutiable at preagreement rates.

The average ad valorem equivalent⁷ of the duties on total dutiable imports (weighted by 1947 data) before any trade agreements were concluded was 28.4 percent. The average on July 1, 1949, after all the Geneva concessions had gone into effect, was 15.0 percent; and on January 1, 1950, when the Annecy concessions are assumed to have become effective, it was 14.5 percent.⁸ During the whole interval,

⁵ After the Geneva negotiations in 1947, as weighted by 1939 imports, 88.2 percent of the total dutiable import trade was covered by concessions—81.8 percent by duty reductions, and 6.4 percent by bindings at the preagreement rate. See *Operation of the Trade Agreements Program* (first report), pt. 3, table 1, p. 8.

⁶ Those in the Tariff Act of 1930, those of the import taxes imposed by the revenue acts, and those fixed by Presidential proclamation under the flexible-tariff provision.

⁷ The ad valorem equivalent is the ratio of the duties collected to the corresponding value of imports.

⁸ Excluding Cuban sugar the average rate of duty on all dutiable articles (weighted by 1947 data) was 27.6 percent ad valorem before any trade agreement was made, 15.8 percent on July 1, 1949, and 15.3 percent on January 1, 1950 (assuming all Annecy concessions to have become effective on that date). The percentage of reduction from the preagreement rates to January 1, 1950, excluding Cuban sugar, was thus 45 percent.

The duty on Cuban sugar has been reduced in trade agreements from \$1.50 per 100 pounds (on 96° sugar) to 50 cents, or by two-thirds. Imports of Cuban sugar in 1947 were valued at 405 million dollars. Since the passage of the Sugar Act of 1934, which limits total deliveries of sugar in continental United States and allots shares to each source, including Cuba, the quantity of imports from Cuba into the United States has not depended upon the rate of duty. The reduction in duty, however, apart from its effect in lessening the United States customs revenue, has had the important effect of increasing greatly the price received by Cuban producers and the consequent foreign value of United States imports. This circumstance in turn has increased the Cuban buying power for exports from the United States.

therefore, the average ad valorem equivalent declined 49 percent. On those commodities on which the duties have actually been reduced—as distinguished from those on which the rates have been bound—the figures were 29.6 percent, 14.8 percent, and 14.3 percent, respectively, a total reduction of 52 percent. The rates of duty on those commodities on which the preagreement rates have been bound against increase average materially lower than the present rates for articles on which the duties have been reduced in trade agreements; on the basis of 1947 imports these bound rates average 10.4 percent ad valorem. The ad valorem equivalent of the duty on dutiable imports which have not been the subject of concessions in any agreement averages 23.1 percent.

TABLE 8.—United States imports (for consumption) in 1947: Average ad valorem equivalents of rates of duty in effect before any trade agreements, on July 1, 1949, and on Jan. 1, 1950, by trade-agreement status on Jan. 1, 1950¹

Item	United States imports		Average ad valorem equivalent based on rates in effect—			Reduction from preagreement average rates on—	
	Value	Percent of total dutiable imports	Before any agreements	On July 1, 1949	On Jan. 1, 1950 ¹	July 1, 1949	Jan. 1, 1950 ¹
Dutiable imports:	<i>Million dollars</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Duty reduced.....	2,004	90.8	29.6	14.8	14.3	50	52
Duty bound at preagreement rate.....	107	4.9	10.4	10.4	10.4	-----	-----
Not in any agreement.....	95	4.3	23.1	23.1	23.1	-----	-----
Total or average, dutiable ²	2,206	100.0	28.4	15.0	14.5	47	49
Duty-free imports.....	3,433	-----	-----	-----	-----	-----	-----
Total or average, dutiable ² and free imports.....	5,639	-----	11.1	5.9	5.7	47	49

¹ On the basis of all tariff concessions made by the United States at Annecy being in effect on Jan. 1, 1950.

² The figure for total dutiable imports as used in these tables (2,206 million dollars) is based on a tabulation by the U. S. Tariff Commission of official import statistics for individual items. It is about $\frac{3}{10}$ of 1 percent smaller than the latest available (preliminary) total (2,212 million dollars) of the U. S. Department of Commerce. The difference is not significant.

Source: Compiled from official statistics of the U. S. Department of Commerce.

All the foregoing calculations apply only to dutiable commodities. A certain interest attaches to data showing the average rate of duty on

total imports, free and dutiable. Before any agreements (on the basis of 1947 imports) the duties collected were equal to 11.1 percent of the total value of imports, free and dutiable. As a result of trade agreements which became effective up to July 1, 1949, this ratio was reduced to 5.9 percent, and as a result of the Annecy negotiations it was further reduced to 5.7 percent. The percentage of reduction is, of course, identical with the percentage of reduction for dutiable imports alone, namely, 49 percent.

Concessions by Tariff Schedules⁹

Table 9 shows, by tariff schedules, the amount and proportion of United States dutiable imports for consumption in 1947 which were subject to trade-agreement concessions in effect on January 1, 1950. The proportion of dutiable imports subject to reduced rates in the various schedules ranges from 19 to 100 percent, but in only 4 of the 15 schedules (chemicals, agricultural products, silk manufactures, and sundries) are the proportions less than 90 percent.

Table 10 shows the following data by tariff schedules: The value of United States dutiable imports for consumption in 1947; the average ad valorem equivalent of the duties (as weighted by 1947 imports) before any agreements were made; and the corresponding percentages on July 1, 1949, after all the Geneva concessions had become effective and on January 1, 1950, on the basis of the Annecy concessions being then in effect. Also shown are the percentages of reduction from preagreement average rates on July 1, 1949, and on January 1, 1950. Like table 9, this table covers all commodities in the several schedules, whether or not any particular rate of duty has been reduced by a trade agreement; it thus includes commodities on which the rates have been bound and those on which no concessions have been made.

Before any trade agreements were concluded, the height of the duties applicable to the various tariff schedules varied widely. Weighted by 1947 data, the highest average, 92.3 percent (based on foreign value), applied to spirits, wines, and other beverages. Averages close to or exceeding 50 percent (based on foreign value) applied to the wool and silk schedules. On six schedules the average rates of duty were between 30 and 40 percent and on one, between 20 and 30 percent. On the remaining five schedules, the average preagreement rates were between 10 and 20 percent.¹⁰

The extent of reduction in duties under trade agreements varies widely

⁹ For a detailed explanation of the schedules of the Tariff Act of 1930, see *Operation of the Trade Agreements Program* (first report), pt. 3, p. 33.

¹⁰ Because of the great increase in prices between 1939 and 1947, the average ad valorem equivalents shown in table 10 of this report, which are based on 1947 imports, are much lower than those shown in table 11 of *Operation of the Trade Agreements Program* (first report), pt. 3, p. 37, which is based on 1939 imports.

TABLE 9.—United States dutiable imports (for consumption) in 1947: Amount and proportion subject to trade-agreement concessions in effect on Jan. 1, 1950,¹ by tariff schedules

Tariff schedule	United States dutiable imports				Percent of total dutiable imports subject to		
	Total	Concession items		No concession	Reduced rates	Bound rates	No concession
		Rate reduced	Pre-agreement rate bound				
	Million dollars	Million dollars	Million dollars	Million dollars			
1. Chemicals, oils, and paints	119	87	(²)	32	72.8	0.3	26.9
2. Earths, earthenware, and glassware	44	41	1	2	94.5	1.1	4.4
3. Metals and manufactures of	245	231	10	4	94.1	4.1	1.8
4. Wood and manufactures of	42	42	(²)	(²)	99.5	(²)	5
5. Sugar, molasses, and manufactures of	437	437			100.0		
6. Tobacco and manufactures of	92	92			100.0		
7. Agricultural products and provisions:							
Fishery products	57	54	2	1	99.9	4.8	1.3
Other	255	222	7	26	87.1	2.7	19.2
Total or average	312	276	9	27	88.4	3.1	18.5
8. Spirits, wines, and other beverages	67	64	(²)	3	96.0	(²)	4.0
9. Cotton manufactures	16	15		1	91.8		8.2
10. Flax, hemp, jute, and manufactures of	150	144	3	3	99.8	0.8	2.4
11. Wool and manufactures of	199	198	(²)	1	99.7		.2
12. Silk manufactures	11	2		9	19.0		81.0
13. Manufactures of rayon or other synthetic textile	16	16			100.0		
14. Papers and books	23	22	(²)	1	97.1	1.0	1.9
15. Sundries	206	110	84	12	53.8	40.8	5.7
Free list taxable	227	227	(²)	(²)	99.9	(²)	.1
Total or average	2,206	2,004	107	95	90.8	4.9	4.3

¹ On the basis of all tariff concessions made by the United States at Annecy being in effect on Jan. 1, 1950.

² Less than \$500,000.

³ Includes linseed oil valued at 25 million dollars.

⁴ Less than 0.05 percent.

⁵ Includes olives in brine, green, or pitted or stuffed, valued at 14 million dollars, and almonds shelled, valued at about 4 million dollars.

⁶ Includes diamonds valued at 53 million dollars, and bristles valued at 19 million dollars.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Note.—The percentages are based on the values in thousands of dollars before rounding to millions.

from schedule to schedule. The maximum reduction which can be made in the original duty on any commodity under the provisions of law is 75 percent provided the duty on the particular commodity had already been reduced by 50 percent before January 1, 1945. This maximum reduction has been approached in the duties on commodities in 3 schedules: weighted by 1947 imports, the duties on spirits, wines, and other beverages have

TABLE 10.—United States dutiable imports (for consumption) in 1947: Average ad valorem equivalents of rates of duty in effect before any trade agreements, on July 1, 1949, and on Jan. 1, 1950¹, by tariff schedules

Tariff schedule	United States dutiable imports	Average ad valorem equivalent ² based on rates in effect—			Reduction from pre-agreement, average rates on—	
		Before any agreements	On July 1, 1949	On Jan. 1, 1950 ¹	July 1, 1949	Jan. 1, 1950 ¹
	1,000 dollars	Per-cent	Per-cent	Per-cent	Per-cent	
1. Chemicals, oils, and paints.....	119,460	17.7	11.7	11.3	34	36
2. Earths, earthenware, and glassware.....	43,550	36.3	21.0	20.2	42	44
3. Metals and manufactures of.....	245,238	32.4	17.4	17.1	46	47
4. Wood and manufactures of.....	41,913	12.2	5.1	4.8	58	61
5. Sugar, molasses, and manufactures of.....	436,534	30.0	10.6	10.5	65	65
6. Tobacco and manufactures of.....	92,365	37.2	25.9	19.8	31	47
7. Agricultural products and provisions:						
Fishery products.....	57,307	14.5	7.6	7.6	48	48
Other.....	254,746	18.3	10.5	10.2	43	44
Total or average.....	312,053	17.6	10.0	9.7	43	45
8. Spirits, wines, and other beverages.....	67,278	92.3	28.7	28.4	69	69
9. Cotton manufactures.....	16,037	36.2	24.4	24.0	33	34
10. Flax, hemp, jute, and manufactures of.....	149,983	12.0	5.5	5.5	54	54
11. Wool and manufactures of.....	199,104	54.0	36.8	36.8	32	32
12. Silk manufactures.....	10,942	50.3	44.3	44.3	12	12
13. Manufactures of rayon or other synthetic textile.....	15,661	31.8	21.4	21.4	33	33
14. Papers and books.....	23,218	19.9	11.9	9.9	40	50
15. Sundries.....	205,464	23.0	15.3	14.8	34	36
Free list taxable.....	226,920	12.4	6.1	6.1	50	50
Total or average.....	2,205,720	28.4	15.0	14.5	47	49

¹ On the basis of all tariff concessions made by the United States as Annex being in effect on Jan. 1, 1950.

² The ad valorem equivalent is the ratio of duties collected to the corresponding value of imports.

³ As to the significance of the reduction in duty on Cuban sugar, see footnote 8 in preceding section on combined effect of all trade agreements.

Source: Compiled from official statistics of the U. S. Department of Commerce.

been reduced 69 percent; on sugar, 65 percent; and on wood and its manufactures, 61 percent. Average reductions ranging from 32 to 54 percent have been made on 11 schedules (see table 10). The smallest reduction, which averages 12 percent, has been made on manufactures of silk.

There is now somewhat less variation in the average rates of duty applicable to the various tariff schedules than there was before the conclusion of any agreements. Before any agreements, the range (weighted by 1947 import statistics) was from an average 12.0 percent ad valorem (flax, hemp, jute, and manufactures) to 92.3 percent (on beverages). On the basis of Annecy concessions being in effect, the range on January 1, 1950, was from 4.8 percent ad valorem (on wood and its manufactures) to 44.3 percent (on silk manufactures). Except in the schedules for tobacco and tobacco manufactures and papers and books, there are only minor differences between the average ad valorem equivalents of the rates in effect on July 1, 1949, after the Geneva concessions went into effect, and those on January 1, 1950, on the basis of the Annecy concessions being in effect (see table 10).

Whereas table 10 shows average rates of duty on all commodities in the respective schedules whether or not the duties have been changed by trade agreements, table 11 shows the average rates of duty (weighted by the value of 1947 imports) on only those articles which are subject to reduced rates. A large proportion of the imports in most schedules are covered by duty-reduction concessions; for those schedules, therefore, the preagreement and postagreement rates in table 11 do not differ greatly from those shown in table 10. On some schedules, however, the differences are more marked. Thus the average postagreement rate of duty (weighted by 1947 import data) on all imports is materially higher than the average rate on imports subject to reduced rates, for silk manufactures (schedule 12), and is somewhat lower for sundries (schedule 15).

Table 12 shows, by tariff schedules, the average rate of duty (weighted by the value of imports in 1947) on those commodities on which duties have not been reduced, that is, those on which the preagreement duties have been bound against increase and those on which no concessions have been made. The average ad valorem equivalent of the rates which have been bound against increase is 10.4 percent; the equivalents for the separate schedules range from 4.8 percent (on wool and its manufactures) to 26.5 percent (on agricultural products). The average ad valorem equivalent of the rates on commodities on which no concessions

have been made is 23.1 percent; the range for the various schedules is from 14.5 percent (on papers and books) to 52.1 percent (on earths, earthenware, and glassware).

TABLE 11.—United States imports (for consumption) in 1947 subject to reduced rates of duty under trade agreements in effect on Jan. 1, 1950: Average ad valorem equivalents of rates in effect before any trade agreements, on July 1, 1949, and on Jan. 1, 1950,¹ by tariff schedules

Tariff schedule	Imports subject to reduced rates	Average ad valorem equivalent based on rates in effect—			Reduction from pre-agreement average rates on—	
		Before any agreements	On July 1, 1949	On Jan. 1, 1950 ¹	July 1, 1949	Jan. 1, 1950 ¹
1. Chemicals, oils, and paints.....	87,020	18.0	9.8	9.3	46	48
2. Earths, earthenware, and glassware...	41,145	35.9	19.7	18.8	45	48
3. Metals and manufactures of.....	230,819	33.3	17.4	17.0	48	49
4. Wood and manufactures of.....	41,687	12.0	4.9	4.5	59	62
5. Sugar, molasses, and manufactures of ²	436,534	30.0	10.6	10.5	65	65
6. Tobacco and manufactures of.....	92,365	37.2	25.9	19.8	31	47
7. Agricultural products and provisions:						
Fishery products.....	53,824	14.4	7.1	7.1	51	51
Other.....	221,943	18.0	9.1	8.7	50	52
Total or average.....	275,767	17.3	8.7	8.4	50	51
8. Spirits, wines, and other beverages...	64,570	94.8	28.5	28.2	70	70
9. Cotton manufactures.....	14,723	36.0	23.1	22.7	36	37
10. Flax, hemp, jute, and manufactures of...	143,710	11.7	4.9	4.9	58	58
11. Wool and manufactures of.....	198,490	54.1	36.8	36.8	32	32
12. Silk manufactures.....	2,077	59.4	27.6	27.6	53	53
13. Manufactures of rayon or other synthetic textile.....	15,661	31.8	21.4	21.4	33	33
14. Papers and books.....	22,542	20.1	11.9	9.8	41	51
15. Sundries.....	109,956	34.3	19.8	18.9	42	45
Free list taxable.....	226,756	12.4	6.2	6.2	50	50
Total or average.....	2,003,822	29.6	14.8	14.3	50	52

¹ On the basis of all tariff concessions made by the United States at Annecy being in effect on Jan. 1, 1950.

² As to the significance of the reduction in duty on Cuban sugar, see footnote 8 in preceding section on combined effect of all trade agreements.

Source: Compiled from official statistics of the U. S. Department of Commerce.

TABLE 12.—United States imports (for consumption) in 1947 subject to pre-agreement rates bound against increase under trade agreements in effect on Jan. 1, 1950,¹ or to rates on which no trade-agreement concessions have been made: Average ad valorem equivalents of rates of duty, by tariff schedules

Tariff schedule ²	Imports subject to preagreement rates bound against increase		Imports subject to rates on which no concessions have been made	
	Total value	Ad valorem equivalent of rates of duty	Total value	Ad valorem equivalent of rates of duty
	<i>1,000 dollars</i>	<i>Percent</i>	<i>1,000 dollars</i>	<i>Percent</i>
1. Chemicals, oils, and paints.....	334	12.0	32,106	16.9
2. Earths, earthenware, and glassware....	503	13.5	1,902	52.1
3. Metals and manufactures of.....	9,924	15.0	4,495	25.2
4. Wood and manufactures of.....	2	(³)	224	46.4
7. Agricultural products and provisions:				
Fishery products.....	2,725	16.8	758	14.1
Other.....	6,887	30.3	25,916	17.3
Total or average.....	9,612	26.5	26,674	17.2
8. Spirits, wines, and other beverages.....	10	(³)	2,698	31.8
9. Cotton manufactures.....			1,314	38.9
10. Flax, hemp, jute, and manufactures of.....	2,711	6.5	3,562	27.9
11. Wool and manufactures of.....	229	4.8	385	40.5
12. Silk manufactures.....			8,865	48.2
14. Papers and books.....	234	8.1	442	14.5
15. Sundries.....	83,707	8.2	11,801	23.6
Free list taxable.....	4	(³)	160	1.4
Total or average.....	107,270	10.4	94,628	23.1

¹ On the basis of all tariff concessions made by the United States at Ancey being in effect on Jan. 1, 1950.

² There were no imports in 1947 of commodities in schedules 5 (sugar, molasses, and manufactures of), 6 (tobacco and manufactures of), or 13 (manufactures of rayon or other synthetic textile) on which the preagreement rates have been bound against increase, as of Jan. 1, 1950, or which are subject to rates on which no concessions have been made as of that date.

³ Imports too small to make computation of ad valorem equivalent significant.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Table 13 shows, both for agricultural products and nonagricultural products, the average ad valorem equivalents (weighted by the value of imports in 1947) of the rates in effect before any trade agreements were made and those in effect on January 1, 1950. The data show that the average applicable to agricultural products on January 1, 1950, was somewhat higher than that on nonagricultural products (15.4 percent, com-

TABLE 13.—United States dutiable imports (for consumption) of agricultural and nonagricultural products in 1947: Average ad valorem equivalents of rates of duty in effect before any trade agreements and on Jan. 1, 1950, by trade-agreement status on Jan. 1, 1950¹

Trade-agreement status and class of imports	United States dutiable imports		Average ad valorem equivalent of rates in effect		Average reduction
	Value	Percent of total dutiable imports	Before any agreement	On Jan. 1, 1950 ¹	
	Million dollars		Percent	Percent	Percent
Duty reduced:					
Agricultural.....	965	43.7	31.1	15.5	50
Nonagricultural.....	1,039	47.1	28.1	13.2	53
Total or average, duty reduced.....	2,004	90.8	29.6	14.3	52
Duty bound at preagreement rate:					
Agricultural.....	26	1.2	8.7	8.7	
Nonagricultural.....	81	3.7	11.0	11.0	
Total or average, duty bound.....	107	4.9	10.4	10.4	
Not in any agreement:					
Agricultural.....	57	2.6	17.1	17.1	
Nonagricultural.....	38	1.7	32.2	32.2	
Total or average, not in any agreement.....	95	4.3	23.1	23.1	
Residual:					
Total or average, agricultural.....	1,048	47.5	29.8	15.4	48
Total or average, nonagricultural.....	1,158	52.5	27.1	13.7	49
Total or average, dutiable ²	2,206	100.0	28.4	14.5	49

¹ On the basis of all tariff concessions made by the United States at Annecy being in effect on Jan. 1, 1950.

² The figure for total dutiable imports as used in these tables (2,206 million dollars) is based on a tabulation by the U. S. Tariff Commission of official import statistics for individual items. It is about 1/10 of 1 percent smaller than the latest available (preliminary) total (2,212 million dollars) of the U. S. Department of Commerce. The difference is not significant.

Source: Compiled from official statistics of the U. S. Department of Commerce.

NOTE.—The classification of imports as "agricultural" and "nonagricultural" is that of the U. S. Department of Commerce used in the preparation of *Foreign Commerce and Navigation of the United States*.

pared with 13.7 percent).¹¹ The reduction from the preagreement average of the rates on agricultural products was 48 percent, and the comparable reduction on nonagricultural products was 49 percent.

Height of Rates Before and After Reductions

Table 14 shows, by height-of-duty brackets, the amount and proportion of the value of United States dutiable imports (based on the trade in 1947) which were subject to trade-agreement concessions on January 1, 1950 (including all the Annecy concessions). The data show that 90.8 percent of the value of total dutiable imports was subject to reduced rates, and that for the various height-of-duty brackets the proportion of imports subject to reduced rates ranged from 78.2 percent to 99.9 percent. In general, as might be expected, the proportion on which rates were reduced is higher for the higher duty brackets than for the lower duty brackets.

Table 15 shows, by height-of-duty brackets, the amount and proportion of the value of United States dutiable imports in 1947, tabulated according to the rates of duty in effect before any trade agreements were concluded and the comparable rates on July 1, 1949, and on January 1, 1950. Whereas 21.5 percent of total imports (weighted by 1947 statistics) was subject to rates of 10 percent ad valorem or less before any agreements, the proportion in that category was 44.3 percent after the Geneva concessions went into effect, and 44.8 percent on the basis of the Annecy concessions being included. Of the total imports (weighted by 1947 statistics) 79.6 percent were subject to rates of duty of 40 percent ad valorem or less before any agreements were concluded, and 96.6 percent fell in that group on the basis of the Annecy concessions being in effect.

In table 16, imports of commodities subject to reduced rates of duty are tabulated by height-of-duty brackets according to the rates in effect before any trade agreements. For each group, the table shows the average ad valorem equivalents of the rates in effect before any trade agreements, on January 1, 1945, on July 1, 1949, and on January 1, 1950. The average ad valorem equivalent of all rates (weighted by imports in 1947) was 29.6 percent before any agreements, 19.6 percent on January 1, 1945, 14.8 percent on July 1, 1949, and 14.3 percent on January 1, 1950; the reduction in the average ad valorem equivalents over the whole interval was 52 percent.

¹¹ By far most important of the agricultural products covered in table 13 is Cuban sugar (value of imports in 1947 was 405 million dollars, out of total dutiable agricultural imports of 1,048 million dollars). The duty on Cuban sugar has been reduced from the preagreement level by 66½ percent. Excluding sugar from the dutiable agricultural products in table 13, the average rate of duty before any agreement was 28.7 percent, and on January 1, 1950, was 18.2 percent, the percentage of reduction being 37 percent (as against 48 percent when Cuban sugar is included).

TABLE 14.—United States dutiable imports (for consumption) in 1947: Amount and proportion subject to trade-agreement concessions in effect on Jan. 1, 1950,¹ by height-of-duty brackets

Rate of duty before any agreement (percent ad valorem)	United States dutiable imports				Percent of total dutiable imports subject to—		
	Total	Concession items		No concession	Re-duced rates	Bound rates	No conces-sion
		Rate reduced	Pre-agree-ment rate bound				
	Million dollars	Million dollars	Million dollars	Million dollars			
10.0 or less.....	473	370	² 93	10	78.2	19.8	2.0
10.1 to 20.0.....	545	488	6	³ 51	89.7	1.0	9.3
20.1 to 30.0.....	157	144	3	10	91.4	1.9	6.7
30.1 to 40.0.....	581	565	3	⁴ 12	97.4	.6	2.0
40.1 to 50.0.....	211	208	1	2	98.8	.3	.9
50.1 to 60.0.....	68	60	1	⁵ 8	87.2	1.4	11.4
60.1 to 70.0.....	68	67	(⁶)	1	98.3	.7	1.0
70.1 to 80.0.....	23	22	-----	1	96.0	-----	4.0
80.1 to 90.0.....	20	20	(⁶)	(⁶)	98.5	(⁷)	1.5
90.1 or more.....	60	60	-----	(⁶)	99.9	-----	.1
Total, all rates.....	2, 206	2, 004	107	95	90.8	4.9	4.3

¹ On the basis of all tariff concessions made by the United States at Ancey being in effect on Jan. 1, 1950.

² Includes diamonds valued at 53 million dollars, and bristles valued at 19 million.

³ Includes linseed oil valued at 25 million dollars, and olives in brine, green, or pitted or stuffed, valued at 14 million.

⁴ Includes almonds, shelled, valued at about 4 million dollars.

⁵ Includes woven silk fabrics over 30 inches wide, not jacquard, in the gray, other than bolting cloth, n. s. p. f., valued at 7 million dollars.

⁶ Less than \$500,000.

⁷ Less than 0.05 percent.

Source: Compiled from official statistics of the U. S. Department of Commerce.

NOTE.—The percentages are based on the values in thousands of dollars before rounding to millions. Because of rounding, the sum of the values in each category will not always equal the total shown in millions.

The data in table 16 show that on January 1, 1945, the average reductions for the various height-of-duty brackets ranged from 15 percent to 49 percent. The average reduction for all rates was 34 percent; the greatest reductions—averaging from 40 to 50 percent—had been made in the two groups comprising rates of 30.1 to 40.0 percent, and 90.1 percent or more. On July 1, 1949, after the Geneva concessions had gone into effect, the average reductions from preagreement rates for the various duty groups ranged from 34 to 66 percent. The average reduction for all rates was 50 percent; all the rate brackets shown, except the one comprising rates between 40.1 and 50 percent ad valorem, had been reduced by 40 percent

TABLE 15.—United States dutiable imports (for consumption) in 1947: Amount and proportion subject to rates of duty in effect before any trade agreements, on July 1, 1949, and on Jan. 1, 1950,¹ by height-of-duty brackets

Rate of duty (percent ad valorem)	Amount of imports in 1947 subject to rates in effect—			Percent of total subject to rates in effect—		
	Before any agreement	On July 1, 1949	On Jan. 1, 1950 ¹	Before any agreement	On July 1, 1949	On Jan. 1, 1950 ¹
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>			
10.0 or less.....	473	977	989	21.5	44.3	44.8
10.1 to 20.0.....	545	706	710	24.7	32.0	32.2
20.1 to 30.0.....	157	128	170	7.1	5.8	7.7
30.1 to 40.0.....	581	319	263	26.3	14.5	11.9
40.1 to 50.0.....	211	28	28	9.6	1.3	1.3
50.1 to 60.0.....	68	41	39	3.1	1.8	1.8
60.1 to 70.0.....	68	5	5	3.1	.2	.2
70.1 to 80.0.....	23	1	1	1.0	.1	.1
80.1 to 90.0.....	20	1	1	.9	(²)	(²)
90.1 or more.....	60	(³)	(³)	2.7	(²)	(²)
Total, all rates.....	2,206	2,206	2,206	100.0	100.0	100.0

¹ On the basis of all tariff concessions made by the United States at Annecy being in effect on Jan. 1, 1950.

² Less than 0.05 percent.

³ Less than \$500,000.

Source: Compiled from official statistics of the U. S. Department of Commerce.

or more. On January 1, 1950, on the basis of the Annecy concessions being in effect, the average reductions from preagreement levels for the various rate brackets extended over the same range as they did after the Geneva concessions went into effect. The average reduction for all rates was 52 percent; the percentages of reduction for the various rate groups were not materially different from those on July 1, 1949. On January 1, 1950, except for the group comprising rates of 90.1 percent or more (where the average reduction from preagreement rates was 66 percent), the highest average reductions had been made in the rate brackets below 40 percent ad valorem.

TABLE 16.—United States imports (for consumption) in 1947, subject to reduced rates of duty under trade agreements in effect on Jan. 1, 1950:¹ Average ad valorem equivalents of rates in effect before any trade agreements and the rates in effect on Jan. 1, 1945, on July 1, 1949, and on Jan. 1, 1950, by height-of-duty brackets

Rate of duty before any agreement (percent ad valorem)	Value of imports subject to reduced rates	Ad valorem equivalent rates in effect— ^{Based on}				Permissible minimum ad- valorem equivalent of rate under Trade Agree- ment Act if maximum reduction made since 1945	Reduction in rate			Permis- sible addi- tional reduc- tion in 1945 rate	
		Before any agree- ments	Jan. 1, 1945	July 1, 1949	Jan. 1, 1950 ¹		Preagreement to—				
							Jan. 1, 1945	July 1, 1949	Jan. 1, 1950 ¹		
	1,000 dollars	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	
10.0 or less.....	369,991	5.8	4.4	2.7	2.6	2.2	25	33	55	40	10
10.1 to 20.0.....	488,225	15.0	9.1	7.7	7.5	4.6	39	48	50	18	32
20.1 to 30.0.....	143,994	26.6	19.0	14.0	13.4	9.5	28	37	50	30	20
30.1 to 40.0.....	565,332	33.0	19.3	14.4	13.2	9.6	42	56	60	32	18
40.1 to 50.0.....	208,219	47.0	40.0	31.1	30.9	20.0	15	34	34	23	27
50.1 to 60.0.....	59,802	55.3	39.6	31.1	30.8	19.8	28	44	44	22	28
60.1 to 70.0.....	66,503	65.6	46.8	35.9	35.8	23.4	29	45	45	24	26
70.1 to 80.0.....	22,116	75.2	55.1	41.0	40.9	27.6	27	43	46	26	24
80.1 to 90.0.....	19,889	87.8	64.2	48.7	48.7	32.1	27	44	44	24	26
90.1 or more.....	59,751	107.3	55.1	36.0	35.9	27.6	49	66	66	35	15
Total, all rates.....	2,003,822	29.6	19.6	14.8	14.3	9.8	34	50	52	27	23

¹ On the basis of the tariff concessions made by the United States at Annecy being in effect on Jan. 1, 1950.

Source: Compiled from official statistics of the U. S. Department of Commerce.

Extent to Which Authority To Reduce Rates of Duty Has Been Exercised

Table 16 also shows what the ad valorem equivalents for the various height-of-duty brackets (weighted by the trade in 1947) would be if the maximum permissible legal reductions (50 percent) from the 1945 rates of duty were made; and the permissible additional percentage reductions in the 1945 rates. If the maximum permissible reductions were made on all commodities, the average ad valorem equivalent of all rates, weighted by imports in 1947, would be 9.8 percent, a rate 67 percent below the average ad valorem equivalent of 29.6 percent which prevailed before any agreements were in effect. Actually, the ad valorem equivalent of all rates on January 1, 1950 (including the Annecy concessions), was 14.3 percent, which was 52 percent below the preagreement average. The 1945 rates have been reduced by 27 percent, and could be further reduced by 23 percent.

If the maximum reductions permissible in the January 1, 1945, rates were made on all commodities, the ad valorem equivalents of the various height-of-duty brackets would range from 2.2 percent (on the bracket 10.0 percent ad valorem or less) to 32.1 percent (on the bracket 80.1 to 90.0 percent). Actually, the ad valorem equivalent of the various height-of-duty brackets after the Annecy negotiations ranged from 2.6 percent (the bracket 10.0 percent ad valorem or less) to 48.7 percent (the bracket 80.1 percent ad valorem to 90.0 percent). The additional permissible reductions from the January 1, 1945, rates for the various rate brackets range from 10 percent (the group 10.0 percent ad valorem or less) to 32 percent (the group 10.1 to 20.0 percent).

Chapter 6

Preparations for Multilateral Trade-Agreement Negotiations in 1950

Toward the end of their Third Session at Annecy in 1949, the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade appointed a working party to study the possibility of holding a third set of multilateral tariff negotiations. This working party met at Annecy and reconvened later in London to conclude the drafting of the rules of procedure for such negotiations, and to prepare a list of the countries which it believed should be invited to participate. The working party proposed that a conference, to include a third set of tariff negotiations, be held commencing September 28, 1950. At the Fourth Session of the CONTRACTING PARTIES, held at Geneva from February 23 to April 4, 1950, it was decided to hold the Conference at Torquay, England.¹

Scope of the 1950 Conference

Fifth Session of the CONTRACTING PARTIES

As at the 1947 Geneva and 1949 Annecy Conferences, the Conference at Torquay will consist of two separate but interrelated meetings—a session of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade (the fifth); and a Tariff Negotiations Meeting (the third).

At their Fifth Session, the CONTRACTING PARTIES not only will coordinate the tariff negotiations which they are sponsoring, but also will hold various consultations and discussions relating to the general provisions of the General Agreement, and will consider other questions which have arisen regarding the agreement since their last session. As at the 1947 Geneva Conference and the 1949 Annecy Conference, a tariff negotiations working party will be established at the opening of the Conference. This working party will be responsible for coordinating the tariff negotiations and for making policy recommendations on such matters connected with the conduct and conclusion of the negotiations as may require joint action by the contracting parties and the acceding countries.

Tariff Negotiations Meeting

The tariff negotiations which will commence at Torquay in the fall of 1950 will be of three types: (1) Negotiations looking toward the accession

¹ Torquay is on the southern coast of England, in Devonshire.

to the General Agreement of countries which did not become contracting parties at Geneva or Annecy; (2) negotiations between contracting parties which participated in the Geneva and Annecy Conferences but did not then conclude bilateral negotiations with one another, and which now wish to do so; and (3) negotiations between contracting parties which did conclude negotiations with one another at Geneva or Annecy, and which now desire to negotiate for new or additional tariff concessions.

The negotiations between contracting parties in 1950 are designed for the negotiation of new or additional reciprocal tariff concessions, and for consultations between countries in accordance with the provisions of article XXVIII of the General Agreement.² They are not intended to provide the basis for any general upward adjustment in the rates of duty negotiated at Geneva or at Annecy.

Preparations by the CONTRACTING PARTIES

Invitations to eligible countries

Late in 1949, the CONTRACTING PARTIES sent invitations to attend the 1950 trade Conference to the following 24 countries which participated in the Havana ITO Conference, but which are not at present contracting parties:

Afghanistan	Guatemala	Paraguay
Argentina	Iceland	Peru
Austria	Iran	Philippine Republic
Bolivia	Iraq	Poland
Costa Rica	Ireland	Portugal
Ecuador	Jordan	Switzerland
Egypt	Mexico	Turkey
El Salvador	Panama	Venezuela

These countries are eligible for membership in the ITO in accordance with the provisions of article 71 of the proposed charter.

Invitations were also addressed to Israel and Nepal, which did not have an opportunity to participate in the Havana Conference, and to Colombia, which participated in the Annecy Conference but which, near the end of the Conference, withdrew its application to accede to the General Agree-

² The provisions of article XXVIII are summarized in *Operation of the Trade Agreements Program* (first report), pt. 2, p. 55, as follows: "Provision is made for the modification of schedules beginning January 1, 1951, without requiring joint action by the contracting powers (art. XXVIII). Commencing with that date, any party may withdraw or modify a concession which it originally granted. The party desiring to do so, however, is first required to negotiate and seek agreement for the change with the party with which the concession was originally negotiated; and is required also to consult with other parties having a substantial interest in the concession. If agreement cannot be reached, the concession in question may nevertheless be withdrawn or modified; the country to which the concession was originally granted, and the other parties having a substantial interest in the concession, may then withdraw from the party taking the action concessions substantially equivalent to those initially negotiated with it."

ment.³ Invitations to attend the 1950 Conference were also addressed to the Federal Republic of Germany (Western Germany) and the Republic of Korea, inasmuch as they are eligible to accede to the General Agreement.

Of the 29 countries to which invitations were sent, only the following 7 have accepted, with a view to acceding to the General Agreement:

Austria	Korea	Philippine Republic
Federal Republic of Germany	Peru ⁴	Turkey
Guatemala		

⁴ Peru was invited to attend the Annecy Conference but did not send a delegation.

All the original contracting parties and the 10 additional countries which negotiated at Annecy have indicated that they will attend the 1950 Conference, either to negotiate with the newly invited countries or to negotiate with other contracting parties for new or additional tariff concessions. Thus, with the 7 countries which have accepted invitations to attend, 40 countries are expected to be represented at the Torquay Conference.

Timetable and procedures

The countries that have indicated their desire to participate in the 1950 tariff negotiations were requested by the CONTRACTING PARTIES to exchange with each other copies of their current customs tariffs, the details of other charges and taxes which they impose on imports, and statistics on their import trade for postwar years and selected prewar years. Each participating country was asked also to submit, by January 15, 1950, to each other participating country with which it wished to negotiate, a preliminary list of the products on which it intends to request tariff concessions. Not later than June 15, 1950, each participating country was expected to transmit to each other participating country with which it wished to negotiate, a final list of the tariffs and other concessions which it intended to request from that country. For requests by countries for concessions by the United States, however, the lists of January 15 were treated as the definitive lists because the United States Government is required by law to give public notice of all items in its tariff which are to be the subject of negotiation, and to hold public hearings thereon.

At the beginning of the Torquay Conference each participating country is expected to be ready to announce the concessions it is prepared to offer to each country from which a request for concessions has been received. When these "offer lists" have been exchanged and studied by the various negotiating teams, negotiations between pairs of countries will begin. Any two participating countries may conduct bilateral tariff discussions in advance of the 1950 multilateral negotiations. Should such bilateral discussions be successfully concluded before September 28, 1950, the re-

³ See ch. 3.

sults will be reported by the respective countries to the CONTRACTING PARTIES at the opening of the Conference.

Bases for the proposed negotiations

The proposed tariff negotiations in 1950 are expected to follow the general pattern established at the 1947 Geneva Conference and the 1949 Annecy Conference. Use of the technique of multilateral tariff bargaining makes it possible for a participating country, in determining the concessions it is prepared to offer, to take into account such indirect benefits as it may expect to obtain as a result of the simultaneous negotiations between other countries.⁴ Thus a particular country may be able to offer more extensive concessions than it would feel justified in granting if the negotiations were conducted on a strictly bilateral basis.

Each participating country generally initiates negotiations for the reduction in duties or binding of them, with the countries that are its principal suppliers of the products listed for negotiation, or seem likely to become the principal suppliers. If the principal supplier of a particular product is not among the participating countries, the product is generally reserved for negotiation with the principal supplier at some later time.

Tariff negotiations under the General Agreement are conducted initially by negotiating teams representing pairs of countries; the bilateral agreements concluded by the pairs of countries are later combined to form the separate complete schedules for each participating country. The negotiations are conducted on a selective product-by-product basis, thus affording the negotiators an opportunity to consider the needs of individual countries and industries. No country is compelled to negotiate on any product if it does not wish to do so, nor is it expected to grant concessions without receiving adequate concessions in return. In making tariff commitments, countries may undertake to reduce an import duty or to bind it against increase at its existing level, or they may undertake not to raise it above a specified higher level. The binding of low duties against increase, or the binding of duty-free treatment, in principle is recognized by the contracting parties as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

As to a product on which a preference exists, the General Agreement provides that no margin of preference shall be increased. A reduction negotiated only in the most-favored-nation rate of duty on a particular commodity operates automatically to reduce or eliminate the margin of preference applicable to that product. When the reduction is negotiated only on the preferential rate, the most-favored-nation rate is automatically reduced to the extent of such reduction. When participating

⁴ As to the significance of these indirect benefits, see the section of ch. 4 on indirect benefits to acceding countries.

countries agree that reductions will be negotiated in both the most-favored-nation rate and the preferential rate, the reduction in each rate is that agreed on by the parties to the negotiation, except that these rates may not result in increasing the margin of preference.

In becoming parties to the General Agreement as a result of the 1950 tariff negotiations, acceding countries benefit in the first instance from the direct concessions they obtain from the particular countries with which they negotiate. They will also benefit indirectly from the concessions negotiated by other new countries participating in the 1950 Conference; from concessions that may result from new negotiations among the contracting parties at the Conference; and from the concessions already granted by the contracting parties in the 1947 Geneva and the 1949 Ancey Conferences. In granting tariff concessions, all participating countries are expected to take into account these indirect benefits.⁵

Participating countries are expected to refrain from increasing their import duties and from adopting other protective measures inconsistent with the principles of the proposed ITO Charter, for the purpose of improving their bargaining position in the negotiations. As a general rule, the basis for the 1950 negotiations will be the rates of duty in effect on November 15, 1949. In some exceptional circumstances, countries may find it necessary to make a general revision of their tariffs before the negotiations begin; such revision might relate to the form of the tariff or to changes in the rates of duty resulting from devaluation of the country's currency. The effect of any such revision, however, would be the subject of consultation between the acceding country and the other participating countries. Acting jointly, they would determine the change, if any, in the incidence of the duties, and whether the revised tariff constitutes a reasonable basis for the mutually advantageous conclusion of negotiations. Except in special circumstances, a general revision of nomenclature or rates of duty will not be considered a satisfactory basis for negotiation unless it has been placed in effect before September 28, 1950.

United States Participation in the 1950 Negotiations

Preparations by the United States

United States preparations for participation in the multilateral tariff negotiations to be held at Torquay were initiated under the usual trade-agreement procedures, as provided in the Trade Agreements Act as amended by the extension act of 1949, and in Executive Order 10082.

In accordance with these procedures, the Tariff Commission in the latter part of 1949 prepared, for the use of the Interdepartmental Committee on Trade Agreements and its country committees, statistical analyses of United States imports from each country which had indicated

⁵ As to the significance of these indirect benefits, see the section of ch. 4 on indirect benefits to acceding countries.

its desire to negotiate either new or additional concessions with the United States. The Commission also made available, for the use of the interdepartmental trade agreements organization and other interested parties, its Summaries of Tariff Information on dutiable commodities, which were revised in late 1947, 1948, and early 1949; these Summaries provide detailed information on all dutiable products specified in schedules 1 through 15 of the Tariff Act of 1930.⁶ For commodities which are to be considered for possible concessions in the 1950 negotiations, the Commission also provided the interdepartmental trade agreements organization with confidential digests of information to supplement the Summaries of Tariff Information, preparation of such digests by the Tariff Commission being required by Executive Order 10082. The digests include analyses of the facts relative to production, trade, and consumption of each article involved; to the probable effect of granting a concession thereon; and to the competitive factors involved. During early 1950, the Commission also completed and made available to the trade agreements organization Summaries of Tariff Information for all commodities included in the free list of the Tariff Act of 1930.⁷

At the same time that the Tariff Commission prepared this material, the Department of Commerce prepared for the trade agreements organization statistical analyses of the United States export trade with each of the countries which are expected to negotiate or renegotiate with the United States in 1950. As required by Executive Order 10082, the Department also prepared confidential digests of information for all commodities on which the United States might seek concessions from foreign countries in the forthcoming negotiations. These digests include an analysis of the facts relative to the production, trade, and consumption of each of the articles involved, the probable effects of obtaining a concession thereon, and the competitive factors involved.

On the basis of the information provided by the various agencies of the Government and the country committees,⁸ and of other information at its disposal, the Trade Agreements Committee on April 14, 1950 (notice dated April 11), issued its notice of intention to enter into negotiations with 17 foreign countries; on May 17, 1950 (notice dated May 15), in a

⁶ See ch. 3 of this report. Each summary gives the tariff history of the commodity; contains statistics on United States production; analyzes imports and exports; and provides other data pertinent to an understanding of the conditions of competition between imports and domestic production.

⁷ The Summaries of Tariff Information on free-list commodities, which contain the same type of information as the summaries for dutiable commodities, comprise 5 parts and cover more than 500 commodities or groups of commodities.

⁸ For a detailed description of the operation of the trade agreements country committees and the procedure followed by the Trade Agreements Committee in negotiating trade agreements, see *Operation of the Trade Agreements Program* (first report), pt. 2, pp. 31-36.

supplementary announcement, it gave notice of intention to negotiate with 6 additional countries. At the same times, it published lists of commodities to be considered for possible concessions by the United States. Any commodity not included in these published lists, or in such supplementary published lists as may be issued, is ineligible for consideration at the Torquay negotiations.

Of the countries which have indicated a desire to accede to the General Agreement at the Torquay Conference, the United States announced that it would consider the negotiation of tariff concessions with Austria, the Federal Republic of Germany, Guatemala, Korea, Peru, and Turkey. In addition to the proposed negotiations with these countries, the United States announced that it would consider the possibility of negotiating new or additional tariff concessions with Australia, Belgium, Brazil, Canada, Denmark, the Dominican Republic, France, India, Indonesia, Italy, Luxemburg, the Netherlands, New Zealand, Norway, Sweden, the Union of South Africa, and the United Kingdom.

Simultaneously with the actions just referred to, the Committee for Reciprocity Information (CRI) gave notice of public hearings to be held by that Committee beginning May 24, 1950, and beginning June 19, 1950. The CRI hearings pertain not only to possible tariff concessions to be granted by the United States but also to concessions which may be sought by the United States from foreign countries. Such hearings, which CRI has held since the inception of the trade agreements program in 1934, afford interested persons and organizations the opportunity to present their views on concessions to be granted or sought by the United States. The provisions of the Trade Agreements Extension Act of 1949 (unlike those of the act of 1948) did not require the President to submit to the Tariff Commission the list of commodities to be considered for possible concessions by the United States, nor did they require the Tariff Commission to hold hearings on, or make an investigation of, the listed commodities, before the negotiations (see ch. 3).

United States imports involved

The lists of United States import commodities being considered for possible concessions at the 1950 tariff negotiations, as announced by the Trade Agreements Committee on April 14, 1950, and May 17, 1950, comprise items included in about 450 paragraphs and subparagraphs of the Tariff Act of 1930. About 390 of these paragraphs and subparagraphs relate to articles which are dutiable and the rest to articles on the free list.

Many commodities on the published lists were the subjects of concessions in earlier trade agreements and are now being considered for possible further concessions; others are being considered for the first time.

The following list sets forth the principal dutiable commodities under consideration for the 1950 negotiations:⁹

Principal United States dutiable import commodities on which concessions are to be considered at Torquay

[Except for those marked with an asterisk (*), all the commodities here listed are commodities on which concessions have been granted in trade agreements and on which possible further concessions are to be considered at Torquay]

Acetic acid
 Natural menthol
 Palm kernel oil, edible
 Opium
 Perfumery, including cologne, containing alcohol
 Vanilla beans
 China clay (kaolin)
 Unmanufactured mica
 Certain earthenware and chinaware articles
 Pig iron
 Beams, girders, etc., of iron and steel, not assembled, etc.
 Certain silverplated household articles
 Shotguns
 Automobiles
 Motorcycles, finished or unfinished
 Machinery and parts, n. e. s., except agricultural
 Lead ores, flue dust, n. e. s., and mattes, n. s. p. f.
 Lead, reclaimed, scrap, dross, and lead, n. s. p. f.
 Zinc-bearing ores (except pyrites)
 Zinc blocks, pigs and slabs
 Birch plywood
 Birch or maple veneers
 *Plywood, other than birch, alder, and Western red cedar
 Sugar
 Liquid sugar
 Cigar wrapper tobacco
 Cigarette leaf tobacco, unstemmed (except Latakia)
 Cattle
 Canned bonito and yellowtail
 Cod and related species, fresh or frozen, filleted, etc., n. s. p. f.

⁹ This list identifies in general terms the principal commodities on which concessions will be considered in the 1950 negotiations. For the detailed lists of commodities to be so considered, see Department of State, *The General Agreement on Tariffs and Trade: Negotiations Beginning September 1950 Under the Trade Agreements Act of 1934 as Amended and Extended*, Pub. 3819 (Commercial Pol. Ser. 126), 1950, and Supplementary Announcement, Pub. 3854 (Commercial Pol. Ser. 129). In the published lists of commodities which accompany the announcements of intention to negotiate, reference is made to the paragraph numbers of the tariff schedules in the Tariff Act of 1930, for the purpose of facilitating identification of the articles listed. The descriptive phraseology, however, is frequently limited to a narrower scope than that covered by the numbered tariff paragraph. In such cases only the articles covered by the descriptive phraseology will come under consideration for the granting of concessions.

*Principal United States dutiable import commodities on which concessions are to be considered
at Torquay—Continued*

- *Sardines and other herring, not in oil
- Corn, imported into Puerto Rico
- Tulip bulbs
- Narcissus bulbs
- Filberts, shelled
- Cashew nuts
- Potatoes, white or Irish
- Long-staple cotton
- Whisky
- *Certain still wines from grapes
- Certain cotton yarns and cotton fabrics
- Cotton table damask and manufactures
- Raw flax
- Certain table damask and manufactures of flax
- *Jute webbing
- *Jute yarns or roving, single
- Certain bagging for cotton, gunny cloth, etc.
- Wools finer than 40s
- Wool noils, not carbonized
- Wool rags
- Wool tops
- Wool fabrics, of certain values
- Wool knit hosiery, valued at over \$3 per dozen pairs
- Wool wearing apparel, of certain values
- Wool outerwear, of certain values
- Wilton and Axminster carpets and rugs, n. s. p. f., valued at over 40¢ per square foot
- *Nylon yarns (dutiabale as silk)
- Rayon staple fiber
- Uncoated book and printing paper, n. s. p. f.
- “Other” paperboard, wallboard, etc., not plate finished, laminated, etc.
- Certain bound books, n. s. p. f.
- Pulpboard in rolls for wallboard, surface stained, etc.
- Diamonds cut but not set, suitable for jewelry
- Imitation semiprecious stones, cut or uncut
- Certain cotton nets and nettings
- Cotton levers laces
- Silk levers laces
- Calf and kip upper leather
- Reptilian upper leather
- Vegetable-tanned goatskins
- Leather gloves
- Fish hooks, n. e. s.
- Phonograph records, n. s. p. f.
- *Cameras, other than motion-picture and box-type (fixed focus)
- Christmas trees, evergreen

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Chapter 7

Changes in Tariffs of Foreign Countries Affecting the Operation of the Trade Agreements Program

EXTENT AND BEARING ON TRADE-AGREEMENT OBLIGATIONS

In recent years tariffs have become relatively less important in the commercial policy of most countries than they were before the war, and exchange controls and quantitative restrictions have become more important. After the war most countries faced the necessity, for balance-of-payments reasons, of safeguarding their entire economic and financial structure from the effects of uncontrolled imports. Consequently they established complex systems of quantitative restrictions, exchange controls, government-purchasing arrangements, and like devices chiefly to enable them to conserve sufficient foreign exchange to purchase the raw materials, foodstuffs, and other supplies which they considered necessary for their survival and recovery, and to prevent excessive imports of products which, though possibly desirable, were not deemed indispensable.¹ Moreover, these devices were better adapted than tariffs to facilitate such channeling of import trade as would best meet the exchange situation of the importing country vis-à-vis the several supplying countries.

In addition to securing the foregoing objectives, in greater or less degree, these measures have also had the effect, on a broad scale, of moderating or eliminating the impact on domestic producers of competitive imports and thus of maintaining or encouraging the domestic production of such products. This further effect has doubtless lessened resistance of foreign countries to reducing their tariffs in the postwar trade negotiations. However, because of provision in the General Agreement for discontinuance of such import controls and restrictions other than tariffs when balance-of-payments difficulties are overcome, tariffs have retained considerable importance, particularly from the long-range point of view, even for countries that now use nontariff trade restrictions extensively. The tariff, of course, remains the chief means by which the United States and a few other countries now seek to assure adequate protection of domestic industries.

¹ For a discussion of nontariff import controls, see ch. 8.

One of the purposes of this report is to indicate changes and proposed changes in the tariffs of foreign countries which bear upon the operation of the trade agreements program as it concerns export trade of the United States. Upon the conclusion of the General Agreement on Tariffs and Trade at Geneva in 1947, the actions of foreign countries which are parties to this agreement became of wider interest than actions under the bilateral trade agreements formerly negotiated between the United States and individual countries. Under the pre-Geneva agreements, actions taken by the other parties to the agreements principally concern the United States, whereas actions taken under the General Agreement concern the CONTRACTING PARTIES acting as a group.²

Changes which countries make in their tariffs or other import controls and make in a manner consistent with the provisions of agreements, of course, do not usually call for extended comment. Changes which result from extensive renegotiations are of interest to the United States when they involve concessions which had been made to this country. Unauthorized changes, such as occasionally occur, constitute a breach of obligations, and these violations become a matter of concern to the country or countries whose interests are thus involved. The usual recourse in these violations is for the injured party to make protests or representations to the country concerned with a view to having the breach of obligation satisfactorily remedied. Some violations are followed immediately by remedial action; others require prolonged consultation, and even renegotiation. Occasionally, proposed changes in tariff treatment, which would constitute a violation if actually put into effect, can be prevented from going into effect by the process of making representations as to their lack of consistency with agreement obligations.

In 1949 the trade agreement countries in general complied with their trade agreement obligations in respect to tariffs so far as they affect the United States. There were, however, some isolated departures from tariff obligations, such as increase of a duty which had been bound against increase, or failure to lower a duty which had been scheduled for reduction. Some departures from obligations appear to have been inadvertent, to have been due to misunderstanding, or to have reflected tardiness in making fully effective concessions negotiated at Geneva in 1947. Others were clearly intentional. In all instances of departures from obligations as to tariffs affecting the United States, the United States Government has taken steps looking toward their correction. Several agreements, affecting part or all of previously scheduled concessions, were renegotiated, but such renegotiation was conducted in accordance with procedures prescribed either under the General Agreement or under a bilateral agreement between the United States and the other country concerned.

² All capitals are used when referring to the member countries acting as a group.

Countries which have negotiated trade agreements of course are free to raise import duties on commodities not covered by concessions. A few countries in 1949 made extensive changes in the duties on such items, but most countries made few changes or none of any significance. Later in this chapter attention will be called to instances in which changes in the rates of duty on nonconcession items have been of such a nature or extent as to affect United States exports appreciably.

CHANGES AND PROPOSED CHANGES IN TARIFFS OF INDIVIDUAL TRADE-AGREEMENT COUNTRIES

In 1949 trade agreements were in force between the United States and 42 foreign countries; 22 of these countries were parties to the General Agreement on Tariffs and Trade, negotiated at Geneva in 1947,³ and the other 20 were parties to agreements negotiated with the United States before 1947.⁴ Changes and proposed changes involving tariffs or other charges on imports into the pre-Geneva agreement countries and the General Agreement countries are discussed separately below.

Pre-Geneva Agreement Countries

Except for the tariff changes involved in the termination of the trade agreement between the United States and Colombia, there appear to have been in 1949 no significant changes in tariff duties on trade-agreement items by any of the 20 countries with which the United States had pre-Geneva trade agreements in force during the year. There were, however, grounds for complaint by the United States Government regarding charges on imports other than tariffs,⁵ charges which were continued in force or newly applied by certain trade-agreement countries to concession items, in violation of the agreements. Representations were made to Costa Rica, Haiti, Mexico, and Turkey regarding the application of such charges. Representations were made also to Argentina for failure to apply certain rates of duty to which it had agreed.

³ The following foreign countries were parties to the General Agreement in 1949: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxemburg, the Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, the Union of South Africa, and the United Kingdom.

⁴ Argentina, Colombia, Costa Rica, El Salvador, Ecuador, Finland, Guatemala, Haiti, Honduras, Iceland, Iran, Mexico, Nicaragua, Paraguay, Peru, Sweden, Switzerland, Turkey, Uruguay, and Venezuela. The schedule of concessions and certain other provisions of the agreement between the United States and Nicaragua ceased to be in force as of March 10, 1938. The agreement with Colombia was terminated on December 1, 1949.

⁵ Taxes or charges levied on the sale of foreign exchange are discussed in ch. 8. Such taxes or charges are more closely related to the operation of quantitative import restrictions than to the application of customs duties. They may be forbidden, however, in provisions of trade agreements prohibiting the application of other or higher duties or charges on imports than those specified in the agreements.

Argentina

In the trade agreement of 1941 between the United States and Argentina a note prefixed to Argentina's schedule of concessions to the United States provides that—

The duties specified in Column II of this schedule shall be put into effect promptly when Argentine customs receipts from import duties exceed 270 million pesos national currency, in any calendar year, and shall continue in effect thereafter.

The rates specified in Column II are lower than those in Column I, which have been applicable since the agreement became effective. The duties in both columns being on a specific basis, the ad valorem equivalents of both have been drastically reduced as a result of the great rise in prices in the last decade.

Argentine customs collections in 1947 having exceeded the prescribed 270 million pesos, the United States Government, in a note dated January 7, 1948, requested the Argentine Government to apply the Column II duties to imports of concession items from the United States. Argentina did not comply with this request, or with a second request in a note dated April 18, 1949. The Column I rates are still in effect (June 30, 1950).

Colombia

Although Colombia participated in the negotiations at Annecy in 1949, it did not accede to the General Agreement.⁶ After the Annecy Conference the United States and Colombia, in a joint statement on October 17, 1949, announced the termination, effective December 1, 1949, of the 1936 trade agreement between the two countries. As a result of the termination of the agreement, the Colombian rates of duty on imports of concession items from the United States reverted to the preagreement level established by Colombian Law 62 of 1931, as amended, except for instances in which the United States, by virtue of the most-favored-nation clause in an old (1846) treaty with Colombia, would receive the benefit of reductions granted by Colombia to other nations.

Costa Rica

Two measures enacted by Costa Rica during 1949 appear inconsistent with the provisions of the trade agreement between that country and the United States. Both of these measures involve discriminatory treatment of cigarettes. In a decree of January 27, 1949, Costa Rica established a tax on the sale of domestically manufactured cigarettes which is higher for

⁶ For nontariff import controls, see ch. 8.

⁷ For nontariff import controls, see ch. 8.

⁸ See ch. 9. In 1948 the United States temporarily withdrew its protest against the application by Colombia of certain taxes on the purchase of foreign exchange, which were in violation of its agreement with this country, pending negotiations looking toward accession by Colombia to the General Agreement at Annecy. See *Operation of the Trade Agreements Program* (second report), pp. 40-41.

⁹ For nontariff import controls, see ch. 8.

those made exclusively of imported tobacco than for those made wholly or partly of domestic tobacco. Further discriminatory treatment resulted from a decree promulgated on February 10, 1949, which established a discount of 1½ percent on bulk sales of "consumption" tax stamps to be affixed to packages of cigarettes manufactured within the country; the discount was not applicable to stamps intended for use on imported cigarettes. The problem of discrimination involved in these two measures awaits settlement.

Haiti As a result of its participation in the negotiations at Annecy in 1949, Haiti became a contracting party to the General Agreement on Tariffs and Trade on January 1, 1950. On that date its schedule of concessions, as well as the United States concessions to Haiti, became effective. In accordance with a joint agreement between Haiti and the United States (December 29, 1949), the trade agreement of 1935 between the two countries was terminated. During 1949 Haiti changed some of the rates in its tariff, but none of these changes affected concession items enumerated in the 1935 agreement with the United States. In January 1949, however, Haiti provided for an increase in the special stamp tax on consular invoices from 2.50 gourdes (50 cents) to 5.00 gourdes (\$1) applicable to consular invoices covering imports from the United States of commodities listed in schedule I of the 1935 trade agreement with this country, this action would violate that part of the agreement which prohibits new or increased charges on imports of concession items. When the United States called attention to this possibility, the Haitian Government replied that, since invoices often cover several products, it would be extremely difficult for Haitian consular officials to exempt from the higher fee imports of concession items from the United States. The Haitian Government pointed out that Haitian imports from the United States not covered by concessions were more numerous than those covered by concessions. It also contended that the increase in the consular stamp tax to 5 gourdes was necessary because of increased costs in consular offices, and that this tax, as well as the additional consular fee of 1 percent ad valorem (a charge which was not in question), were moderate compared with similar taxes and fees charged by many other countries. No further action has been taken on this matter.

Mexico

After extended consultation with Mexico in 1947, the United States had consented to a temporary increase in the import duties on items in Mexico's schedule of concessions to the United States in the trade agree-

¹⁰ See ch. 3.

¹¹ For nontariff import controls, see ch. 8.

ment of 1942 between the two countries. Such consent was based, however, on the understanding that negotiations should be held for the purpose of compensating the United States for Mexico's action. Negotiations began in April 1948, but were not completed in 1949. Having failed to find a basis for achieving a mutually satisfactory revision of the agreement, the United States and Mexico agreed, by an exchange of notes in June 1950, to terminate the agreement, which will cease to be in force after December 31, 1950.

The events leading up to Mexico's action increasing duties on imports from the United States were closely related both to the marked and continued decline in Mexico's foreign-exchange reserves, and to the growing demand in the country for greater tariff protection.¹² After consultation with the United States, in cases where consultation was required by the agreement, Mexico proceeded to restrict imports by increasing tariff rates and imposing import prohibitions.

In July 1947 Mexico increased its duties on many articles not subject to concession in the 1942 agreement, and in November of the same year promulgated a new import tariff with higher rates of duty on virtually all items except those fixed in the agreement. At the time of the earlier increase (July 1947) an embargo was placed on a wide range of goods designated as nonessential, including (some items enumerated in the trade agreement) between the United States and Mexico.¹³

In December 1947 Mexico changed the rates of duty on all the dutiable items on which it had granted concessions to the United States by converting virtually all the old specific rates to compound rates. This action raised the rates of duty on 12 trade-agreement items to levels substantially higher than those specified in the trade agreement. On the remainder of the items in the agreement, the new rates were fixed at levels stated by the Mexican Government to be equivalent, in ad valorem incidence (calculated on the basis of unit values of imports in 1942), to the rates in effect in 1943 under the agreement with this country.

The increase of duties on the 12 items referred to above was taken pursuant to the escape clause (article XI) of the trade agreement between the two countries. This clause provides that if either government finds that a concession granted on any article operates in such a way as to cause or threaten serious injury to domestic producers of like or similar articles, it may withdraw or modify such concession, subject to consultation with the other country. The articles for which Mexico invoked the escape clause included enameled and porcelain sanitary fixtures, certain paints and varnishes, articles containing rubber, and faience ware (pottery).

¹² For a fuller discussion of the events preceding the renegotiations, see *Operation of the Trade Agreements Program* (second report), pp. 38-40.

¹³ See ch. 8.

In July 1948 the Bank of Mexico withdrew its support of the peso, which since 1941 had been pegged at 4.85 pesos to the United States dollar. During the ensuing year the value of the peso fluctuated on the free-exchange market at a rate much below the old value; in June 1949 the Mexican Government established a new ratio of 8.65 pesos to the dollar. Just before the establishment of the new rate, the value of the peso had been fluctuating about a value of a little more than 8 to the dollar; the new rate, therefore, represented a slight devaluation compared with the free-market rate. Simultaneously with the Mexican action, the United States Treasury Department announced that a stabilization agreement had been reached with Mexico (supplementary to the agreement of May 1947) whereby the dollar balance available for purchase of Mexican pesos to stabilize the new dollar-peso rate was increased.

The Mexican Government anticipated that stabilization of the peso at the new rate would encourage Mexican exports, and at the same time check imports. In order, therefore, to insure that domestic manufacturing costs would not increase, Mexico generally lowered its duties on raw and semimanufactured materials and on industrial and agricultural machinery and equipment. On the other hand, it made many additions to the list of prohibited imports.¹⁴ The greater stability in industry and trade relations which was expected to result from the revaluation of the peso did not follow at once, as there was considerable buyer resistance to the higher prices, particularly import prices, which resulted from the change in the value of the peso. By the end of 1949, however, public confidence had returned and business conditions had improved.

In October 1948 the Mexican Government had established official valuations for every item in its tariff schedule in order to have a fixed basis on which to calculate its ad valorem rates of duty. The official valuations for items not subject to concessions by Mexico in the 1942 agreement were based on the unit values calculated from the trade statistics for 1947, and ~~those for concession items were~~ based on the unit values calculated from the trade statistics for the first quarter of 1948. The valuations generally include charges for insurance and freight and are, therefore, considerably higher than the invoice values. The assessment of the ad valorem portion of the compound duty is based on either the official value or the invoice value, whichever is the higher.

In the official valuations established in 1948, allowances were made for increases in the prices of imported goods (expressed in Mexican currency) resulting from the depreciation of the peso after the Bank of Mexico withdrew its support of the peso in July 1948. Effective August 1, 1949, as a result of the currency devaluation of June 1949 (at which time the exchange value of the peso was established at 8.65 pesos to the dollar),

¹⁴ See ch. 8.

official valuations were again increased by about 25 percent on virtually all items in the tariff. Later in the same year numerous adjustments were made in the official valuations on individual items; some valuations were increased and a number were greatly reduced.

Although the increases in the Mexican tariff during 1949 did not apply to trade-agreement items, the general increases in official valuations which accompanied the currency depreciations of July 1948 and June 1949 did. Since article XII of the trade agreement between the United States and Mexico prohibits alteration of the general principles for determining dutiable value in such a way as to result in impairment of concessions, the new method of assessing duties directly violated the trade agreement. However, it was the stated intention of the Mexican Government to replace, as soon as possible, the official prices established in October 1948 by valuations based on wholesale prices of imported articles in the principal supplying country. The revision of official valuations on this basis was reflected, in part, by the numerous reductions in official valuations late in 1949.

Turkey

Since August 1948 the city of Istanbul has imposed a tax of 25 percent on the admission price to theaters which show domestically produced motion-picture films and of 70 percent on tickets to those which show imported films. This discrimination, which chiefly affects United States films, is contrary to article III of the trade agreement between the United States and Turkey. This article assures United States products of national treatment with respect to all internal taxes. As pointed out in last year's report,¹² this matter was brought to the attention of the Turkish Government. During 1949 the Turkish Government took no action to remove the discrimination, and information thus far available (June 30, 1950) indicates that an early settlement is not probable.

General Agreement Countries

The tariff actions in 1949 of 14 of the 22 foreign countries which were in that year parties to the General Agreement (Geneva) involved no departures from that agreement so far as the United States is concerned. These countries are Australia, Belgium, Czechoslovakia, France, India, Lebanon, Luxemburg, the Netherlands, New Zealand, Norway, Southern Rhodesia, Syria, the Union of South Africa, and the United Kingdom. Their import duties and other charges on imports of interest to the United States appear to have been applied without violation of the agreement,

¹² *Operation of the Trade Agreements Program (second report)*, p. 72.

and even such changes as were made on nonconcession items were generally not extensive or particularly significant.¹⁶

Certain actions of six General Agreement countries—Brazil, Canada, Ceylon, China, Cuba, and Pakistan—are of general importance or of special interest to the United States.

Actions during 1949 of two other General Agreement countries warrant brief notice. Upon Chile's accession to the agreement in March 1949, it became apparent that Chile had violated the provisions of the agreement by increasing at various times its import surcharges without compensating (as permitted under the agreement) for the increases by similar assessments on domestic products. Burma also appears to have departed from provisions of the agreement by increasing (after it placed its schedule of concessions into operation) the margin of discrimination in the application of entertainment taxes within the country. Neither Chile nor Burma took corrective action in response to protests from the United States Government regarding their discriminations.

Brazil

When Brazil put the General Agreement into effect on August 1, 1948, it withdrew the concessions which it had granted at Geneva on powdered milk, penicillin, and calendars and almanacs.¹⁷ The CONTRACTING PARTIES to the General Agreement permitted Brazil to apply certain maximum rates on these items until December 15, 1948. Later it was decided that Brazil's concessions on the three items should be the subject of renegotiation between Brazil and the United Kingdom and the United States, for the purpose of arriving at concessions to compensate for adjustments in the rates of duty on them. Pending conclusion of these negotiations, Brazil agreed not to increase the existing rates of duty on a number of other items which were lower than the maximum permitted by the General Agreement. Although the negotiations were begun in the fall of 1948 they were not concluded by December 15, as scheduled; therefore, the CONTRACTING PARTIES granted an extension of time, and the negotiations were concluded at Annecy. In an agreement signed by the delegations of Brazil, the United Kingdom, and the United States on May 31, 1949 (and approved by the CONTRACTING PAR-

¹⁶ Attention may be called, however, to certain actions by India. When India signed the Protocol of Provisional Application of the General Agreement on June 8, 1948, it excepted a few items on which concessions had been made at Geneva. The items were certain fruit juices; certain canned fruits; canned pineapples; unmanufactured tobacco; certain chemicals, drugs, and medicines; and motor cars, parts, and accessories. However, in the Indian Tariff (Amendment) Act, 1949, which came into force on February 11, 1949, India gave effect to all the concessions shown in its schedule of the General Agreement, including the foregoing items.

¹⁷ *Operation of the Trade Agreements Program* (second report), p. 36.

TIES on June 8, 1949), Brazil was permitted to apply rates of ordinary customs duty on powdered milk, penicillin, and calendars and almanacs not in excess of stipulated levels, which levels were higher than those specified at Geneva. As compensation for the increases in customs duties permitted on these items, Brazil proposed (and the United Kingdom and the United States accepted) the modification of the duties on 16 sub-classifications in Brazil's Geneva schedule of concessions and the addition of one item not in the General Agreement. Modifications were made in the duties on oat flour; 7 earthenware articles; parts, accessories, and fittings for ambulances, lorries, omnibusses, and other motor vehicles; 3 items (according to weight) under steam generators; and 4 items (according to weight) under grading machines. The additional item not previously in the schedule of concessions was tetraethyl lead.

Brazil's action in applying discriminatory internal taxes on certain products also was discussed by the CONTRACTING PARTIES at Annecy. Under article III of the General Agreement, the products of any contracting party, when imported into any other member country, shall not be subject to internal taxes or other internal charges of any kind in excess of those applied directly or indirectly to like products of national origin. In 1945, Brazil had imposed internal taxes which were discriminatory in the meaning of article III, but these taxes were not in question because, under the terms of the Protocol of Provisional Application of the General Agreement, article III need be applied only "to the fullest extent not inconsistent with existing legislation" (that is, legislation existing on October 30, 1947, the date of the protocol). Since the agreement was still only provisionally applied by Brazil, the discriminatory taxes of 1945 were permissible.

Brazil, however, had imposed discriminatory taxes in 1948, applicable to clocks and watches, cigarettes, and numerous other articles, to which the exemptions of the protocol do not apply. These taxes, therefore, were not only inconsistent with article III of the General Agreement, but constituted a violation of that article even during the period of its provisional application.¹⁸ No agreement was reached by Brazil and the CONTRACTING PARTIES regarding the taxes imposed under the Brazilian legislation of 1948. However, after prolonged discussions the CONTRACTING PARTIES noted that the Brazilian Government had already called the attention of the Brazilian Congress to all existing laws providing for different levels of taxation with respect to domestic and imported products, in order that the Congress might bring those laws into conformity with article III of the General Agreement. In addition, the

¹⁸ That is, until Aug. 1, 1948, at which time the agreement was ratified by the Brazilian Congress.

Brazilian Government agreed to again recommend to its Congress the repeal or modification of such laws as are inconsistent with Brazil's obligations under the General Agreement. The CONTRACTING PARTIES therefore agreed that the question would again be reviewed at a subsequent session.

Canada¹⁹ Canada made no important changes in its tariff rates in 1949, but the inclusion of Newfoundland in the Dominion on April 1, 1949, extended the area to which the Canadian tariff applies. Newfoundland's separate customs tariff ceased to be applicable as from the date of the union, and the Canadian tariff became applicable to Newfoundland and its Labrador dependency for all imports except those from other provinces of Canada, to which duties ceased to apply. With some minor temporary exceptions, imports into Newfoundland also became subject to Canadian import controls and all other conditions of entry. At the Ancey Conference the CONTRACTING PARTIES to the General Agreement approved the elimination of the schedule of concessions granted by Newfoundland in the agreement.

The union of Newfoundland with Canada resulted in considerable change in the rates of duty and the conditions of entry for many kinds of United States goods entering the Newfoundland market. Some of the duties formerly applicable to imports into Newfoundland were increased, and others were reduced. The most important development, however, was the weakened competitive position of articles entering Newfoundland from the United States compared with articles supplied, duty-free, by the other Provinces of the Dominion. Since April 1, 1949, when the union became effective, there has been a sharp decline in imports into the Province of Newfoundland from the United States.

When Canada adhered to the General Agreement on November 18, 1947, it did so provisionally with respect to certain tariff items pending the necessary legislative changes in the Canadian customs tariff.²⁰ These changes were not made by the Canadian Parliament until the spring of 1950, and did not become effective until June 1, 1950. Of chief interest to the United States in this connection was Canada's action on the tariff treatment of fruits and vegetables, on the preferential treatment of goods of Empire origin shipped directly to Canada, and on the duty on tin plate.

Before the General Agreement, the Canadian duties on specified fresh fruits and vegetables were increased during the marketing season in

¹⁹ For nontariff import controls, see ch. 8.

²⁰ On the same date that Canada adhered to the General Agreement, the Canadian Government established rigid quantitative import controls because of balance-of-payments difficulties. These controls are discussed in ch. 8.

Canada by the device of arbitrarily increasing the valuation for duty purposes of like imported products. The United States had succeeded, in the 1936 and 1939 trade agreements with Canada, in getting concessions which tended to prevent excessive increases in the in-season charges on certain fruits and vegetables. At Geneva, Canada agreed to abandon the practice of arbitrarily increasing the valuation for duty purposes on a considerable number of fresh fruits and vegetables, and in lieu thereof to levy specified specific duties during the marketing season.

Pending the necessary legislation as to the duties on fruits and vegetables, Canada sought, by order-in-council, to adhere to the provisions of the General Agreement by means of complicated computations under which the arbitrary increases in values for duty purposes on fruits and vegetables during the marketing season have been limited to amounts which have resulted in duties no higher than the specific duties provided in the agreement. Although Canada appears to have scrupulously avoided imposing higher duties on fresh fruits and vegetables than those agreed to at Geneva, the system has been so complicated and difficult to understand that it has given rise to repeated complaints from United States exporters. These difficulties, of course, disappeared when the new rates agreed upon at Geneva were put into effect by legislation on June 1, 1950.

During the Geneva negotiations, Canada and the United Kingdom, in return for tariff concessions received from the United States, agreed to a reduction in the most-favored-nation rate on tin plate, n. o. p. (not otherwise provided) (tariff item 383 (b)) from 17½ percent to 15 percent ad valorem, and to the elimination of preference, which meant that tin plate from the United Kingdom would be subject to the 15-percent rate instead of free entry into Canada. The necessary legislation to cover this provision of the agreement was not enacted until 1950, and the Geneva concession on tin plate became effective on June 1, 1950.

Canadian negotiators also agreed at Geneva to ask the Canadian Parliament to abrogate in part that provision of its tariff act which grants a 10-percent discount from the duty on imports of Empire goods shipped directly from a British country instead of through a third country (the United States being the principal third country concerned), when the preferential rate exceeds 15 percent ad valorem. The result of the discount was to increase the margin of preference for Empire goods above that provided in the tariff schedule. Parliament was to be requested to remove the discount only for items on which the preference had been eliminated at Geneva. This part of the agreement, which also has been approved by the Canadian Parliament, became effective on June 1, 1950.

The exemptions from the application of Canada's antidumping laws²¹ in conjunction with the operation of Canadian quantitative import restrictions, has resulted in an implicit discrimination against United States goods. Canadian dumping duties were suspended during the war, but were reimposed in 1947. In 1948 legislation was passed granting the Canadian Government authority, by orders-in-council, to exempt any product from dumping duty. Such exemption is applicable to imports of the specified product from all countries. Orders-in-council have exempted from dumping duties several important classes of goods, including automobiles, linoleum and silk cloth, confectionery, sanitary earthenware, sporting equipment, lawn mowers, and window glass. In general these classes of goods are ordinarily important exports from both the United Kingdom and the United States. Since most of the items affected by the exemption, however, are subject to quantitative import control if from the United States, all or most of the benefit, if any, from the exemptions has gone to the United Kingdom.²² This implicit discrimination against United States goods, however, is no different from that in certain other Canadian actions since 1947 relating to imports from dollar countries; the selection of items subject to embargo and quota restrictions also operates in much the same way (see ch. 8).

²¹ The so-called antidumping laws of Canada partly resemble and partly differ fundamentally from the United States antidumping laws. The United States treats as dumping the sale of foreign goods in this market at prices less than are charged in the foreign country of origin. The Canadian antidumping regulations set forth in section 6 of its customs act are essentially the same. The discussion in the text relates to these regulations. In addition, however, Canadian administrative authorities are authorized in section 43 of the customs act (which specifies certain conditions) to fix an arbitrary valuation on foreign goods, taking into account the prices and costs of similar goods produced in Canada; the margin between the actual import price of the goods and the arbitrary valuation is treated as measuring the extent of the dumping, and a corresponding dumping duty is imposed. The trade agreements of 1936 and 1939 between Canada and the United States contained provisions narrowing the application of the Canadian dumping duties set forth in section 43, which before 1936 had been a serious handicap to exports of many kinds of goods from the United States to Canada.

For a more detailed discussion of this subject, see United States Tariff Commission, *The Trade Agreement with Canada*, Rept. No. 111, 2d ser., 1936, pp. 94-101; and *Second Trade Agreement Between the United States and Canada*, vol. 1 [processed], pp. 34, 54.

²² There has been much agitation in Canada for the restoration of the dumping duties. Canadian producers of automobiles, in particular, claim that the exemption from dumping duties favors certain makers of United Kingdom automobiles in the Canadian market (those on which dumping duties would have to be paid if these duties were in operation) while not favoring makers of other automobiles (those on which dumping duties would not have to be paid even if the duties were in operation). The complaint also is frequently made in the Canadian press and elsewhere that United Kingdom goods not covered by the exemptions from dumping duties are nevertheless being dumped in the Canadian market without penalty because customs officials take a lenient view of the fair market value indicated on the invoices for duty purposes.

The entire schedule of concessions negotiated by Ceylon at Geneva in 1947 was renegotiated at the Annecy Conference in 1949 as a result of recommendations of the CONTRACTING PARTIES. Before Ceylon became a party to the General Agreement, its trade with the United States was governed by the trade agreement of 1939 between the United States and the United Kingdom. In the General Agreement, Ceylon granted tariff concessions on 83 items and subitems in its tariff, 21 of which were of interest to the United States.²³ After completion of the Geneva negotiations in November 1947, but before Ceylon signed the Protocol of Provisional Application, Ceylon increased its duties on many items covered by the agreement (including several on which direct concessions had been made in negotiations with the United States) allegedly both for revenue purposes and for balance-of-payments reasons. On signing the protocol in June 1948, Ceylon made the reservation that it could not give effect to many of the Geneva concessions, including those made on some items of primary interest to the United States. At their Second Session in August 1948, the CONTRACTING PARTIES decided that such a reservation came within the meaning of article XXIII (Nullification or Impairment) of the General Agreement. Ceylon having expressed a willingness to renegotiate the concessions which it had withdrawn, the CONTRACTING PARTIES accordingly recommended that the renegotiations take place not later than the time scheduled for the Annecy meetings. In the meantime, Ceylon continued to apply the increased duties which it had applied to concession items late in 1947. The renegotiated schedule of concessions, which replaced Ceylon's schedule (schedule VI) as negotiated at Geneva, was approved by the CONTRACTING PARTIES on August 12, 1949. The new rates became effective upon their ratification by the Parliament of Ceylon on September 21, 1949.

At Annecy, Ceylon renegotiated with Australia, Benelux Customs Union, China, Czechoslovakia, France, New Zealand, Norway, the Union of South Africa, and the United States. These renegotiations resulted in the deletion of 5 items, the addition of 24 new items, and modifications of many rates of duty in Ceylon's schedule of the General Agreement. There were no changes in the schedules of the other countries which were parties to the renegotiations. The only item withdrawn by Ceylon which was of interest to the United States was floorcloth. Among the newly added items on which the United States received direct concessions were these: Mineral grease, mineral oil, n. e. s., lubricating oil, rosin, glass and glassware, n. e. s., oil-pressing and refining machinery, cotton manufactures, n. e. s., piece goods of mixed materials,

²³ For nontariff import controls, see ch. 8.

²⁴ See *Operation of the Trade Agreements Program* (second report), pp. 33-34.

n. e. s., cotton apparel, n. e. s., cotton garments, processed cinematograph films, and chests and boxes for packing Ceylon produce. Of these items there are preferential tariff rates only on piece goods of mixed materials, lubricating oil, and processed cinematograph films. All of the modifications in the revised schedule were increases in rates of duty. Items of interest to the United States on which the rates of duty were increased include fresh and dried or preserved fruits, cereal foodstuffs, asphalt, agricultural machinery, refrigerators, penicillin, and paints. There was no change at all in Ceylon's tariff treatment of milk, foods, unmanufactured tobacco, electric transformers, dynamos, and motors, pumping machinery, and typewriters, on all of which direct concessions had been made to the United States at Geneva.

China

During April and May 1949 the Chinese Communists, already in control of Peiping and Tientsin, took control of Nanking, the capital of Nationalist China, and of Shanghai, the main port; by the end of the year they were in control of most of the country.

The Chinese Communists have ignored the obligations which were undertaken by the Nationalist Government in adhering to the General Agreement on Tariffs and Trade. This appears to have been a general policy applying to the trade with all countries, without discrimination against the United States. As far as tariff matters are concerned, the violations of the General Agreement by the Communist Government center about the Chinese Customs Import Tariff as revised by the Nationalist Government in August 1948. Under this tariff, the Chinese Nationalist Government had sharply increased the rates of duty on most imports, but had suspended the application of these rates to imports from countries which are contracting parties to the General Agreement. Upon assuming authority in various parts of China, the Communist forces decreed the collection of import duties at the rates specified in the tariff of 1948, but did not suspend their application to General Agreement countries. This action, initially taken by the Communist authorities in Tientsin in March 1949, was later extended to other Chinese ports as they came under Communist control. The Chinese Nationalist Government withdrew from the General Agreement early in 1950.

Besides directly violating the General Agreement by unilaterally terminating the Chinese duty concessions, the Communist authorities have violated it in applying internal taxes. In addition to the payment of import duties, importers must also pay a "consolidated tax" on certain specified goods. The Communist authorities, by increasing all consolidated tax rates in November 1949, violated that part of the General Agreement (article II), then in effect, which provides that concession

²⁵ See ch. 3.

items should be exempt from all other duties or charges in excess of those imposed on the date of the agreement.

Cuba²⁶

Cuba is the only trade-agreement country with which the United States has a preferential tariff arrangement, the present basis of which is provided for by the Exclusive Supplementary Agreement concluded by the two countries at Geneva on October 30, 1947. The principal tariff concessions granted by the United States exclusively to Cuba and by Cuba exclusively to the United States are set forth in part II (Preferential Tariff) of schedule XX (United States) and part II of schedule IX (Cuba), respectively, of the General Agreement.

At the Second Session of the CONTRACTING PARTIES to the General Agreement, held at Geneva during August and September 1948, the CONTRACTING PARTIES recommended, and the United States agreed, that renegotiation of the rates of duty on six tariff items included in the Cuban schedule of concessions should be undertaken.²⁷ The recommendation also stipulated that the renegotiations should include Cuban tariff rates on colored-woven textiles, if Cuba so requested. It was further recommended by the CONTRACTING PARTIES that adequate compensation be provided in return for any modifications of Cuban tariff concessions that might be agreed to as the result of the authorized renegotiations.

The six Cuban tariff items listed for renegotiation comprised non-ornamental cotton ribbons and trimmings for use in finishing clothing and other articles; similar products made of rayon, nylon, and other synthetic yarns; fancy or ornamental ribbons, galloons, and trimmings of rayon and the like; nylon hosiery; rubber tire casings; and rubber inner tubes. Preparations for these renegotiations, to take place in Havana, Cuba, were begun before the end of 1948²⁸ and continued during the early months of 1949. However, shortly before the opening of the Annecy Conference, the Cuban Government indicated that it was not in a position to proceed with the renegotiations in Havana. Later, at Annecy, the Cuban Delegation requested that the renegotiations of the six items be transferred from Havana to Annecy; it also requested that the scope of the renegotiations be expanded to include all colored-woven fabrics of cotton and of rayon and similar yarns.

By the end of May 1949, the renegotiations of the six items and of the

²⁶ For nontariff import controls, see ch. 8.

²⁷ See *Operation of the Trade Agreements Program* (second report), p. 37.

²⁸ In conformity with legal requirements under the Trade Agreements Act, public notice of the proposed renegotiations of the six items was issued on October 11, 1948 (Department of State Press Release No. 825).

colored-woven fabrics,²⁹ were on the agenda at Annecy for discussions between representatives of the United States and Cuba. Despite the anxiety expressed by the Cuban Delegation over the critical position of their affected industries and its desire to report a satisfactory settlement of these questions to the CONTRACTING PARTIES before adjournment of the Annecy session, the renegotiations were broken off in August 1949.

After the Cuban Delegation withdrew from the Annecy session of the CONTRACTING PARTIES, the Chairman of the United States Delegation made a statement expressing the willingness of the United States to negotiate bilaterally with Cuba in an effort to reach agreement on outstanding tariff problems. As a result of new requests by the Government of Cuba for renegotiation of its 1947 concessions to the United States on the six items specified above and on practically all fabrics of cotton and of rayon, nylon, or other synthetic yarns, including colored-woven fabrics, and on certain related items, public announcement was made on December 27, 1949,³⁰ that the United States and Cuba would carry on the proposed renegotiations at Washington beginning early in February 1950. The public notice further announced that the negotiations would also include consideration of (1) new concessions on the part of Cuba in return for any modifications of Cuban duties that might be agreed to by the United States, and (2) possible withdrawal by the United States of some concessions initially negotiated with Cuba in 1947. The notice also called for information and views in writing from interested persons and announced public hearings for oral presentation of views, on February 1, 1950. The renegotiations were opened on February 6, 1950. The first items considered were the six items named above. Renegotiations on other textile items were to follow later, but discussions on these items are still (June 30, 1950) in progress.

Conclusion of the first stage of the renegotiations between Cuba and the United States was announced on May 31, 1950. The new agreement includes increases in Cuban rates of duty on (1) nonornamental cotton ribbons; (2) nonornamental and ornamental ribbons of rayon, nylon, and other synthetic or artificial yarns; (3) nylon stockings for women; (4) bicycle tires; (5) other tires weighing less than 8 kilograms or more than 62 kilograms each; and (6) inner tubes. For some products covered by the original six items under renegotiation it was agreed to continue the

²⁹ Public notice that the renegotiations would include colored-woven textiles was given on June 3, 1949 (Department of State Press Release No. 413). It may be observed that in connection with neither of the public notices dealing with these renegotiations with Cuba was there any announcement of public hearings. However, the views of interested persons were invited.

³⁰ Department of State Press Release No. 1004.

existing concession rates; these rates were continued for (1) nonornamental braids and galloons of cotton, and of rayon, nylon, and other synthetic or artificial yarns; (2) stockings (other than nylon stockings for women), and socks, gloves, and other small articles made of knit fabrics of rayon, nylon, and similar yarns; and (3) tires other than those specified above. Furthermore, for one group of products, classified as ornamental trimmings and fancy galloons, made of rayon, nylon, and other synthetic or artificial yarns, a reduction in duty was negotiated.

As compensation for these modifications of Cuban rates of duty agreed to by the United States, Cuba reduced a number of duties and improved tariff classifications. These concessions were obtained for ordinary glass tableware and similar articles; plain earthenware other than articles for tableware; various articles used for surgical or medical purposes; a broad group of office appliances and their unassembled parts and accessories; rolled oats; fresh apples and pears imported into Cuba from August 1 to the following March 31; fresh peaches, plums, cherries, grapes, nectarines, and apricots (no seasonal limitation); and certain cotton waterproof fabrics and rubber friction tape. In addition, duty-free entry into Cuba was agreed upon for two fertilizer products, namely, nitrogenous solutions and sulfate of potash magnesia. The latter was previously dutiable; for the former the concession represents a binding of existing duty-free treatment.

The detailed results of these renegotiations were immediately submitted to the CONTRACTING PARTIES. In this connection, explanation was made that the changes in Cuban tariff rates negotiated with the United States were with respect to the preferential rates of duty and that, therefore, it was the intention of the Cuban Government to increase or decrease the rates of duty in its most-favored-nation tariff on each of these items by an amount corresponding to the change in the preferential tariff. The new rates of duty, increases as well as decreases, were made effective in Cuba on June 12, 1950.

During the Annecy negotiations, Cuba also requested permission to renegotiate the concessions on table-stock potatoes in its preferential and most-favored-nation tariffs as set forth in its Geneva schedule. Renegotiations between Cuba and the United States and Canada were undertaken and completed at Annecy, and the new rates became effective on July 1, 1949. The seasonal rate of duty on potatoes imported from the United States in July of any year was increased from \$2 per 100 kilograms (the rate initially stipulated in the Geneva schedule) to \$3. In compensation for this change, Cuba agreed to reduce by \$1 the rates on potatoes imported during October and November, namely to \$2 and \$3 per 100 kilograms, respectively. Corresponding adjustments were made in the Cuban most-favored-nation rates. As a reason for wanting the increase in duty for July, the Cuban Government stated that an increase in its

domestic production of potatoes in recent years, together with greater facilities for storage, would enable the country to draw upon Cuban supplies from about November 15 through the following August.

Aside from the foregoing matters relating to Cuban tariff treatment of United States goods, several questions have been at issue between Cuba and the United States, particularly concerning certain Cuban taxes which apply to imports from this country in such a way as to appear inconsistent with the General Agreement. For example, in May 1949, the Cuban gross sales tax of 9 percent on imports of lumber, the collection of which had been suspended for almost a year, was reimposed; domestically produced lumber is not subject to the tax. The United States made representations to the Cuban Government calling attention to the fact that this discriminatory tax infringes article III of the General Agreement, which forbids taxes on imported products at rates in excess of those on like domestic products. This and other similar problems were to be dealt with during the bilateral discussion which began in Washington in February 1950. As of June 30, 1950, these discussions had not been completed.

Pakistan

Before signing the Protocol of Provisional Application of the General Agreement in June 1948, Pakistan received authorization from the CONTRACTING PARTIES to renegotiate a few tariff items on which concessions had been granted on its behalf by prepartition India at the 1947 Geneva Conference.³¹ Between the time these concessions were made and the time the protocol was signed, Pakistan had increased the duties (effective March 16, 1948) on these items. It therefore desired to renegotiate concerning these items on the ground that the concessions on them were not in balance with the concessions received by Pakistan.

The renegotiations were held at Annecy in 1949, with the result that all the countries to which the concessions under consideration had been granted (with one exception) consented to their withdrawal. Two of the items (camphor and certain radio equipment) had been initially negotiated with the United States; two with France (ribbons and certain musical instruments); one with Czechoslovakia (glass beads and false pearls); and one with China (certain textile manufactures). The Netherlands, which benefited from the concession to the United States on radio equipment by virtue of the most-favored-nation clause, objected to the withdrawal of the concession on this item and took the matter up independently with Pakistan.

³¹ The first printed tariff schedule issued by Pakistan is dated April 1, 1949. Before that time the tariff schedule of India was applicable, with some modification, to imports into Pakistan.

Chapter 8

Quantitative Restrictions and Exchange Controls of Foreign Countries With Which the United States Has Trade Agreements

In most foreign countries embargoes, quotas, licensing, and exchange-control regulations have become more important than tariffs as a means of restricting imports. At present most foreign countries restrict both the quantities of goods permitted to be imported and the sale of foreign exchange. Countries in balance-of-payments difficulties employ these methods in order to restrict total imports to given levels, to regulate particular imports on the basis of essentiality, and to differentiate among the sources of supply. Quantitative import restrictions and exchange controls are also sometimes used primarily for protectionist reasons. Often, too, protection is an incidental effect of such measures designed primarily to meet balance-of-payments difficulties.¹

The licensing of imports and the issuance of exchange permits usually supplement each other. In British Commonwealth countries and most European countries which operate both import licensing and exchange control, the issuance of an import license generally carries the authority to purchase the foreign exchange, and also the assurance that the exchange will be made available when needed. In most Latin American countries the possession of an import license usually carries only the right to apply for the necessary foreign exchange, without any assurance that it will be obtainable.

APPLICABLE PROVISIONS IN THE GENERAL AGREEMENT AND OTHER TRADE AGREEMENTS

In article XII, the General Agreement on Tariffs and Trade permits the contracting parties to restrict the quantity or value of merchandise imported in order to safeguard their external financial position and balance of payments. This permission is subject to certain provisions, including the obligation of contracting parties to relax these import restrictions as conditions improve. The agreement calls for the nondiscriminatory administration of quantitative restrictions (article XIII)

¹ See also the first two paragraphs of ch. 7 of this report, and *Operation of the Trade Agreements Program* (second report), ch. 6.

but provides certain exceptions to the rule of nondiscrimination (article XIV). Exchange questions fall primarily within the jurisdiction of the International Monetary Fund, but the contracting parties to the General Agreement (under article XV) are called upon to cooperate with the Fund with regard to exchange questions. Several countries took action in 1949 under article XVII of the General Agreement; this article permits contracting parties to maintain existing or to establish new quantitative restrictions for purposes of economic development and reconstruction.

The pre-Geneva agreements still in force in 1949 between the United States and foreign countries vary considerably as to provisions regarding the application of quantitative import restrictions. Those with Argentina, Ecuador, Iceland, Mexico, Paraguay, Peru, and Uruguay provide specifically that either party may impose quantitative restrictions in order to maintain the exchange value of its currency. These and most of the other pre-Geneva agreements also provide for the use of quantitative import restrictions for other reasons, as in conjunction with government measures operating to regulate or control the production, market supply, or prices of like domestic articles, or tending to increase the labor costs of production of such articles. The agreement with Venezuela permits either party to apply quantitative import restrictions to concession items if such restrictions prove necessary because of special circumstances. In all circumstances in which the pre-Geneva agreements permit quantitative restrictions, their application must be nondiscriminatory. In some instances the United States has agreed to pre-Geneva countries using quantitative restrictions on imports for balance-of-payments reasons, even though the original agreements do not provide such restrictions. These arrangements are similar to those permitted under the General Agreement.

EXTENT AND TYPES OF QUANTITATIVE IMPORT RESTRICTIONS APPLIED BY TRADE-AGREEMENT COUNTRIES.

Only 4 of the 42 countries with which the United States had trade agreements in force in the period covered by this report (April 1949 to June 1950) employed neither import licenses nor exchange control.² These countries were Cuba, El Salvador, Guatemala, and Haiti. Most of the other 38 require both import licenses and exchange permits, although usually the import license carries the right to purchase foreign exchange.

A number of agreement countries prohibit entirely the importation of goods listed as nonessential. Such lists are distinct from those categories of goods which may not be imported unless covered by an import license. Import quotas also are widely used. Regulations requiring that importers

² Henry Chalmers, "Current Trends in Foreign Trade Policies: Review of 1949," *Foreign Commerce Weekly*, Feb. 27, 1950, p. 4; see also *Foreign Commerce Weekly*, July 4, 1949, pp. 47-48, and Aug. 15, 1949, p. 2.

purchase a stated quantity of domestic materials as a condition for obtaining permission to import like or similar goods are also found in some countries.

Classification of imports on the basis of essentiality has become more common in the past 2 or 3 years than before, with a tendency to declare an increasingly large number of items nonessential, or to classify them as less essential than before. In 1949 stricter regulations governing essentiality were applied by a number of pre-Geneva agreement countries, including Argentina, Colombia, Ecuador, Iran, Nicaragua, Paraguay, Turkey, and Uruguay; among the General Agreement countries which extended their controls in this way were Brazil, Chile, India, and the Union of South Africa.

Some countries link the classification of imports on the basis of essentiality with a system of multiple exchange rates, giving imports of greater essentiality a more favorable rate than the less essential. This system is a feature of the restrictions in Argentina, Paraguay, and Uruguay. Paraguay, for example, has four different exchange rates, corresponding to four categories of goods graded according to essentiality. Uruguay has two rates of exchange; the rate applicable to luxuries, estimated at about 20 percent of total imports, is 2.45 pesos per United States dollar, and the rate applicable to the remaining 80 percent of imports is 1.90 pesos per dollar. Argentina also employs a multiple-rate system which will be discussed below in connection with other matters relating to Argentine commercial policy.

Although the General Agreement makes provision for preventing import restrictions, particularly embargoes, from completely stopping the flow of trade, the provision has had only limited application. Article XII of the agreement provides, in part, that contracting parties shall not apply restrictions so as to prevent unreasonably the importation of goods in minimum commercial quantities, the exclusion of which would impair the regular channels of trade.

Before the inauguration of article XII, the British Board of Trade established a trade arrangement known as the "token import plan."² The arrangement was first made applicable to the United States and certain other countries in July 1946 and has been continued each year. The plan permits eligible United States manufacturers, or other authorized agencies, to export to the United Kingdom in each calendar year token shipments of specified commodities, the general importation of which is prohibited by the United Kingdom. United States manufacturers or agents eligible under this arrangement are those having established prewar trade connections in the United Kingdom. The token shipments permitted may not exceed 20 percent of the individual manufacturer's average annual shipments of the specified commodity to the United Kingdom in the base

² See *Operation of the Trade Agreements Program* (second report), p. 51.

period 1936-38. Nearly 200 commodities are subject to the plan, including certain "food, drink, and tobacco" items, and a wide range of other products, mostly manufactures.

No arrangement comparable in scope or specific intent to the British import-token plan has been made by any other country with which the United States has trade agreements. Some of the Latin American countries have allocated dollar exchange for the purchase of small amounts of products otherwise excluded. The Netherlands Government in September 1949 relaxed its stringent import restrictions to the extent of permitting Netherlands exporters to retain 10 percent of their net dollar earnings to use in purchasing in the United States any commodity they may choose, regardless of the officially declared nonessentiality of the commodity.

Even though the arrangements just described are likely to involve only a small trade, the maintenance of established prewar trade channels is of generally recognized importance. The tendency of governments, however, has been to concentrate more on the objective of facilitating the removal of existing controls through a general improvement of the economic situation.

APPLICATION OF QUANTITATIVE RESTRICTIONS IN INDIVIDUAL COUNTRIES

All trade-agreement countries which in 1947 and 1948 operated some or all forms of import restrictions described in the preceding section continued to employ them in the period covered by this report. Some countries continued the restrictions with little or no modification; others tightened them considerably; and a few relaxed them. Most restrictions imposed by countries parties to the General Agreement were in conformity with the exceptions contained in that agreement. The United States Government continued, however, to seek correction of any actions which appeared to be inconsistent with obligations assumed under that agreement or under the pre-Geneva agreements still in force.

The Tariff Commission's report of last year⁴ commented extensively on quantitative import restrictions in a number of countries with which the United States has trade agreements. The actions of a few countries were discussed chiefly in order to indicate what these countries had done in contravention of their trade-agreement obligations as to nontariff import controls, and to indicate what steps the United States had taken to bring about compliance with the provisions of the agreements. Some contraventions had obviously been inadvertent. The actions of other countries, notably the United Kingdom, were discussed at some length, not because of any differences between them and the United States over

⁴ *Operation of the Trade Agreements Program* (second report), ch. 6.

trade-agreement matters, but in order to indicate the type of trade and balance-of-payments problems which these countries faced.

This chapter reviews recent actions regarding quantitative restrictions and exchange controls on the part of certain countries with which the United States has trade agreements, especially countries whose actions have raised an issue with the United States regarding the application of their concessions to this country. The discussion of other countries brings up to date controversial matters which had arisen between them and the United States in 1948 or earlier, but which were not resolved at the time the Tariff Commission's second report was prepared.

Pre-Geneva Trade-Agreement Countries

The application of quantitative restrictions by six countries with which the United States had pre-Geneva trade agreements in force in 1949 warrants attention. These countries are Argentina, Colombia, Costa Rica, Guatemala, Mexico, and Venezuela.

*Argentina*⁵

For several years Argentina's system of quantitative import restrictions and exchange control has been very severe and has been stringently enforced. It has been modified frequently, and the changes made in 1949 added to the difficulty of importing goods into Argentina, particularly from the United States and other countries operating on a dollar basis.

Since 1931 Argentina has operated an exchange-control system of varying severity. At the end of 1947 the foreign-exchange position of Argentina became serious, and the country has since been chronically short of exchange. Article IV of the agreement of 1941 between the United States and Argentina provides for adherence to the principle of nondiscrimination in the operation of all exchange-control measures, subject to waiver in certain circumstances.⁶

Because of the persistent shortage of dollar exchange in 1949, Argentina continued to apply licensing to imports of concession items, as well as those of nonconcession items, from the United States and all other countries. On February 1, 1949, the Argentine Central Bank suspended (with a few exceptions) all transfers of funds abroad and discontinued the granting of exchange permits for imports. The bank took this action in order to be able to accept applications for new exchange permits and for the revalidation of old ones. On March 15, the Ministry of Finance announced that priority in consideration of applications would be given to articles of prime necessity for the maintenance of public health or the economic development of the country. In addition, to establishing two general categories of imports on the basis of degree

⁵ For Argentina's action on tariffs, see ch. 7.

⁶ See *Operation of the Trade Agreements Program* (second report), p. 67.

of essentiality, these regulations also differentiated between supplying countries by granting exchange permits only for imports of certain commodities from neighboring countries or from countries with which Argentina had concluded exchange and payments agreements (these did not include the United States).

As subsequently worked out, the regulations differentiated between supplying countries as follows: (1) Applications for exchange permits would be received without limitations as to quantity for merchandise originating in Bolivia, Chile, Paraguay, Peru, and the Spanish-peseta and French-franc monetary areas; (2) applications for exchange permits for imports from other specified countries would be received up to an amount equivalent to 50 percent of the average annual volume of imports of each article from these countries during 1947 and 1948; and (3) applications for exchange permits for imports from all other countries, including the United States, would be received up to an amount equivalent to 25 percent of the average volume of such imports of each article from them during 1947 and 1948. Special provisions were made to cover imports for which payment was to be made with the importer's own funds held abroad and to cover imports representing a capital investment.

Argentina's system of multiple exchange rates was continued in effect throughout 1949, but in October, after devaluation of the pound sterling, new rates of exchange were set for both imports and exports. For specified imports considered most essential to the domestic economy (including coal and petroleum) a preferential rate of 373.13 pesos per \$100 was established; and for specified items considered less essential but still desirable (various raw materials and items of popular consumption) the rate was set at 537.14 pesos per \$100. The rate applicable to imports not covered by these two lists was set at 608.57 pesos per \$100. For certain categories of goods, dollars may also be sold at auction to the highest bidder. A similar system of exchange rates, with fixed buying rates for dollars, was established for financing exports.

The changes in Argentina's import and exchange regulations in 1949 substantially increased the number of items that could not be imported from the United States or that could be imported only with difficulty. These added items included medicinal and pharmaceutical products, needles for looms, refractory materials, tetraethyl lead, rayon cord fabrics, rubber catalysts, carbon black, and reagents for analysis. Previous quota restrictions were continued on certain items, including crude petroleum, fuel oil, and other petroleum products, hydrogen peroxide, calcium carbide, sulfur, and X-ray films. Global import quotas also were established for the second half of 1949 on photographic paper and dry plates; photographic dry plates are included in Argentina's schedule of concessions to the United States.

Colombia The trade agreement between the United States and Colombia was in effect during all of 1949 except December.⁸ During the year Colombia's commercial policy was directed primarily toward the protection of domestic industry, with the strong secondary purpose of achieving a favorable balance of payments, or at least keeping its unfavorable balance as low as possible. To accomplish these aims, Colombia adopted new quantitative import restrictions and strengthened those already in existence; during the midpart of the year it also adhered to a rigid allocation of foreign exchange but followed a more liberal policy in the first and last quarters.

New quantitative restrictions were promulgated by decree in February 1949. Under this decree Colombian industries were required to consume certain domestically produced raw materials, at prices fixed by the Government, before similar materials could be imported. The list, which is quite long, includes the following articles: Vegetable oils and seeds; starches; refined sugar; refined and raw sulfur; crude or semiprocessed rubber, sheet rubber, and other rubber products; cement; raw cotton; cordage of hemp or jute; hides and skins; tanning extracts; vegetable fibers; lumber; doors and windows made of wood or metal; and tobacco. Obligatory consumption quotas for rayon yarn were modified during the year. Under a resolution of September 1, 1949, importers were required to purchase an amount of domestically produced rayon yarn equivalent in weight to the foreign yarn imported by them, although certain exceptions to this formula were made.

In June 1948 Colombia had imposed graduated taxes on the purchase of foreign exchange, the taxes being scaled according to the essentiality of the imports for which the exchange was issued. The taxes ranged from 10 percent for the most essential imports to 26 percent for the least essential, and applied equally to concession and nonconcession items. The United States protested against these taxes as constituting a violation of that part of the 1936 trade agreement between this country and Colombia which prohibits the application of other or higher duties or charges on imports than those specified in the agreement. Upon Colombia's plea of urgent revenue requirements in justification of its action, the United States in 1948 temporarily and conditionally withdrew its protest, on the understanding that the matter would be taken up with Colombia at the Anney Conference in 1949.

At the end of 1948 Colombia modified somewhat the exchange regulations of June 1948. The exchange taxes were retained, but a law of December 16, 1948, reduced the taxes applicable to imports in groups I and II of the three-group import classification. Group I consists of imports considered the most essential; group II includes those considered de-

⁷ For Colombia's actions on tariffs, see ch. 7.

⁸ The agreement with Colombia was terminated, effective December 1, 1949; see ch. 7.

sirable but not essential; and group III contains those listed as unessential. In a decree of January 29, 1949, commodities were reclassified among these three groups, some commodities being shifted from group I to group II, and others from group II to group III.

The somewhat more liberal import policy followed in the first quarter of 1949 resulted in such a large unfavorable balance of payments that the Colombian Government adopted a more rigid allocation of exchange. By September its balance-of-payments position had so improved that, commencing in October, the Government again became more liberal in the issuance of exchange.

Costa Rica⁹

In October 1948 Costa Rica applied a 20-percent exchange surcharge on imports of products appearing in two lists of items considered to be less essential than items not so listed.¹⁰ The stated purpose of this action was to improve the country's foreign-exchange position by curtailing imports, particularly from the United States.

Since the two lists included most of the items on which concessions were granted to the United States in the trade agreement of 1937, the United States protested the application of the exchange surcharge as being in violation of article I of the agreement. This article provides that scheduled items shall be exempt from all charges other or higher than those specified in the agreement. The United States made its protest in December 1948, but during 1949 Costa Rica took no action to correct this violation of the agreement.

In an exchange of notes between the United States and Costa Rica on April 4, 1950, the United States Government agreed to waive for one year, from April 1, 1950, the provisions of article I of the agreement to the extent of permitting Costa Rica to apply specified multiple exchange surcharges to scheduled items. This modification of the agreement permits Costa Rica to apply its exchange-control law for such charges without violating the agreement. During the year in which the provisions of article I are waived, Costa Rica is expected to solve its financial difficulties so as not to conflict with article I. Should Costa Rica use its multiple exchange surcharges for purposes other than to solve its financial difficulties, the United States reserves the right to revoke its waiver of article I upon 30 days' written notice.

Guatemala

In January 1949 Guatemala prohibited by decree the importation of wheat flour, which is a concession item in the 1936 trade agreement between the United States and that country. In April, however, after protest from the United States, Guatemala replaced the prohibition decree

⁹ For Costa Rica's actions on tariffs, see ch. 7.

¹⁰ See *Operation of the Trade Agreements Program* (second report), p. 41.

with a resolution requiring the prior purchase by importers of an amount of domestically milled flour equal to the amount of hard wheat flour they import. This measure, though subsequently liberalized and then suspended, was restored to its original form by a resolution of December 2, 1949. In November 1949 Guatemala also placed prohibitions and restrictions on the importation of certain printed matter on which it had granted concessions to the United States. Guatemala took no action in 1949 to correct these violations of its agreement, despite protests from the United States Government. It is expected that this matter will be taken up with Guatemala at the negotiations at Torquay in 1950, with a view to a solution satisfactory to both countries.

*Mexico*¹¹

Article X of the trade agreement of 1943 between the United States and Mexico¹² permits either country to impose quantitative restrictions on imports of concession items (after consultation with the other country) in conjunction with Government measures to maintain the exchange value of the currency, or with Government measures operating to regulate production, market supply, quality, or prices of like domestic articles, or tending to increase the labor costs of production of such articles. At no time under the agreement has Mexico operated exchange controls in conjunction with its other measures to restrict imports; instead it has controlled imports through the use of import duties and a rigid system of import licensing and prohibitions.

Mexico's employment of quantitative import controls became wider in scope and increasingly severe in 1947 and 1948. In July 1947 Mexico placed a temporary import embargo on a wide range of goods designated as nonessential and luxury-type. A number of items on which Mexico had granted concessions to the United States were subject to the embargo, but the Mexican Government held that there was no violation of the trade agreement, since the action was in accordance with article X of the agreement as to maintenance of the exchange value of the currency. Some of the concession items had been previously subject to import license. Included among the concession items in the list of prohibited imports were passenger automobiles, trucks, refrigerators, radios, phonographs, apples, grapes, prunes, raisins, wine, whisky, and numerous articles of furniture and wearing apparel. Mexico removed the import embargo on whisky in May 1948, but the other concession items named remained on the prohibited list.

In June 1949 Mexico added 207 fractions (items) of its import tariff to the list of items temporarily prohibited from importation under the

¹¹ For Mexico's action on tariffs, see ch. 7.

¹² The agreement will be terminated effective December 31, 1950; see ch. 7.

embargo of 1947; in September it added 2 more.¹⁸ No items in Mexico's schedule of concessions to the United States are included in these additions. Most of the prohibited items consist of textiles, clothing, and other textile manufactures; the list also includes certain preserved fish, certain fresh, dried and preserved fruits, certain silver jewelry, various types of toys, cosmetics, electrolytic copper, and certain types of footwear.

In addition to the long list of products prohibited from importation, Mexico lists a great many commodities which may be imported only under license. In 1949 a number of items were added to the list of products for which import permits are required. Some of these (including one motion-picture film item, three tariff fractions covering bathroom equipment, and one covering cocoa butter) are trade-agreement concession items. As already indicated, restrictions of this kind are permitted by article 15 of the agreement.

Venezuela

During 1949 the Venezuelan Government embarked on a program of protection for domestic industry. It restricted imports of articles competing with national goods by means of embargoes, quotas, and tariff increases. Duties were reduced on imported products noncompetitive with national goods, and on raw materials and articles used in the manufacture of national products. Import licenses are required in Venezuela for about 20 tariff items, but there are no restrictions on the purchase and sale of foreign exchange. Article VI of the trade agreement of 1939 between the United States and Venezuela permits either country, because of special circumstances, to establish quantitative restrictions on imports of scheduled items.

In February 1949 the National Supply Commission in Venezuela suspended the issuance of import licenses for lard (a trade-agreement item), in effect establishing an embargo on this commodity. This action was taken because of abnormal conditions in the fats-and-oils market in Venezuela. Imports of relatively low-priced lard from the United States, after the lifting by this country of export controls on shipments of lard from the United States, coincided with the arrival in Venezuela of a quantity of high-priced copra from the Philippines, thus adversely affecting the sale of the copra. The United States concurred in Venezuela's action, with certain reservations, for a temporary period of 6 months, during which a satisfactory quota arrangement for lard was to be worked out with Venezuela. Protection for the domestic producers of vegetable shortening was established in the form of an annual quota of 4,500,000 gross kilograms of lard, effective June 23, 1950. This quota is not allocated by countries.

¹⁸ The additions to Mexico's list of prohibited imports came at the time of the devaluation of the peso and its stabilization at a new rate. The relation of devaluation to Mexico's action on tariff changes and quantitative import controls is discussed in ch. 7.

In February 1949 Venezuela also proposed to establish an annual quota of 400,000 gross kilograms on sweetened and unsweetened crackers and biscuits, also a scheduled item, which had been subjected to the requirement of a prior import license in September 1948. The United States, however, considered this quota inadequate, and in May 1949 Venezuela offered to increase the annual quota to 600,000 gross kilograms. The United States Government also agreed to a one-year global quota, beginning October 22, 1949, of 140,000 tires and 105,000 tubes to be imported into Venezuela; these also are trade-agreement items. Special tires for airplanes and tractors were not to be included in the quota. Venezuela agreed to grant additional import licenses in case consumption increases or under whatever circumstances the quota proves to be inadequate.

In addition to its actions on lard, crackers and biscuits, and tires and tubes, Venezuela in 1948 and 1949 established quotas and import licenses for a number of non-trade-agreement items.

General Agreement Countries

The action of several General Agreement countries during 1949 as to quantitative import restrictions involved proposals placed before the CONTRACTING PARTIES for permission to continue or to establish measures under article XVIII (Governmental Assistance to Economic Development and Reconstruction). Application under this article was made by eight countries, namely, Ceylon, Chile, Cuba, India, the Netherlands, Syria and Lebanon, and the United Kingdom. The application of quantitative restrictions by Canada, Cuba, and the Union of South Africa under provisions of the agreement other than article XVIII represents a continuation of policies which these countries had adopted before 1949.

Actions under article XVIII

At the meeting of the CONTRACTING PARTIES at Annecy in 1949, consideration was given to the proposals of eight countries to maintain existing or establish new quantitative restrictions for the purpose of economic development under the provisions of article XVIII of the General Agreement. This article, in part, permits contracting parties to the agreement to use nondiscriminatory protective measures—particularly quantitative import restrictions—for promoting the economic development and reconstruction of particular industries or particular branches of agriculture.¹⁴ The article is applicable both to measures already in effect

¹⁴ See *General Agreement . . . (Amended Text)*, U. S. Department of State Pub. 3758 (Commercial Pol. Ser. 124), 1950, p. 41. For detailed discussion of the provisions of article XVIII, see *Operation of the Trade Agreements Program* (first report), pt. 2, p. 51; and *Operation of the Trade Agreements Program* (second report), pp. 24-25.

on September 1, 1947, which a country may wish to maintain, and to new measures which it may wish to establish; for the latter, prior approval is necessary. In considering applications under article XVIII, both as to existing and as to proposed new measures, it is necessary to ascertain that the measure is (1) nondiscriminatory in its external effect; (2) actually designed to assist in the development of an industry; and (3) not otherwise permitted in the General Agreement.

Of the eight countries whose proposals to maintain existing or establish new protective measures under article XVIII were considered by the CONTRACTING PARTIES, Ceylon was the only one which asked for prior approval of new measures. The others sought permission to maintain measures already in force in 1947; these were the Netherlands (for Indonesia), Chile, the United Kingdom (for Mauritius and Northern Rhodesia), Cuba, India, and Lebanon and Syria. As a result of the examination by the CONTRACTING PARTIES, the Netherlands measures were withdrawn. The Chilean measures were adjudged to be designed to protect Chile's balance-of-payments position and not for economic development; therefore they were not examined under article XVIII.

The United Kingdom had asked permission on behalf of Mauritius to maintain a quota on imports of black and green tea, and on behalf of Northern Rhodesia to maintain a temporary and discriminatory policy prohibiting the importation of filled soap from the Belgian Congo. However, the United Kingdom decided that tariff protection would suffice for Mauritius and agreed to withdraw the quota restriction on January 1, 1950. A similar withdrawal of the prohibition on filled soap was also agreed for Northern Rhodesia.

When India on December 4, 1948, imposed a protective tariff duty on grinding wheels and segments thereof, it placed imports of this product under open general license. Since this action permitted unrestricted imports of grinding wheels and segments into India under duty, the prohibition on imports of this product which had previously applied was no longer operative. At Annecy, India requested permission to reimpose at any time within 3 years temporary measures involving the prohibition of imports of grinding wheels and segments thereof except under license. This permission was granted by the CONTRACTING PARTIES.

Lebanon and Syria originally requested permission to maintain quantitative restrictions on a long list of imports, but subsequently they withdrew some of the commodities from the list. Permission to maintain the restrictions was granted (generally for 5 years) on citrus and other fruits, wheat, wheat flour, barley, sugar, chocolate, preserves, cement, raw cotton, cotton yarn or thread, cotton textiles, and glass and glassware. The controls generally involve the use of import licenses, but for

certain products quotas also are used. Imports of some articles are subject to government monopoly, and imports of still others are prohibited.

Ceylon's request for prior approval to apply protective measures was the first involving new measures under article XVIII to come before the CONTRACTING PARTIES for examination.¹⁵ The Ceylon Parliament had passed the Industrial Products Act, the purpose of which is to regulate the importation of certain foreign products and thereby facilitate the sale of similar domestic products. The important feature of the legislation is the requirement that an importer must purchase a certain proportion of a local product in order to obtain a license to import a specified quantity of a similar product. The "standard ratio," or basis for determining the quantity of a given local product that an importer must purchase in order to obtain an import license, is to be determined as the occasion arises for applying the measures.

Ceylon was granted permission by the CONTRACTING PARTIES to apply the legislation described above to imports of a number of items on which Ceylon had not granted tariff concessions in the renegotiations at Annecy of Ceylon's schedule of the Geneva agreement. The following articles are covered by this permission: Certain plywood products; boots, shoes, and sandals; volley balls; acetic acid; wood preservatives; shark-liver oil; pyrodite (an insecticide); certain iron and steel products; cotton fabrics and cotton lace; certain rubber products; paper; ink; and brassware. Permission was granted also to apply similar measures to imports of certain items on which Ceylon had granted concessions when its schedule of concessions was renegotiated at Annecy.¹⁶ This permission was granted on condition that Ceylon negotiate with interested contracting parties before establishing the measures on them; these items include plywood chests, glassware, chinaware, porcelain ware, certain leather goods, and certain cotton textiles.

Most of the releases from obligations that were granted to Ceylon stipulated that the restrictive measures might be established for 5 years; they also specified the maximum quantity that may be employed by the Ceylon authorities in arriving at "domestic availability" (that is, the quantity of a product that is available from domestic sources) in calculating the standard ratio between required domestic purchases and permitted imports. For example, release was granted to apply control measures for 5 years to imports of plywood panels and other ornamental plywood, subject to the limitation that 250,000 square feet per annum shall be used as the maximum quantity of domestic availability in calculating the standard ratio. Other examples of domestic availability limitations placed on such items are as follows: Boots and shoes, 30,500 pairs; shark-

¹⁵ For Ceylon's actions on tariffs, see ch. 7.

¹⁶ See ch. 7.

liver oil, 3,000 imperial gallons; rubber products, 250 tons; paper, 4,500 tons; and brassware, 1,500 tons.

Cuba notified the CONTRACTING PARTIES of its proposal to continue measures to protect the domestic sisal (henequen) industry.¹⁷ It having been established that the proposed measure (a quota) was in force on September 1, 1947, and that the measure was designed to protect an industry established between January 1, 1939, and March 24, 1948, a release was granted permitting Cuba to continue (under General Agreement article XVIII, 7 (a) (i)) the quota for 5 years, on condition that the discriminatory feature of the quota be removed. The discriminatory feature consisted of nonapplication of the quota to imports from the United States; the United States consented to the application of the quota to sisal imports from this country.

Application of quantitative import restrictions by Canada, Cuba, and the Union of South Africa

Although only a few General Agreement countries have introduced measures for governmental assistance to economic development (as permitted under article XVIII), all the 22 foreign countries which were contracting parties in 1949 under the General Agreement have applied quantitative restrictions on imports for balance-of-payments reasons. Article XII of the agreement permits this action; article XIII requires nondiscriminatory administration of such restrictions (subject to exceptions specified in article XIV).

Most of the General Agreement countries made no significant changes in 1949 in their application of quantitative restrictions. Canada, however, did make certain important changes in 1949. The action of the Union of South Africa in 1949 is of special interest because its stringent wartime controls, which were withdrawn after the war and then reimposed late in 1948, were only briefly reviewed in the Tariff Commission's second report on the *Operation of the Trade Agreements Program*.¹⁸ The commercial policy of Cuba as to the use of quantitative import restrictions was in a state of change during 1949, and some of its actions were incompatible with its obligations under the General Agreement.

*Canada.*¹⁹—In November 1947, Canada imposed severe quantitative restrictions on imports in order, primarily, to improve its balance-of-payments position with the United States.²⁰ Embargoes and quotas were placed chiefly on consumers' goods, and imports of capital goods were made subject to licensing. These restrictions were imposed after consultation with the United States, which agreed not to exercise any rights under the 1939 trade agreement with Canada (then still in effect) to pro-

¹⁷ For Cuba's actions with respect to tariffs, see ch. 7.

¹⁸ See pp. 62-63 of that report.

¹⁹ For Canada's action on tariffs, see ch. 7.

²⁰ See *Operation of the Trade Agreements Program* (second report), p. 59.

test the establishment of quantitative restrictions on imports from the United States. On becoming a party to the General Agreement on January 1, 1948, Canada acquired much more freedom to apply quantitative restrictions than it had possessed under the old agreement. It thereby also assumed, however, the obligation to relax such restrictions as soon as conditions should permit.

The purpose of the Canadian import-licensing system (as distinguished from embargoes and quotas) is to control the entry of capital goods and certain industrial materials on the basis of essentiality. Canadian industry has been expanding rapidly, and it is the policy of the Government that this expansion be based as much as possible on utilization of domestic equipment and raw materials. Because of the marked rise in imports of capital goods in response to the heavy domestic investment program (a program to which the restrictions on imports of consumers' goods has contributed), the Government has tended to tighten rather than relax the licensing of imports of capital goods. Like the consumers' goods controls (embargoes and quotas), the licensing of capital goods is maintained for the officially stated purpose of conserving United States dollar exchange.

Canadian embargoes affected a long list of commodities and applied equally to imports from all countries. The quota system, on the other hand, was established to control imports from a number of so-called "scheduled" countries. Originally these included the United States, the Soviet Union, Switzerland, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Panama, and Venezuela—countries which were not short of dollars at the time the controls were established.²¹ Imports of quota goods from all other countries (the nonscheduled ones) are admitted under open general permit, that is, without restriction.

Canadian quotas were based on the average value of all the goods in each category (as a group) imported from the given scheduled country in the years 1937–39. The average was multiplied by an arbitrary coefficient intended to take account of production from domestic sources as well as increase in prices over the prewar period. For most categories of goods, the quotas were set at 200 percent of the average for the base period. The type of discrimination implicit in the way in which the Canadian quota and embargo lists are drawn up continued in 1949, as in the previous year, to operate mainly against imports from the United States, since most goods listed for such control are those commercially available only in this country.

Though established primarily to enable the Canadian Government to increase its reserves of United States dollar exchange, the controls were expected also to restore Canada's import trade with the United Kingdom

²¹ Switzerland was transferred to the nonscheduled group early in 1950 in accordance with Canada's policy of encouraging imports from Europe.

and Western European countries to somewhere near its prewar level. They attained, however, only the objective of conserving United States dollars. Throughout 1948 and 1949 the United Kingdom and Western Europe continued to supply far less than their expected share of total Canadian imports; the share supplied by the United States, on the other hand, continued to exceed that of the immediate prewar years (in 1949 this share was 70.7 percent).

Canada's balance-of-payments position with the United States has greatly improved since the application of quantitative import restrictions in November 1947. Its reserves had declined from a postwar peak of 1.5 billion United States dollars in 1945 to 500 million dollars when the restrictions were applied. Imposition of the restrictions was followed by a decline in imports from the United States; but of greater importance in building up Canada's gold and dollar reserves was the phenomenal increase in exports to the United States. Canada's unfavorable merchandise trade balance with the United States fell from 918 million Canadian dollars in 1947 to 284 million in 1948; in 1949 the deficit was 428 million. The combined trade deficit with the entire dollar area (taking the dollar area as comprising the United States and the Latin American Republics) declined in the same period from 947 million dollars to 382 million. In 1949 the deficit with this area was 494 million. With the rest of the world Canada had a favorable trade balance of 1,185 million dollars in 1947, 855 million in 1948, and 756 million in 1949. As a result not only of its improved trade position with the United States, but also of net tourist expenditures and United States dollar payments for purchases in Canada under the program of the Economic Cooperation Administration (for example, for purchases of Canadian wheat by the United Kingdom), Canada's official holdings of United States dollars and gold reached nearly 1 billion United States dollars by the end of 1948; by the end of 1949, these reserves were 1.1 billion dollars, and on June 30, 1950, they were nearly 1.3 billion.

Owing to the rapid improvement in Canada's trade position with the United States, the Canadian Government at various times in 1948, 1949, and the first half of 1950 relaxed its import restrictions on consumers' goods; the licensing of imports of capital goods, on the other hand, was generally tightened rather than relaxed. Relaxation of the restrictions on imports of consumers' goods was accomplished mainly by reducing the list of prohibited imports. Numerous items formerly on the prohibited list are now (June 1950) permitted entry into Canada, under open general permit from the United Kingdom and other nonscheduled countries, and on a quota basis from the United States and other scheduled countries. Some quotas were enlarged. Devaluation of the Canadian dollar in

September 1949²² has had the effect of increasing the dutiable value of a given quantity of imports from the United States in terms of Canadian dollars. Imports of goods subject to quota are consequently, in terms of United States dollars, reduced by the devaluation, since the Canadian Government has not increased the existing allotments of foreign exchange to take account of the devaluation.

After the middle of 1950, the articles remaining on the prohibited list were expected, on the basis of the trade in 1946–47, to account for less than 25 million dollars of imports per year, compared with 150 million dollars when the embargoes were established. Commodities on the quota list, on the same basis, were expected to account for about 200 million dollars of imports annually.

*Cuba.*²³—Certain measures taken by Cuba in 1949 with respect to rice, mixed fertilizers, and textiles are of particular interest to the United States because of their actual or possible effect on Cuban imports from this country. In May 1949 Cuba established a tariff quota on rice, but this action is within Cuba's rights as a party to the General Agreement, since express provision was made for this quota in Cuba's schedule of concessions in the agreement. The action with respect to mixed fertilizers, on the other hand, is of doubtful validity in view of Cuban obligations under the General Agreement. This action, authorized in a resolution of November 1949, established certain extremely burdensome requirements which importers of mixed fertilizers must meet before being granted a permit to remove the fertilizers from the customhouse.

Cuban efforts to restrict imports of certain textiles have resulted in new impediments to imports from the United States. A decline in the output of the Cuban textile industry early in 1949 induced widespread agitation for the curtailment of imports of textiles competing with domestic manufactures. The agitation brought about the creation of a Textile Advisory Board to regulate imports. It was claimed that the crisis in the domestic industry was caused partly by large imports of textiles that were improperly described as to value, type, or origin. As a result, the Cuban Government, in an instruction of March 25, 1949, established complicated regulations which an exporter must meet in order to assure customs clearance before he may ship textiles into Cuba. A number of textiles are excluded from the new requirements, but for those covered by the regulations the exporter is required to register at a Cuban consulate and to supply extensive data and other information not previously required. Since the new requirements apply only to exporters in the United States, they are inconsistent with article I of the General Agreement, which

²² The official selling rate of the United States dollar was fixed on September 19, 1949, at \$1.10½ in Canadian funds.

²³ For Cuba's action with respect to tariffs, see ch. 7.

stipulates that equal treatment shall be accorded all contracting parties in respect of all rules and formalities connected with importation. Furthermore, the agreement (article VIII) calls for the reduction and simplification of documentation requirements in connection with importation.

Union of South Africa.—During 1948 the international payments position of the Union of South Africa became so serious that the Union Government decided that strong remedial measures were necessary to prevent a further serious decline in its gold and dollar reserves.²⁴ This action was taken in November 1948, or about a year after stringent import controls had been imposed by Australia, New Zealand, and Canada for balance-of-payments reasons. South Africa's measures consisted of (1) exchange restrictions which limited the granting of exchange for imports from nonsterling countries between July 1, 1948, and June 30, 1949, to 50 percent of that used in 1947, an exception being made for producers' goods and raw materials, for which supplementary exchange permits were provided; and (2) prohibition of imports of certain goods, regardless of the source, except under special license.

The exchange restrictions noted above were authorized by the International Monetary Fund, which accepted the Union's contention that they were needed in order to cope with South Africa's immediate balance-of-payments difficulties. The restrictions were imposed under article XII of the General Agreement (permitting restrictions to safeguard the balance-of-payments), and under article XIV (permitting exceptions to the rule of nondiscrimination). It was necessary to invoke article XIV because the exchange restrictions discriminated against imports from the nonsterling countries.

By December 1948 these measures had stopped the drain on South Africa's gold holdings. However, the difficulty in obtaining exchange permits for imports from nonsterling countries caused South African importers to shift their orders to the sterling area. This shift so drained the country's sterling reserves that the Government felt obliged to broaden its import controls in order to further curtail imports from the sterling area. Accordingly, on July 1, 1949, South Africa put into operation a "consolidated and revised list of prohibited imports," replacing the restrictions of November 1948. Under these revised measures, imports of commodities designated as nonessential were prohibited from all countries except under license. Likewise a number of foodstuffs and raw materials were made subject to license, regardless of origin.

As required under article XV of the General Agreement, which applies to exchange arrangements, South Africa held consultation regarding its restrictions of July 1, 1949, with the International Monetary Fund, and its action received the Fund's approval.

²⁴ See *Operation of the Trade Agreements Program* (second report), pp. 62-63.

At Annecy, South Africa consulted with the CONTRACTING PARTIES of the General Agreement with regard to the restrictions imposed in November 1948. Article XII, 4 (a) of the General Agreement permits any contracting party to consult with the CONTRACTING PARTIES immediately after imposing import restrictions for balance-of-payments reasons (in circumstances in which prior consultation is impracticable) as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other contracting parties. The consultation regarding the South African measures of November 1948 continued into the stage of prior consultation under paragraph 4 (b) of article XII,²⁵ with regard to the measures of July 1, 1949, and with regard to a new import-licensing plan which South Africa proposed to put into operation on January 1, 1950. The CONTRACTING PARTIES approved the restrictions of July 1, 1949, on the ground that South Africa's financial position justified a further contraction of imports, particularly those from the sterling area.

The new (third) import-control system which South Africa proposed to put into effect on January 1, 1950 (and which did become operative on that date) was of particular interest to the United States and other hard-currency countries because it restricted imports from hard-currency countries more than the controls in the preceding 6 months did, and favored imports from sterling-area countries slightly more. After considerable discussion, the CONTRACTING PARTIES approved these restrictions also, although the Union's balance-of-payments position as to sterling had improved.

The question of principal interest to the United States was whether the discrimination against hard-currency countries involved in the restrictions could be justified under article XIV. This country made its position clear to South Africa, and the Union Government undertook to consider the question of discrimination carefully before formulating its final decision on the new controls. South Africa, on its part, is obligated by article XIV to keep the CONTRACTING PARTIES regularly informed of its action in applying the discriminatory quantitative restrictions. The article provides for remedial action whenever the CONTRACTING PARTIES find that the restrictions are inconsistent with the approved exceptions to the rule of nondiscrimination.

²⁵ Paragraph 4 (b) calls for consultation when a contracting party is already applying import restrictions under article XII, and is substantially intensifying such restrictions.

The first part of the document
 discusses the general principles
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Chapter 9

United States Measures Affecting Imports of Trade-Agreement Items

Entry Into Force of Trade-Agreement Concessions

On March 16, 1949, the United States placed in effect those concessions which it negotiated with Chile at Geneva in 1947, which had not previously been put into effect. The concessions granted to the other 21 countries with which the United States negotiated at Geneva had been placed in effect during 1948. In the first half of 1950 the United States placed in effect the concessions which it negotiated with Denmark, the Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, and Sweden at Annecy in 1949.¹

The United States also continued in effect during 1949 and the first half of 1950 all concessions granted by it in schedule XX of the General Agreement negotiated at Geneva and in bilateral trade agreements that have not been superseded by that agreement or the Annecy Protocol, except certain concessions made in the 1936 trade agreement with Colombia. By joint agreement between the United States and Colombia, that agreement was terminated, effective December 1, 1949. By joint agreement between the United States and Mexico, the 1943 trade agreement between the two countries will cease to be in force after December 31, 1950.²

The Chinese Communist Government disregarded the concessions which the Chinese Nationalist Government had made at Geneva, and on May 6, 1950, the Nationalist Government terminated its obligations under the General Agreement. Before June 30, 1950, the United States took no action withdrawing concessions made by this country to China at Geneva.³

Increases in United States Import Duties on Trade-Agreement Items

A few relatively unimportant upward adjustments in certain rates of duty were made by the United States in 1949 and before June 30, 1950; these adjustments, made possible by the enactment of the Trade Agreements Extension Act of 1949,⁴ related to United States obligations under

¹ For the dates on which the concessions to these countries became effective, see ch. 3.

² See chs. 3 and 7.

³ Action withdrawing certain of the United States concessions to China has been taken since June 30, 1950.

⁴ See ch. 2.

the General Agreement and under the separate bilateral agreement with Cuba concluded at Geneva in 1947. The only other increases in United States duties on trade-agreement items during this period involved tolu balsam and flaxseed.⁸

The higher rate of duty on tolu balsam resulted from the termination of the trade agreement with Colombia; the rate of duty, which had been 5 percent ad valorem under the agreement, reverted to the former rate of 10 percent ad valorem. Concessions which had been granted by the United States on other dutiable items in the trade agreement with Colombia are also included in schedule XX of the General Agreement; the duties on those items, therefore, were not increased as a result of the termination of the agreement with Colombia.⁴

In the 1941 agreement with Argentina, the duty on flaxseed was reduced from 65 to 32½ cents per bushel of 56 pounds, with the proviso that the rate would be increased to 50 cents per bushel on the thirtieth day following a proclamation by the President of the United States that the abnormal situation then existing in the trade in flaxseed had terminated. Such a proclamation was issued by the President on June 1, 1949; accordingly, the rate of duty on flaxseed was increased to 50 cents per bushel, effective June 30 of that year.

Applications for Escape-Clause Action

Thus far (to June 30, 1950) the Tariff Commission, operating under the directives of Executive Orders 10004 and 10082, has received 20 applications for investigations under the escape clause of the General Agreement on Tariffs and Trade; one application (that with respect to petroleum) was also based in part on the escape clause of the trade agreement with Mexico. Ten of the applications—relating to marrons; whiskies and spirits; knitted wool berets (two separate applications); crude petroleum and petroleum products; hops valued at 50 cents or more per pound; reeds, cane, cane webbing, and split rattan; narcissus bulbs; sponges, n. s. p. f.; and beef and veal, fresh, chilled or frozen—were dismissed. As to 8 of these, the Commission decided, either by unanimous or majority vote, that on the basis of the information sup-

⁸ Acting on a report of the Tariff Commission, the President issued a proclamation on July 27, 1949, reimposing the 2-cent-per-pound additional processing tax on coconut oil derived from copra produced in foreign countries other than the Philippine Republic. This tax has not been subject to a concession by the United States in any of the trade agreements concluded under the Trade Agreements Act. The additional processing tax on coconut oil had been suspended early in the war, when trade with the Philippines had been cut off, in order to augment United States supplies of that product. The Commission having found in 1949 that adequate supplies were available from the Philippines, the tax was reimposed as provided for in section 505 (b) of the Philippine Trade Act of 1946 and in accordance with the trade agreement between the United States and the Philippines provided for in that act.

⁴ As a result of the termination of the agreement with Colombia, rough or uncut emeralds are no longer bound on the free list in any trade agreement.

plied by the applicants and other available information, there was not sufficient evidence of injury to domestic producers to warrant a formal investigation. On sponges, n. s. p. f., and beef and veal, fresh, chilled or frozen, the vote of the Commission was evenly divided and the applications were therefore dismissed.

On one application, relating to knit wool gloves and mittens (finished or unfinished), embroidered wool gloves and mittens, and knit or crocheted cotton gloves or mittens (finished or unfinished), the Commission decided that the information available as of November 1949 was not sufficient to warrant either the ordering of an investigation or dismissal of the application; at the request of the applicants, the Commission deferred definitive action on the application pending observation and study of the impact of foreign competition on the domestic market.

Seven of the applications for investigation under the escape clause—relating to woven silk fabrics in the piece, bleached, printed, dyed, or colored, and valued at more than \$5.50 per pound; stencil silk, dyed or colored; aluminum and alloys, in crude form (except scrap) and aluminum in coils, plates, bars, rods, etc. (two separate applications); lead-bearing materials, lead, and lead scrap (two separate applications); and hatters' fur or furs not on the skin, prepared for hatters' use, including fur skins, carroted—were on June 30, 1950, still under consideration to determine whether formal investigations are warranted.

During 1949 an investigation was ordered and completed by the Commission on an application relating to spring clothespins, which had been received late in 1948. In its investigation, the Commission found that imports of spring clothespins were not entering the United States, as a result of the concession granted on such clothespins,⁷ in such increased quantities and under such conditions as to cause or threaten serious injury to the domestic producers. The Commission, therefore, did not recommend to the President any action on the import duty on spring clothespins. The President approved this finding of the Commission.

Thus far in 1950 (to June 30), the Commission has ordered an investigation and has held hearings on one application, relating to women's fur felt hats and hat bodies. This investigation has not yet been completed.

Import Quotas on Wheat and Wheat Flour, Cotton, and Sugar

During 1949 and the first half of 1950 the United States continued to apply quantitative restrictions (quotas⁸) on the importation of three

⁷ One member of the Commission dissented from the finding of the Commission.

⁸ This section relates only to quotas which limit the total quantity of imports. Such "absolute" quotas are to be sharply distinguished from "tariff" quotas, established for a number of individual articles in certain trade agreements, which provide that specified quantities of the articles may enter the United States at reduced rates of duty, overquota imports being subject to higher rates of duty but with no absolute limits.

articles or groups of related articles. Two of these quotas—those on wheat and wheat flour and on cotton⁹—were established under section 22 of the Agricultural Adjustment Act, which authorizes the President, after an investigation (including a public hearing) and a report and recommendations by the Tariff Commission, to restrict imports if they render ineffective or materially interfere with programs of the Department of Agriculture. The other quota, applicable to sugar, was established by the Sugar Act of 1948.

These three quotas, as well as their relationship to the trade-agreement obligations of the United States, were discussed in a previous report of the Tariff Commission.¹⁰ During 1949 and the early part of 1950, no changes were made in the provisions of the quotas on wheat and wheat flour, sugar, or short-staple cotton. However, a change was made in the provisions of the quota on long-staple cotton.

In June 1949 the Tariff Commission reopened the investigation on long-staple cotton under the provisions of section 22 of the Agricultural Adjustment Act to determine whether changed circumstances required modification or abolition of the quota. A public hearing was held on July 7, 1949. Among the specific questions considered at the hearing were these: (1) Should imports be subject to license for purposes of allocation to consuming mills according to their individual needs? (2) should the quota year be changed to begin on a date other than September 20? (3) should the quota be subdivided to put limits on the quantities that may enter quarterly? and (4) should imports be permitted only by or for the account of consuming mills?

In accordance with the findings and recommendations contained in the Commission's subsequent report, the President, on September 3, 1949, proclaimed February 1 (instead of September 20 as heretofore) to be the opening date of the quota year for imports of long-staple cotton (i. e., cotton having a staple of $1\frac{1}{8}$ inches or more but less than $1\frac{1}{16}$ inches in length), with an interim quota of 16,487,042 pounds of such cotton during the period September 20, 1949, to January 31, 1950.¹¹ The Commission made no finding or recommendation on the other proposals considered during the course of its investigation. It will continue to study these proposals in order to be in a position later, if conditions warrant, to report to the President on the advisability, for the long term, of adopting any of them.

⁹ The quota on cotton distinguishes between short- and long-staple cotton. Cotton having a staple length of $1\frac{1}{16}$ inches or more has not been subject to quota since December 19, 1940.

¹⁰ *Operation of the Trade Agreements Program* (second report), ch. 7, pp. 79-83.

¹¹ The annual quota remains at 45,656,420 pounds.

Licensing of Imports

During 1949 and the first half of 1950 the United States continued the practice of requiring licenses for imports of a number of commodities. Widespread control of imports by means of licenses issued to importers for individual shipments was adopted by the United States during World War II under the Second War Powers Act of 1942. The import licensing system has been continued since the war but only on a relatively small scale and primarily to aid in the equitable distribution of materials in world short supply or to assist in the orderly liquidation of temporary surpluses of stocks owned or controlled by the Government.¹²

Commodities subject to import licensing at present (June 30, 1950) on which the United States made tariff concessions in the General Agreement are as follows: Butter; soybeans; soybean oil; peanut oil; broken rice; rice meal, polish, flour, and bran; soap and soap powders; and inedible tallow. Also subject to license are the following commodities on which concessions were made in bilateral agreements with Argentina, Uruguay, and Paraguay: Sunflower oil, flaxseed, oleo oil and stearine, and tallow.¹³

The restrictive effect of the licensing system on imports has varied markedly from one product to another. United States imports of a number of these products in 1949, as in 1948, were smaller—for some products very much smaller—than they would have been in the absence of import controls.

As to butter, for example, the effect of the licensing system was to virtually exclude imports of butter. In the absence of controls, imports of butter would undoubtedly have been substantial, especially in view of the domestic price-support program. Other commodities listed above for which import licenses were not generally issued in 1949 were soybeans and soybean oil, peanut oil, sunflower oil, and flaxseed. Except for flaxseed, imports of these commodities undoubtedly would have been substantial in the absence of import controls. As to flaxseed, the wartime development of the flaxseed-crushing industry in Argentina, the Argentine policy of restricting exports of flaxseed to the United States, and the great increase in United States production of flaxseed induced by the price-support program, all continued to be more effective than the licensing system in limiting United States imports of flaxseed in 1949.

In contrast to the imports of the foregoing commodities, imports of broken rice, rice meal, polish, flour and bran, soap and soap powders, oleo oil and stearine, and inedible tallow probably were not much smaller in 1949 than they would have been in the absence of an import-licensing

¹² The relationship of the import-licensing system to the obligations of the United States under the General Agreement on Tariffs and Trade is discussed in *Operation of the Trade Agreements Program* (second report), p. 77.

¹³ The act under which import licensing is permitted would have expired June 30, 1950, but was extended until July 1, 1951 (Pub. Law 590, 81st Cong.).

system. Except for broken rice, licenses for these commodities were freely granted. Imports of rice meal, polish, flour, and bran were small in 1949 because supplies were generally not available from the former usual sources of imports. United States imports of soaps and soap powders ordinarily consist only of the higher priced specialty items. Imports of oleo oil and stearine, and edible and inedible tallow were generally small in 1949 because of the favorable domestic supply. Restrictions on imports of edible tallow had but little effect in 1949 because of the heavy demand for this commodity in European countries.

Mixing Regulations for Rubber

The United States has continued the practice of requiring that specified minimum proportions of domestically produced synthetic rubber be used in the manufacture of certain rubber products, principally tires and tubes for motor vehicles. This practice, begun during the war, has been continued as a means of preserving a domestic synthetic-rubber industry, the purpose being primarily national security.

The regulations in effect during 1949 and the first half of 1950 were prescribed under the authority contained in the Rubber Act of 1948 (Pub. Law 469, 80th Cong.), which provides for continued Government ownership and control of production and consumption of synthetic rubber in the United States. This act, which became effective April 1, 1948, was on June 24, 1950, extended unchanged until June 30, 1952 (Pub. Law 575, 81st Cong.). The provisions of the Rubber Act of 1948 and the nature of the mixing regulations for rubber were discussed in detail in a previous report of the Tariff Commission.¹⁴

The rubber mixing regulations¹⁵ of the United States do not conflict with any of its trade-agreement obligations, inasmuch as they are not more restrictive as to the use of imported rubber than those in force in April 1947. Article III of the General Agreement exempts from the prohibition against mixing regulations such regulations as were already in force on April 10, 1947, or similar regulations which are not more restrictive.

Under certain circumstances, the United States mixing regulations for rubber might result in restricting the importation of rubber into the United States. Apparently, however, they have in fact had little or no hampering effect on imports of natural rubber, which has been in short supply.¹⁶

¹⁴ *Operation of the Trade Agreements Program* (second report), pp. 77-78.

¹⁵ Mixing regulations are regulations which require a specified proportion of the product to be supplied from domestic sources.

¹⁶ For a discussion of United States production, consumption, and imports of rubber, see *Synthetic Rubber . . . Recommendations of the President Transmitted to the Congress, Together With a Report on Maintenance of the Synthetic Rubber Industry in the United States and Disposal of Government-Owned Synthetic Rubber Facilities* (House Doc. 448, 81st Cong., 2d sess.), 1950. See also U. S. Department of Commerce, *Rubber: First Annual Report by the Secretary of Commerce, April 1, 1948-March 31, 1949, 1949.*

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