UNITED STATES TARIFF COMMISSION

Operation of the TRADE AGREEMENTS PROGRAM

June 1934 to April 1948

Part I. Summary

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1-4, 1934-51

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PREPARED IN CONFORMITY WITH EXECUTIVE ORDER 9832 ISSUED FEBRUARY 25, 1947

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UNITED STATES TARIFF COMMISSION

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Foreword

This document constitutes part I of the Tariff Commission's report on the operation of the trade agreements program and is a summary of the full report prepared in fulfillment of a directive of the President to the Tariff Commission under Executive Order 9832. Under this order the Tariff Commission is required to submit to the President and to the Congress at least once each year a report on this subject.

This summary, like the full report, reviews the operation of the trade agreements program from its initiation on June 12, 1934, to April 1948. The report covers all trade agreements completed during that period, including the General Agreement on Tariffs and Trade entered into at Geneva, Switzerland, October 30, 1947. It does not take account of certain developments since April, such as the renewal in June 1948 of the Trade Agreements Act with amendments. Nor does it take into account certain changes in the general provisions of the General Agreement on Tariffs and Trade which were made at the Conference held in Habana, Cuba, from November 21, 1947, to March 24, 1948.

With a view to assisting Members of Congress who had before them the question of extending the Trade Agreements Act, the Tariff Commission issued a preliminary draft of this report in April 1948. It was necessary as of that time to issue the report in preliminary form mainly owing to the fact that it was impossible to complete before that date a detailed analysis of the concessions received by the United States in the Geneva agreement. That analysis has since been completed.

The completed report consists of the following parts:

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

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History of the Trade Agreements Program

Trade Agreements and Trade Policy of the United States Before 1934

The history of trade-agreement negotiations in which the United States has participated is a long one. Some of the trade agreements made before 1934—like the agreements made since then under the Trade Agreements Act—were effectuated by Executive order under congressional authority which did not require subsequent congressional action. The authority of the President to make such agreements, however, was narrowly circumscribed. A number of agreements requiring congressional action also were negotiated by the President, but most of these failed to receive the necessary legislative approval and thus never came into effect.

Virtually all general commercial treaties and agreements to which the United States is a party contain a so-called most-favored-nation clause. The purpose of employing this clause has been to give, or to make accessible, to the contracting parties all the advantages which either of them has granted, or at any future time shall grant, to any third state; i. e., to the "most-favored" third state. This clause has thus been designed to prevent discriminations in trade treatment. The parties often reserve the right to maintain certain specified preferences.

Before 1923 the commercial treaties which the United States entered into generally provided for conditional most-favored-nation treatment; i. e., the United States agreed to grant most-favored-nation treatment in exchange for some specific concession to be received from the other contracting power. In actual operation, the conditional most-favored-nation clause was found to be a source of friction, and ill-suited to a country which has a single-column tariff. In 1923 it was abandoned in favor of the unconditional most-favored-nation clause. Under this form of the clause, any concession which the United States extends to any foreign country (with specified exceptions, such as Cuba) it extends to all countries with which it makes agreements or treaties, unconditionally and without restriction. Conversely, any concession granted by the other contracting country to any third country (subject to specified exceptions) must be extended unconditionally and without reservation to the United States.

Legislative History of the Trade Agreements Act of 1934

On March 2, 1934, President Roosevelt sent a message to the Congress requesting authority to enter into executive commercial agreements with foreign countries for the reciprocal reduction of tariffs and other barriers to the flow of international trade. At that time the United States and other important trading countries were still suffering from the severe economic crisis which had had its beginning in the fall of 1929. World trade, already reduced by the depression, was further reduced by the increase in tariff duties and tariff preferences by most countries and by the adoption by many of them of other methods of trade restriction, such as quantitative limitations on imports, exchange controls, and bilateral trading arrangements. In 1933 United States exports were only 52 percent of the volume and 32 percent of the value of exports in 1929. Especially serious was the shrinkage in foreign markets for agricultural products and the accumulation of large stocks of these products in the United States.

The President asked for the trade-agreement authority as "part of an emergency program necessitated by the economic crisis through which we are passing" and "as an essential step in the program of national economic recovery which the Congress has elaborated." He stated that the exercise of this authority "must be carefully weighed in the light of the latest information so as to give assurance that no sound and important American interest will be injuriously disturbed," for " the adjustment of our foreign trade relations must rest on the premise of undertaking to benefit and not to injure such interests."

Inasmuch as the trade agreements bill was presented as an emergency measure designed to secure foreign outlets for surplus American products in order to combat unemployment and to revive foreign trade, congressional and public debate centered principally on whether tariff reductions were appropriate means of achieving these objectives. The majority report of the House Ways and Means Committee, which strongly recommended adoption of the bill, declared that there was a direct causal relation between the shrinkage of world trade and the depression, and that the expansion of United States exports was a prerequisite to the restoration of prosperity in this country. The minority report, which questioned the premises on which the message of the President and the majority report were based, expressed the view that the decline in international trade was the effect rather than the cause of the depression; that the value of the export trade to the American economy had been exaggerated as this trade had accounted in 1929 for only one-seventeenth of the national income; that the increased volume of imports which would result from reductions in duty might seriously injure certain domestic industries and thus worsen rather than ameliorate an already unstable domestic situation;

and that the power requested by the Executive was excessively broad and would be unconstitutional, inasmuch as the contemplated trade agreements would in fact be treaties and should thus require approval of two-thirds of the Senate.

After some 4 months of hearings and intensive debate, the Congress finally passed the Trade Agreements Act, and the President signed it on June 12, 1934. The authority to make trade agreements under the act was limited to 3 years, ending June 12, 1937.

The Trade Agreements Act explicitly declared that the authority to make trade agreements was for the primary purpose of promoting United States exports. Accordingly, authority was provided to reduce duties on imports, contingent, however, upon other countries making reciprocal reductions in their trade barriers. This authority to reduce duties was limited to 50 percent of the "existing" rates. It was provided that every agreement concluded under the act should be subject to termination at the end of not more than 3 years after coming into effect. The act provided further that all tariff concessions made in a trade agreement with any country, except Cuba, should be extended to all other countries, except those which the President might find to be discriminating against United States trade or to be pursuing policies contrary to the purposes of the act. The act thus incorporates the unconditional most-favored-nation principle. This principle, though adopted by the United States in 1923, acquired new practical significance under the Trade Agreements Act: for the first time it was linked with an active tariff-bargaining policy.

The original Trade Agreements Act was due to expire on June 12, 1937, but Congress extended it in its original form for two successive 3-year periods, first in 1937 and again in 1940. Later, the act was twice again extended: In 1943, with one minor amendment, for 2 years; and in 1945, with several consequential amendments, for 3 years. The most important of the amendments made in 1945 authorized the President to base tariff concessions, subject to a 50-percent limit, on the rates in effect on January 1, 1945. This amendment meant that duties which had been reduced by 50 percent before January 1945 could again be reduced by as much as 50 percent, thus bringing about a reduction of as much as 75 percent from the rates in effect under the Tariff Act of 1930 or under subsequent legislation.

The present authority of the President to negotiate agreements under the Trade Agreements Act will expire on June 12, 1948, unless the act is again renewed.

Administrative Organization and Procedure

Interdepartmental Committee on Trade Agreements

The Trade Agreements Act of 1934 prescribes that, before concluding any trade agreement, the President "shall seek information and advice

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with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate." The Committee on Trade Agreements was established shortly after the passage of the Trade Agreements Act for the purpose of supplying such "information and advice." This Committee is responsible for recommending to the President specific trade agreements, for framing their detailed content, and for supervising and directing the whole trade agreements program. The present membership of that Committee consists of a Commissioner from the United States Tariff Commission and of persons designated for their respective agencies by the Secretaries of State, Treasury, War, Navy, Agriculture, Commerce, and Labor.

A representative from the Department of State has always served as chairman of the Committee on Trade Agreements. Decisions of that Committee are by a simple majority of the members present and voting. Under Executive Order 9832, issued February 25, 1947, dissenting members are required to submit to the President a minority report setting forth the reasons for their dissent, specifying "the point beyond which they consider any reduction or concession involved cannot be made without injury to the domestic economy."

Whenever a prospective trade agreement is taken under active consideration by the Committee on Trade Agreements, it establishes a country committee. This committee also is interdepartmental; members are designated by the Departments of State, Commerce, and Agriculture and by the Tariff Commission. The country committee for any given country analyzes the mass of information supplied by the various Government agencies, together with that supplied by private parties through the Committee for Reciprocity Information (which is described below); and, on the basis of the information gathered, it makes specific recommendations to the Committee on Trade Agreements as to the content of the proposed trade agreement.

Committee for Reciprocity Information

The President created the Committee for Reciprocity Information in conformity with the provision of the Trade Agreements Act which requires that "reasonable public notice of the intention to negotiate . . . shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate." This Committee also is interdepartmental, and the agencies represented upon it are generally the same as those on the Committee on Trade Agreements.

The Committee for Reciprocity Information announces the dates for filing briefs regarding any proposed trade agreements and the dates on which public hearings will be held; it conducts the formal hearings;

it digests and classifies all the information contained in briefs and presented orally; and it forwards to the appropriate committees all the information it collects.

Procedure followed in negotiating agreements

When preliminary exploration gives evidence of the desire and ability of the United States and some foreign country to negotiate a trade agreement, the Committee on Trade Agreements establishes a country committee to study all factors pertinent to such negotiation and to make a recommendation regarding the desirability of instituting it. The country committee requests the United States Tariff Commission to supply information on imports from the country in question and requests the Department of Commerce to supply information on past exports to that country.

The country committee's recommendation concerning the desirability of seeking an agreement with the country in question is submitted to the Committee on Trade Agreements. If the Committee on Trade Agreements concludes that a balanced agreement appears possible, it recommends to the President that formal negotiations be undertaken. If the President concurs, a public announcement is made of this Government's intention to negotiate. Before 1937 the formal announcement of intention to negotiate was accompanied by a list of the principal items imported from the foreign country concerned. Since 1937 that list has been replaced by a so-called "public" list, which names all import items on which the grant of a concession will be considered. Items which do not appear on that list are not considered for a concession. The list, prepared initially by the country committee, is reviewed and revised by the Committee on Trade Agreements.

After the announcement of intention to negotiate, the Committee for Reciprocity Information holds the required public hearings. As soon as possible after the announcement of intention to negotiate, the United States Tariff Commission makes available to the Committee on Trade Agreements and the country committee concerned a digest of available information on each of the items in the list of articles on which the United States will consider making concessions.

After the public hearings, the country committee prepares tentative schedules of the concessions to be requested and to be offered by the United States. In preparing these schedules, the committee draws on the information obtained at the public hearings and on the information submitted by various Government agencies. The Tariff Commission is primarily responsible for supplying information on possible concessions to be offered; the Department of Commerce, for information on the concessions to be requested; the Department of Agriculture, for information on agricultural commodities; the Department of State, for information on the general provisions of the agreement; and other agencies, for information which they are particularly qualified to give. The tentative lists of concessions, on both sides, prepared by the country committee, after being reviewed and revised by the Committee on Trade Agreements, are sent to the Secretary of State and the President for their approval. If the lists are approved, formal negotiations are begun.

Primary responsibility for the conduct of negotiations on behalf of the United States rests with the Department of State, which usually has the assistance of a negotiating team on which there are representatives not only from the Department of State but also from the Tariff Commission and the Departments of Commerce and Agriculture. Negotiations have usually continued until agreement has been reached on terms acceptable to both sides, but some negotiations have broken down and have been formally terminated without consummation in agreements. The United States usually proclaims agreements promptly after they have been signed and makes the concessions which it has granted effective 30 days after the proclamation.

Foreign Countries With Which Trade Agreements Have Been Negotiated

From the time the Trade Agreements Act of 1934 went into effect until the start of negotiations for the General Agreement on Tariffs and Trade in Geneva, Switzerland, in April 1947, the United States had concluded separate trade agreements with 29 foreign countries. Agreements with 27 of those countries were still in effect when the negotiations at Geneva began.

The United States invited 18 foreign countries to participate in the negotiation of a multilateral trade agreement at Geneva in 1947. All these countries, except the Soviet Union, accepted the invitation and subsequently participated in the Geneva trade conference. At the outset of the negotiation, the 18 participating countries—including the United States—were represented by 16 "negotiating units" (countries comprising customs unions, such as "Benelux"—Belgium, Luxembourg, and the Netherlands—negotiated as a unit), but several changes and additions were made in the composition of membership during the course of the negotiation. Nineteen negotiating units representing 23 separate countries participated in the final negotiation.

Tariff negotiations at Geneva were conducted bilaterally on a product-by-product basis. Each country negotiated as to its concession on each import commodity with its principal supplier of that commodity. The various bilateral understandings were combined to form the General Agreement on Tariffs and Trade, generally referred to as the Geneva agreement. The final act authenticating the text of that agreement was signed in Geneva on October 30, 1947.

The Geneva agreement does not enter into full force until instruments of acceptance have been deposited by governments that account for 85 percent of the total external trade of the territories of all the signatory governments.[1] Appended to the Geneva agreement, however, is a Protocol of Provisional Application of the General Agreement on Tariffs and Trade. This protocol was signed before the end of 1947 by nine countries—Australia, Belgium, Canada, Cuba, France, Luxembourg, the Netherlands, the United Kingdom, and the United States.[2] They undertook to apply provisionally, commencing January 1, 1948, two parts of the General Agreement (parts I and III), and "to the fullest extent not inconsistent with existing legislation," another part (part II) of the agreement.[3] The protocol is to remain open until June 30, 1948, for signature of other countries which participated in the Geneva agreement and which desire to give provisional application, i. e., as afore-mentioned, to the agreement. Any country which applies the agreement provisionally under this protocol is free to suspend the application of it after giving 60 days' notice to the Secretary-General of the United Nations.

On December 16, 1947, the President of the United States proclaimed that the General Agreement on Tariffs and Trade negotiated at Geneva would be placed in effect by the United States provisionally as of January 1, 1948. The proclamation provided, however, that concessions of primary interest to countries which signed the Geneva agreement, but which had not yet undertaken to put their schedules of tariff concessions into effect on that date would be withheld. As each of such countries should later signify its intention to put its tariff concessions into effect, the concessions temporarily withheld would be placed in effect by further Presidential proclamation. Only nine countries (including the United States) put the Geneva agreement into effect provisionally on January 1, 1948,[4] but these countries account for about 80 percent of total world trade.

On April 1, 1948, the United States was a party to trade agreements, negotiated under authority of the Trade Agreements Act, with 41 foreign countries. These countries may be classified in four groups as follows:

1. Countries (7) with which pre-Geneva agreements have been superseded by the Geneva agreement

Belgium	Cuba	Luxembourg	United Kingdom
Canada	France	Netherlands	

All these countries put the Geneva agreement into effect provisionally on January 1, 1948.

[1] As of April 1, 1948, no country had taken this action.

[2] Czechoslovakia signed the protocol on March 21, 1948, putting the agreement into effect provisionally on April 21, 1948; and, under a proclamation of the President of the United States, the United States concessions negotiated with Czechoslovakia became effective on April 21, 1948.

[3] These three parts are described in a later section of this summary.

[4] Czechoslovakia became the tenth country to put the agreement into effect provisionally (see footnote 2).

2. Countries (14) which are parties to the Geneva agreement and with which the United States had no previous agreement in force

Australia	Lebanon
Burma	New Zealand
Ceylon [5]	Norway
Chile	Pakistan
China	Southern Rhodesia
Czechoslovakia	Syria
India	Union of South Africa

Of the countries listed above, only Australia put the Geneva agreement into effect provisionally on January 1, 1948. None of the others have as yet (April 1, 1948) put it into effect.[6]

3. Countries (1 only) which are parties to the Geneva agreement but with which a pre-Geneva agreement remains in force until they put the Geneva agreement into effect

Brazil (Pre-Geneva agreement became effective on January 1, 1936)

4. Countries (19) which were not parties to the Geneva agreement with which the United States has trade agreements under the Trade Agreements Act of 1934

Country	Effective date of agreement	Country	Effective date of agreement
Argentina	Nov. 15, 1941	Iran	June 28, 1944
Colombia	May 20, 1936	Mexico	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	Sweden	Aug. 5, 1935
Finland	Nov. 2, 1936	Switzerland	Feb. 15, 1936
Guatemala	June 15, 1936	Turkey	May 5, 1939
Haiti	June 3, 1935	Uruguay	Jan. 1, 1943
Honduras	Mar. 2, 1936	Venezuela	Dec. 16, 1939
Iceland	Nov. 19, 1943		

Contents of Trade Agreements

All trade agreements negotiated by the United States under authority of the Trade Agreements Act consist of two main parts: A series of so-called general provisions; and two or more schedules that enumerate the articles on which specified concessions are granted respectively by the United States and by the foreign country or countries.

General provisions

The general provisions serve various purposes: they deal with procedural matters such as the time when the agreement is to become effective, describe the geographic areas covered, specify how and when the

[5] Ceylon first became a signatory to a trade agreement with the United States when it signed the Geneva agreement, but prior thereto its trade with the United States was governed by the United States trade agreement with the United Kingdom.

[6] See footnote 2.

agreement may be terminated, and provide for various other matters relevant to the agreement as a whole. They also provide that the concessions set forth in the accompanying schedules shall be an integral part of the agreement.

Most of the general provisions are designed to prevent impairment of tariff concessions by devices such as discriminations in tariff, customs, and tax matters or the establishment of quotas and exchange controls. Accordingly, various provisions are included which either define the limits within which specified discriminatory or restrictive measures may be employed, or prohibit their use altogether. Other general provisions are designed to prevent or limit injury to domestic producers which may result from the concessions granted.

Certain general provisions appear in virtually the same form in all trade agreements. The form and scope of other general provisions, however, vary from agreement to agreement. These variations are attributable to three main factors: (1) As the United States became more experienced in negotiating trade agreements, it became better able to determine the most appropriate provisions to include in them; (2) conditions governing the trade with some countries require "safeguards" [7] and exceptions which either are not necessary or are not applicable to the trade with others; and (3) various changes which occurred in international economic relations during the life of the trade agreements program called for changes in the general provisions.

The general provisions of the Geneva agreement are much more extensive than the corresponding provisions which appear in any pre-Geneva trade agreement. This circumstance is due partly to the greater complexity of the aggregate factors affecting the economies of a large number of countries compared with those affecting the economies of only the United States and some single other country, and partly to changes in trade relations and practices which grew out of the war and postwar economic situation.

The General Agreement on Tariffs and Trade signed at Geneva consists of three main parts comprising 34 separate articles. Part I incorporates the most-favored-nation clause in its unconditional and unlimited form (art. I), subject to specified exceptions. It also gives legal effect to the tariff concessions provided for in the schedules of the agreement (art. II). Basically these provisions are much the same as those found in most pre-Geneva agreements. The Geneva agreement, however, prohibits increases even of permissible preferences on all articles, whereas the pre-Geneva agreements forbid increases only when they are in violation of specific commitments in the schedules. In addition, the Geneva

[7] Safeguards are sometimes employed to assure that United States producers will not be seriously injured as a result of developments which were not anticipated when the agreement was made, and sometimes to assure that United States export interests will benefit from a concession that has been granted.

agreement prohibits all preferential export taxes, whereas the pre-Geneva agreements do not. Article II of the Geneva agreement provides, in effect, that no country shall alter its method of converting currencies so as to impair the value of concessions which it has granted. The article also includes provisions pertinent to tariff commitments contained in parts II and III of the agreement, viz, the exception regarding economic development (art. XVIII), the general escape clause (art. XIX), and the provision for modification of schedules without complete renegotiation (art. XXVIII).

Part II of the Geneva agreement (arts. III–XXIII) contains, among other matters, provisions prohibiting (except under specified circumstances) quotas, protective internal taxes, restrictive customs and administrative formalities, and other nontariff trade barriers. It contains also provisions permitting, under specified circumstances and procedures, modification of the tariff concessions contained in the tariff schedules or escape from those concessions. This part of the agreement went provisionally into effect, so far as the United States is concerned, on January 1, 1948, but only to the extent "not inconsistent with existing legislation."

Many articles in part II of the Geneva agreement are similar to those found in pre-Geneva agreements; others are substantially different or are wholly new. The ultimate carrying out of some of them will require changes in existing United States laws. The most important provisions of part II are as follows:

All signatories pledge themselves to extend "national treatment" to imported products (art. III). This pledge means that they shall not apply any higher internal taxes to imported than to "like" domestic articles, and shall not use "mixing" regulations in such a manner as to discriminate against imports. These provisions have somewhat broader application than the similar provisions of pre-Geneva agreements and, in general, more sharply restrict the use of internal protective taxes and regulations.

The use of antidumping and countervailing duties (art. VI) is restricted in the Geneva agreement. That agreement permits the assessment of antidumping and countervailing duties only after a finding of injury to domestic industries. Present United States law does not impose this requirement with respect to countervailing duties.

The provisions relating to valuation for customs purposes (art. VII) establish principles, the effectuation of some of which would require important changes in United States law. This article has no counterpart in pre-Geneva agreements.

The Geneva agreement contains a general prohibition (subject, however, to exceptions as indicated below) of quantitative restrictions (quotas) on imports and exports (art. XI), whereas the pre-Geneva agreements limit the prohibition to articles covered by the schedules of concessions. On the other hand, the Geneva agreement provides broader exceptions to the quota prohibition, exceptions which apply to scheduled as well as nonscheduled articles. In particular, a much broader application of quotas for balance-of-payments reasons (art. XII) is permitted in view of the exchange situation which has existed in many countries since the war. Whether a country's balance-of-payments position warrants the application of quotas is to be determined by the International Monetary Fund. The trade agreements negotiated before 1938 made no specific reference to exceptions for balance-of-payments reasons; in 1938 two agreements were made permitting such exceptions, but on a narrower basis than the Geneva agreement provides.

The provisions of the Geneva agreement which forbid discriminatory administration of quantitative restrictions (art. XIII) are similar to those contained in pre-Geneva agreements. However, the Geneva agreement, unlike the earlier agreements, permits broad exceptions (art. XIV) for balance-of-payments reasons.

The Geneva agreement provides that state-trading enterprises (art. XVII), in effect, shall be governed in their purchases and sales affecting imports and exports by the same commercial considerations as private traders. Most pre-Geneva agreements contain provisions regarding fair and equitable treatment by government monopolies engaged in import trade, but they contain no provision dealing specifically with government monopolies engaged in export trade.

The Geneva agreement contains a provision which permits underdeveloped countries (art. XVIII), under certain conditions and subject to the approval of the contracting parties by majority vote, to employ restrictive trade measures (such as quotas) which are generally forbidden in the agreement. Pre-Geneva agreements contain no counterpart of this article.

The general "escape clause" in the Geneva agreement (art. XIX) permits unilateral modification or withdrawal of a trade-agreement concession which contributes to such an expansion of imports as to cause or threaten serious injury to the producers of the country which granted the concession. Except in critical circumstances, this action must be taken only after consultation with the adversely affected parties; otherwise consultation must take place promptly thereafter. Such parties, in turn, have the privilege of withdrawing equivalent concessions from the country which initiates the action. These escape provisions are similar to those contained in the trade agreements of the United States with Mexico and Paraguay, but not similar to those in any other pre-Geneva agreement. The Geneva escape clause is also in accord with the requirements of Executive Order 9832.

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The Geneva agreement recognizes that benefits which are intended to accrue to signatories may be subject to nullification or impairment as a result of failure of some contracting party to carry out its obligations under the agreement. Under such circumstances the agreement provides (art. XXIII) for the suspension of obligations or concessions to the offending party by some or all other parties to the agreement, provided this action is authorized by a majority of the contracting parties acting as a group. By this authorization a party could be relieved of its obligations to another party without the latter's concurrence. Under the pre-Geneva agreements, all of which are bilateral, a party may be relieved of its obligations to the other party only with the latter's consent.

The provisions in part III of the Geneva agreement (arts. XXIV–XXXIV), which deal with procedural and other matters, differ considerably from corresponding provisions in pre-Geneva agreements. Many of these differences are attributable to the Geneva agreement being multilateral, whereas all the others are bilateral.

The Geneva agreement permits contracting parties to enter into a customs union and, in anticipation thereof, to adopt an interim agreement under which they may engage in preferential trade relations with each other (art. XXIV).[8] Any duties or other regulations established under these provisions may not be on the whole higher or more restrictive of imports from third countries than those which were applicable prior thereto. The pre-Geneva agreements permit certain exceptions to the general prohibition of preferential trade when frontier traffic and customs unions are involved. They do not, however, specifically permit interim agreements leading to the formation of customs unions.

Because of the multilateral character of the Geneva agreement, provision is made for joint action of the contracting parties (art. XXV). Each contracting party is entitled to one vote at all meetings; and decisions are to be by majority vote except as otherwise provided. The contracting parties, by a two-thirds majority vote representing more than one-half of the contracting parties, may waive any obligation imposed upon any party to the agreement.

The Geneva agreement makes provision for the modification of schedules, by negotiation between the interested parties, after January 1, 1951, without requiring joint action by the contracting parties (art. XXVIII). No pre-Geneva agreement contains specific provision for its partial renegotiation.

Virtually all countries which are parties to the Geneva agreement also participated in drafting a charter for the proposed International Trade Organization; and most of the general provisions contained in the Geneva

[8] At the meeting in Habana, Cuba, concluded on March 24, 1948, the contracting parties adopted an amendment to this article which would authorize also free trade areas and preferential interim agreements looking to the creation of such areas.

agreement closely resemble the corresponding provisions recommended for inclusion in the proposed charter (Geneva draft) for an International Trade Organization. The Geneva trade agreement accordingly provides (art. XXIX) that, on the day the charter enters into force, article I (most-favored-nation provision) and all of part II (general commercial policy) of the agreement shall be suspended and superseded by the corresponding provisions of the charter for the proposed International Trade Organization. Any party to the Geneva trade agreement, however, may lodge an objection to such supersession within 60 days after the conclusion of the United Nations Conference on Trade and Employment, which was held in Habana, Cuba, from November 21, 1947, to March 24, 1948.

The Geneva agreement may be amended as follows (art. XXX): Changes in part I, which relates to most-favored-nation provisions and the tariff schedules, and in the article discussed in the preceding paragraph (art. XXIX) require acceptance by all contracting parties. Amendments to other provisions of the agreement shall become effective, except as otherwise specifically provided, for those parties which accept them as soon as two-thirds of the contracting parties shall approve them.

Any contracting party is free to withdraw (art. XXXI) from the Geneva agreement at any time beginning January 1, 1951, upon giving 6 months' written notice to the Secretary-General of the United Nations. The pre-Geneva agreements provide for corresponding advance notice for their termination.

Schedules of concessions

In virtually all pre-Geneva agreements schedule I lists the items on which the foreign government grants concessions to the United States in the form of reductions or bindings of rates of tariff duty and bindings of free entry. The concession rates are generally described as the maximum rates applicable to United States products, thus allowing for subsequent negotiation for still lower rates or for the application of lower rates provided for in some earlier, or subsequent, agreement with a third country. Some of the trade-agreement concessions by foreign countries to the United States in pre-Geneva agreements also take the form of liberalized or stabilized quotas applicable to imports of United States products; items subject to such quota concessions may be listed as a part of schedule I or they may comprise a separate schedule.

In almost all pre-Geneva agreements, schedule II is the list of items on which the United States grants permanent concessions (as distinguished from temporary concessions) [9] in the form of bindings of or reductions in rates of duty. Such concessions are applicable automatically to imports not only from the agreement country but from all other countries to which the United States generalizes concessions.

[9] In the agreements with Argentina and Mexico, the United States granted some tariff concessions which were to remain in force only for emergency periods.

The Geneva agreement contains 20 separate schedules of tariff concessions, one for each country or group of countries which participated in the negotiation of that agreement. The United States schedule is No. XX. Twelve of the 20 schedules are divided into two parts: Part I of each of these schedules lists the most-favored-nation rates on which commitments have been made; and part II lists the preferential rates which have been changed by commitments made in the agreement. The remaining 8 schedules provide for most-favored-nation treatment for all the products listed.

Although the most-favored-nation concessions granted by the United States (part I of schedule XX) generally apply to imports from all countries,[10] not all such countries benefit from all United States concessions because some of them do not supply the United States with certain products to which the concessions relate. Similarly, the United States does not benefit directly from some of the scheduled concessions granted by other parties to the Geneva agreement. Most concessions granted by a few other countries and many concessions granted by the remaining countries are of little direct benefit to the United States because this country does not export the products to which the concessions relate. They may, however, be of indirect benefit to the United States because of their direct benefit to other countries.

Bilateral Agreements Supplementary to the General Agreement On Tariffs and Trade

On the same day that the Geneva negotiations were consummated (October 30, 1947), the United States entered into supplementary bilateral agreements with the Belgo-Luxembourg Economic Union, Canada, Cuba, France, the Netherlands, and the United Kingdom. These supplementary agreements provide for the suspension of the trade agreements then in force between the United States and those countries. Those earlier trade agreements are to remain inoperative as long as the United States and the other country concerned are both contracting parties to the Geneva agreement. If, however, the United States or any of the parties with which it negotiated these supplementary agreements should cease to be contracting parties to the Geneva agreement, one or more of the earlier trade agreements would be revived.

[10] The United States maintains preferential trade relations with Cuba and the Philippines, and it does not extend to other countries the rates applied to Cuban and to Philippine products.

Trade-Agreement Concessions Granted by the United States

Part III of the report, summarized in this section, deals with concessions granted by the United States in trade agreements. Its purpose is to show the effects of the concessions upon the United States tariff, not their effects on either the import or the export trade or on the domestic economy. It indicates what proportion of the dutiable imports has been covered by duty-reduction concessions or by bindings of preexisting rates, and the extent to which average rates of duty have been reduced by the trade agreements as such. Furthermore, it shows what proportion of the duty-free imports has been bound in that status by trade agreements.

In addition to the effect of the trade agreements in reducing the United States tariff, the great advance in prices during recent years has materially lowered the ad valorem equivalent of the specific duties, which constitute a large part of the tariff. In subsequent paragraphs the combined effect of these two causes on average duty levels is shown.

The data shown below regarding average rates of duty do not necessarily indicate the changes in tariff levels in terms of the extent to which the duties actually restrict imports, since it is not possible by the method used—or any other method—to determine what quantities of goods are excluded from entry at a given level of rates.

In 1939 the dutiable imports of the United States amounted to 879 million dollars. By the various trade agreements, including those entered into both before and after 1939, the duties on articles of which the imports in that year amounted to 719 million dollars, or 81.8 percent of the total, have been reduced. In addition, duties on articles of which the imports were 56 million dollars, or 6.4 percent of the total, have been bound at the rates in effect before any trade agreements were made. The average rate of duty on all dutiable imports before any agreement was made (weighted by the value of imports in 1939)[1] was 48.2 percent ad valorem. As a result of all the agreements combined, this average (similarly weighted) is 25.4 percent, the reduction being 47 percent. These averages relate to the rates on dutiable articles, both those subject and those not subject to trade-agreement commitments.

In 1939 duty-free imports were valued at 1,301 million dollars. Of this total 1,184 million dollars, or 91 percent, consisted of articles the duty-

[1] In order to make any general average of the rates of duty, it is necessary to calculate the ad valorem equivalents of specific and compound rates of duty. These ad valorem equivalents have been computed on the basis of average unit values of imports in 1939.

free entry of which has been bound in trade agreements. Neither of these totals includes free imports from the Philippine Islands of products that would be dutiable if imported from other countries, or products of the United States returned; these items could not appropriately be the subject of negotiation in trade agreements.

Throughout part III, and throughout this summary of it, the statements regarding the scope of concessions and the extent to which duties have been reduced by trade agreements are all calculated on the basis of the import statistics of 1939. The reasons why it is necessary to use either some single year or the average for a group of years for these purposes are set forth in chapter 1 of part III of this report. The most important reason for using a single year in calculating the effect which the trade agreements, in themselves, have had on average rates is that the great increase in prices between the prewar and the postwar years has tended sharply to reduce the average ad valorem equivalent of specific and compound duties. (See subsequent section on combined effect of concessions and price changes on tariff levels.) The composition and the sources of United States imports were more nearly normal in 1939 than in either 1946 or 1947, to say nothing of the war years.[2]

The trade agreements now in effect are (1) the multilateral Geneva agreement, which entered into force provisionally on January 1, 1948, and (2) agreements (all made before the Geneva negotiations) with various countries that did not participate in those negotiations. The Geneva agreement superseded previous agreements with a number of countries, including some of the most important in United States trade. A number of countries with which the United States had no previous trade agreement also participated in the Geneva negotiations. Hereinafter distinction is made between the effects of the agreements which were in force in 1947 and the changes brought about by the Geneva agreement.[3]

CONCESSIONS ON DUTIABLE ARTICLES

Concessions Under All Trade Agreements

Scope of all concessions

Table 1 summarizes the concessions made by the United States on dutiable articles in all trade agreements. It distinguishes between the

[2] In an appendix to part III of the full report, data are given as to the proportion of the dutiable imports in 1946 which consisted of articles covered by concessions in effect in 1948.

[3] In all the statistics regarding concessions made by the United States all the concessions made by this country at Geneva are treated as if they were actually in effect. As a matter of fact, as stated in a previous section of this summary, the President has withheld the concessions on a considerable number of commodities for the reason that the countries with which negotiations were conducted concerning them have not yet put into force the concessions to which they agreed. As measured by volume of trade, however, most of the Geneva concessions are already in effect.

duty-reduction concessions contained in the Geneva agreement and those contained in agreements with countries not participating at Geneva.

Duty-reduction concessions by all agreements combined relate to articles which constituted 81.8 percent of total dutiable imports in 1939. Articles subject to duties fixed in the Geneva agreement at rates lower than those in effect before any agreement was made accounted for 64.6 percent of the dutiable imports in 1939, and articles subject to duties reduced in agreements with countries not participating at Geneva accounted for 17.2 percent. Commodities on which the duties had been reduced before the Geneva agreement and were further reduced at Geneva constituted over a third (35.7 percent) of the total dutiable imports in 1939. In addition, on articles constituting 6.4 percent of the dutiable imports of 1939, duties have been bound at the level existing before any trade agreement was made.

TABLE 1.—*Trade agreements in effect or provided for on Jan. 1, 1948: Amount of trade covered by United States concessions based on imports in 1939; average rates of duty (weighted by the value of imports in 1939) before any agreement and as of Jan. 1, 1948; and average reduction in rates*

Class of imports	United States imports for consumption, 1939		Average rates of duty		Average reduction in rates
	Value	Percent of total dutiable imports	Before any agreement	As of Jan. 1, 1948	
	Million dollars		*Percent*	*Percent*	*Percent*
Dutiable imports, total or average	879	100.0	48.2	25.4	47
Duty reduced, total or average	719	81.8	52.8	24.9	53
(1) Reduced before Geneva; reduced rate bound at Geneva	97	11.0	39.3	20.7	47
(2) Reduced before Geneva; further reduced at Geneva	314	35.7	65.7	22.6	66
(3) Reduced at Geneva for the first time	157	17.9	36.8	24.8	32
(4) Reduced in agreement with country not participating in Geneva agreement	151	17.2	51.3	32.6	36
Duty bound at preagreement rate	56	6.4	14.1	14.1	--------
Not in any agreement	104	11.8	34.9	34.9	--------
Total imports, dutiable and free	2,276	--------	18.6	9.8	47

SOURCE: Compiled and computed from official statistics of the U. S. Department of Commerce.

Effects of all concessions on average rates of duty

Table 1 also shows that, before any trade agreement was made, the average rate of duty on all dutiable articles (weighted by the value of imports in 1939) was 48.2 percent ad valorem. At present, as the result of all the trade agreements, this average (similarly weighted) is 25.4 percent ad valorem, representing a reduction of 47 percent. These averages include articles on which duties have not been reduced either because there has been no concession or because they have been bound at preagreement rates. For articles on which duties have actually been reduced by trade agreements, the average reduction from the preagreement rates is 53 percent.

For the group of commodities on which rates previously reduced were further reduced at Geneva, the present rates are, on the average, 66 percent below those in effect before any trade agreement was made under the act of 1934. Under the original Trade Agreements Act no duty could be reduced by more than 50 percent of the existing rate. Under the amendment of 1945 any duty could be reduced by as much as 50 percent below the rate in effect January 1, 1945. If, therefore, a duty had been reduced to the maximum extent before 1945 and was afterward further reduced to the maximum extent, the total reduction would be 75 percent. For a considerable number of commodities, including some of major importance, reductions of 75 percent from the original rates have actually been made.

Table 1 shows that on dutiable commodities not covered by any trade agreement the average rate (34.9 percent ad valorem, weighted by the value of imports in 1939) is materially lower than the average of the rates originally in effect on articles covered by trade-agreement reductions, but materially higher than the average of the present rates on those articles.

Before any trade agreement was made, the duties on dutiable articles (measured by imports in 1939) were equal to 18.6 percent of the total value of imports, free and dutiable combined. This average has been reduced to 9.8 percent as a result of the trade agreements.

~~Combined effect of concessions and price changes on tariff levels~~

The percentage of reduction in the average rate of duty on dutiable commodities above specified (47 percent) represents the result of trade-agreement concessions only, both the preagreement and the postagreement rates being weighted by imports in 1939. Prices of imported goods have risen greatly during the last two decades, and this fact alone would have caused a marked reduction in the average rate of duties actually collected in recent years compared with earlier years because of the effects of higher prices on the ad valorem equivalents of the specific and compound duties. (Imports subject to such duties together account for about two-thirds of total dutiable imports.) The higher the foreign unit value, the lower is the ad valorem equivalent.

Below are shown the average rates of duties actually collected on dutiable imports in certain periods and individual years, together with a calculation of the average rate in 1947 if the rates fixed by the Geneva agreement (effective January 1, 1948) had then been in effect and if the composition of the trade had been unchanged:

Period or year	Average rates of duty on—	
	Dutiable imports	Free and dutiable imports combined
	Percent	*Percent*
1913–22, Underwood law	27.0	9.1
1922–30, Fordney-McCumber law	38.5	14.0
1930–33, Hawley-Smoot law (to adoption of Trade Agreements Act)	52.8	17.7
1939 (representative prewar year, after the Trade Agreements Act)	37.3	14.4
1947 (most recent year; preliminary)	19.4	7.6
1947 (calculated on basis of reductions made by Geneva agreement)	15.3	6.0

The difference between the average rate under the Fordney-McCumber Law (38.5 percent) and the average for the first 4 years under the Hawley-Smoot Law (52.8 percent) is not due wholly to higher duties under the act of 1930. Much of the increase resulted from lower foreign prices of imported commodities. In 1932 and 1933 these prices reached the lowest level for any year covered by the index of the Department of Commerce, with consequent marked advance in the ad valorem equivalents of most of the specific and compound duties. Had the price levels of imported goods during 1930–33 been substantially the same as during 1925–29, the duties collected on dutiable imports would have averaged in the neighborhood of 45 percent ad valorem instead of 52.8 percent.

The foregoing tabulation shows that the average rate of the duties on imports in 1947 would have been about 15.3 percent if the reduced rates under the Geneva agreement had been in effect, provided, of course, that the reduction in rates would not have caused such changes in prices and in the relative importance of different articles imported as to materially alter the average. This average of 15.3 percent was about 29 percent of the average for 1930–33. If, however, the prices of imported goods in the earlier period had been more nearly normal (compared with those before 1930), this figure for 1947 would have been approximately 35 percent of the average for 1930–33.

Two major factors have been chiefly (if not wholly) responsible for this reduction in the average rate of duty—the trade-agreement concessions and the advance in prices of articles subject to specific or compound duties. (Changes in the composition of imports may have affected the averages to some extent, but the direction of the effect is not known.) It is impossible to determine exactly the relative importance of these two main factors, but it seems probable that they have been not far from equal in their effects. Changes in duties made by trade agreements alone would have reduced the average to roughly 53 percent of the preagreement average. On this basis it may be calculated that, in the absence of trade-agreement duty reductions, the other causal factors taken together (principally if not wholly the advance in prices) would have brought down the average to about 55 percent of the former average. These two percentages, multiplied together, result in a level for 1947 equal to about 29 percent of the 1930–33 average.

Prices of imported goods advanced greatly between 1930–33 and 1947. There is no way of determining how much the prices of those goods subject to specific and compound duties have advanced, but the ratio has probably not been very different from that for all imported commodities, dutiable and free. The Department of Commerce calculates an index of the changes in foreign unit values of imported goods. On the basis of 1923–25 as 100, this index for the years 1930–33 averaged 53 (in 1932 and 1933 it was only 43). For 1947 the index stood at 118, an advance of about 125 percent. This increase would have been materially less if the prices of 1930–33 had been on the level of the prices of the latter half of the 1920's.

If no further important changes are made meantime in the rates of duty on individual commodities, the average rate of duty which will actually be collected on dutiable imports in 1948 and the years immediately following will depend primarily on price changes of imported goods in their effect on specific and compound duties. Possible changes in the composition of imports, in which the changes in duties made by the Geneva agreement may have an influence, will be a further, though relatively minor, factor in determining the average rates. If, for example, the average prices of imports subject to specific and compound duties should be approximately the same in 1948 as in 1947, the average rate of duty actually collected, would probably be within the range of 14 to 16 percent. If prices should decline, the average would be higher; if they should advance further, the average would be lower. It is impossible to forecast, even roughly, the prices of imported goods a few years hence.

Classification of imports according to height of duty before and after agreements

Table 2 classifies the imports in 1939 of articles on which United States duties have been reduced by trade agreements, according to the rates in effect before and after the agreements. The proportions falling in the several rate groups would not be materially different if these proportions related to total dutiable imports including those on which the rates have not been lowered. On the basis of the duties in force before any agreement was made, 8.8 percent of the imports covered by the table would have entered at rates of 10 percent or less, whereas the corresponding proportion on the basis of present rates would have been 27.3 percent. At the other extreme, preagreement duties exceeding 70 percent would have accounted for a little over one-third of total imports in 1939 (33.8

percent), whereas the corresponding proportion under present agreement rates would have been less than 1 percent.

TABLE 2.—*Imports in 1939 of articles on which rates of duty have been reduced by trade agreements, classified according to rates of duty in effect before any trade agreement and as of Jan. 1, 1948*

Rate of duty (percent ad valorem) [1]	Percent of total	
	Before any agreement	As of Jan. 1, 1948
10.0 or less	8.8	27.3
10.1–20.0	15.7	18.4
20.1–30.0	9.1	27.6
30.1–40.0	13.0	11.7
40.1–50.0	6.1	3.6
50.1–60.0	9.0	3.4
60.1–70.0	4.5	7.6
70.1–80.0	17.9	.2
80.1–90.0	4.3	.1
90.1 or more	11.6	.1
Total	100.0	100.0

[1] Including specific and compound rates expressed in terms of their ad valorem equivalents based on average unit values of imports in 1939.

Classification of duty reductions according to their magnitude

Table 3 classifies the reductions made in United States duties by trade agreements according to the percentage by which the preagreement rates have been reduced (the calculation being based on 1939 import data). It will be seen that the most widespread reductions from the preagreement rates have been those ranging from 46 to 55 percent. The next largest group consists of articles on which rates were lowered by from 66 to 75 percent.

TABLE 3.—*Classification of reductions in duties by trade agreements according to specified percentages of reduction*

Percent of reduction in rates	Percent of total reductions	Percent of reduction in rates	Percent of total reductions
6–15	4.1	56–65	8.0
16–25	9.6	66–75	29.0
26–35	4.8		
36–45	5.9	Total	100.0
46–55	38.6		

Quotas

Several of the concessions made by the United States involving reductions in duty, as well as one of the bindings of free entry, are now, or were formerly, limited by tariff quotas, the reduced rate (or the free entry) being limited to a specified quantity and additional imports being subject to a higher rate.[4] The purpose of these quota restrictions has been to

[4] On a very few articles trade agreements formerly fixed absolute quota limitations on imports, none being permitted to enter in excess of the quotas, but these have all been canceled by later agreements.

limit any injury to domestic producers which might result from the concession and to lessen the opposition of producers to it.

Some of these tariff quota provisions (including the only one relating to a duty-free article, namely shingles) have been terminated by subsequent agreements. At present, tariff quotas are in effect, or provided for by existing agreements, on the following commodities: Cattle (except dairy cows), milk, cream, butter, fillets of cod and related species, walnuts, potatoes, and wool fabrics. Imports of these commodities in 1939 were valued at 31.5 million dollars, or 4.4 percent of the total value of all commodities subject to duties reduced by trade agreements.

In recent agreements the duties on imports in excess of quota limits have been bound at the preagreement rates. (This binding as to fish fillets was first introduced in the Geneva trade agreement.) There have been wide differences among the commodities as to the extent of imports in excess of the quotas. For some items there have never been over-quota entries. In recent years imports of fish fillets in excess of the quota have been consistently large, the specific rate on over-quota imports having little restrictive effect in view of the high prices prevailing.

Concessions Under Pre-Geneva Agreements

From the beginning of the trade agreements program in 1934 down through 1947, agreements were made with 27 countries.[5] Imports from these countries (including certain dependencies) in 1939 constituted 69 percent of total imports, free and dutiable, from all countries, and 68 percent of total dutiable imports. Much the greater part (measured by value of imports in 1939) of the trade in dutiable articles now subject to concessions was already subject to concessions in pre-Geneva agreements, and the greater part of the reduction in duties resulting from all trade agreements was brought about by these pre-Geneva agreements, although the Geneva agreement added considerably to the scope of the concessions and still more to the extent of reduction in duties.

The pre-Geneva agreements, some of which were superseded by the Geneva agreement whereas others remain in effect, reduced the duties on articles which constituted 63.9 percent of the total dutiable imports in 1939. The pre-Geneva agreements also bound the preexisting rates of duty on articles which constituted 4.7 percent of total dutiable imports in 1939. About 31 percent of the dutiable imports, however, remained outside the scope of any trade agreement prior to January 1, 1948. Before any agreement was made, the average rate of duty on all dutiable imports (calculated on the basis of 1939 statistics) was 48.2 percent, whereas after these agreements (but before the Geneva agreement) the average was 32.2 percent, a reduction of one-third. These averages include articles on

[5] Not counting Czechoslovakia and Nicaragua, the agreements with which were suspended, but counting Belgium and Luxembourg as two countries though covered by a single agreement.

which there had been no change in duty. For articles on which duties were reduced by the pre-Geneva agreements, the average reduction was 44 percent (the maximum permissible reduction on any article then being 50 percent).

Concessions Under the Geneva Agreement

In the Geneva agreement the United States made concessions to 22 countries. With less than half of these countries—which, however, accounted for much more than half of the total import trade with all 22 countries—agreements had previously been in effect, these being superseded by the Geneva agreement.

As to dutiable commodities, the Geneva agreement provided for (1) binding of duties which had been previously reduced by trade agreements, (2) further reduction of duties previously reduced, (3) reduction of rates not previously reduced by any agreement (some of these had previously been bound at the statutory rates), and (4) binding of duties at the rates in effect before any trade agreement was made (a minor group). These four classes of concessions together covered articles the imports of which constituted 70.4 percent of the total dutiable imports into the United States in 1939. Articles on which duties were reduced at Geneva for the first time accounted for 17.9 percent; articles on which previously reduced rates were further reduced, for 35.7 percent; and the other two classes of concessions, for 16.8 percent.

The average rate of duty on all dutiable imports (weighted by the value of imports in 1939) in effect in 1947 before the Geneva agreement was 32.2 percent. After that agreement the average was 25.4 percent, a reduction of 21 percent having been effected at Geneva. These percentages cover all dutiable imports, including those on which no reduction in duty was made by the Geneva agreement. On the articles on which duties were reduced in that agreement, the average rate of duty immediately before the agreement was 36.1 percent ad valorem and after it 23.3 percent ad valorem, a reduction of 35 percent; the maximum permissible reduction on any article was 50 percent.

Concessions by Tariff Schedules and Economic Classes

Duty-reduction concessions made by the United States in trade agreements have been widely distributed among the tariff schedules. For several schedules they cover articles which constituted over 90 percent of the total dutiable imports in 1939. The lowest proportion, 57.7 percent, is for schedule 9 (cotton manufactures), a fact attributable in part to the importance of Japan, with which no trade agreement has been made, as a supplier of imports of cotton goods. Bindings of preagreement tariff rates are of much importance in the sundries schedule, where the principal item bound is cut diamonds (rate of duty, 10 percent). In most of the schedules bindings have been of minor importance.

The proportion of the total dutiable imports of 1939 consisting of articles on which duties have been reduced by the trade agreements was somewhat higher for agricultural products, 83.6 percent, than for nonagricultural, 80.5 percent. However, the proportion of the imports subject to duties bound at the preagreement rates was much higher for the nonagricultural than for the agricultural products, the former class including the big item of cut diamonds. As a result of all the trade agreements, the average rate of duty on agricultural products (as weighted by 1939 statistics) has been reduced by 47 percent, and the average on nonagricultural products by 48 percent. At present, as it was before any agreement was made, the average rate of duty is considerably higher on agricultural than on nonagricultural products.

Concessions by Countries

Table 4 shows the imports of dutiable articles in 1939 from groups of countries classified according to their participation or nonparticipation in trade agreements. It indicates what proportion of the imports from each group consisted of commodities on which duties have been reduced by trade agreements and what proportion of commodities on which preagreement rates have been bound against increase. It should be particularly noted that the imports of concession articles from a given group of countries are not confined to articles on which concessions have been granted to countries in that group, but include all those articles on which concessions have been made to any country.

TABLE 4.—*Countries with which the United States has trade agreements, classified by groups: United States imports for consumption in 1939 according to the trade-agreement status of the commodities as of Jan. 1, 1948*

Group of countries	Value of imports, 1939		Proportion of total dutiable imports subject to—		
	Total, free and dutiable	Dutiable	Duties reduced by trade agreements	Duties bound at preagreement rates	No concession
Trade-agreement countries:					
Countries with which agreements were made before Geneva:	*1,000 dollars*	*1,000 dollars*	*Percent*	*Percent*	*Percent*
Participating at Geneva	1,194,533	460,697	90.2	7.4	2.4
Not participating at Geneva	358,184	139,765	95.3	2.8	1.9
Total or average, pre-Geneva countries	1,552,717	600,462	91.4	6.3	2.3
Countries with which agreements were made at Geneva for the first time	243,501	92,267	83.7	12.7	3.6
Total or average, trade-agreement countries	1,796,218	692,729	90.4	7.2	2.4
All non-trade-agreement countries	479,881	186,090	49.7	3.6	46.7
Total or average, all countries	2,276,099	878,819	81.8	6.4	11.8

Table 4 shows that of the total dutiable imports in 1939 from all countries with which the United States has trade agreements 97.6 percent consisted of articles on which concessions have been made, 90.4 percent representing articles covered by duty-reduction concessions, and 7.2 percent articles on which existing rates have been bound. Of total imports from nonagreement countries, on the other hand, 49.7 percent consisted of articles now subject to duties reduced by trade agreements and 3.6 percent of articles subject to duties bound by trade agreements.

The table also distinguishes countries with which the United States previously had agreements which were superseded by the Geneva agreement, trade-agreement countries which did not participate at Geneva, and countries covered for the first time by the Geneva agreement.

The tables in part III, chapter 5, show the imports in 1939 from the individual agreement countries and classify these imports according to the status of the articles under the trade agreements. Articles subject to reduced duties under the trade-agreement program constituted over three-fourths of the total dutiable imports in 1939 from most of the individual countries with which the United States now has agreements. The proportion, however, varies widely from country to country; for several it exceeds 99 percent.

One of the tables in part III, chapter 5, relates only to the countries with which trade agreements were in effect in 1947 before the Geneva agreement. It distinguishes between imports into the United States (in 1939) from each country of articles on which duties were reduced by the agreement with that country itself and imports of articles on which the duties were reduced by agreements with other countries. For all these countries taken together, 81.9 percent of the dutiable imports in 1939 consisted of articles on which duties were reduced by the pre-Geneva trade agreements, 73.8 percent representing those on which the duty reductions were made by the agreements with the respective contracting countries, and 8.1 percent those on which the duties were reduced by agreements with other countries. The disparity between these last two percentages is, of course, attributable to the policy of making concessions in a given agreement ordinarily only on articles of which the given country is the principal supplier.

BINDINGS OF DUTY-FREE ENTRY

Most of the trade agreements entered into by the United States include provisions binding the continued free entry of certain commodities which are on the free list. Bindings of free entry on a considerable number of such commodities have been made in trade agreements with two or more countries.

Eliminating articles which were imported duty-free from the Philippine Islands but which would be dutiable if imported from other countries, and also eliminating products of the United States exported and returned to this country, the total value of duty-free imports in 1939 was 1,301 million dollars. Continued free entry has been bound on imports valued at 1,184 million dollars, or 91 percent of the total. Part III, chapter 2, discusses the nature of the commodities the free entry of which has been bound, and the extent, if any, to which they compete with domestic products.

Trade-Agreement Concessions Obtained by the United States

Part IV of this report deals with the concessions obtained by the United States in trade agreements. These concessions are of two kinds: (1) Concessions on particular articles specified in the schedules of the agreements, and (2) concessions in the form of general provisions of the agreements, some of which are subject to important qualifications which may affect the scheduled concessions.

Most of the concessions on particular commodities specified in the schedules relate to the maximum rates of duty to be charged on imports from the United States (which may represent reductions from or binding of existing rates) or relate to the guaranty of continued free entry. In some agreements, however, the schedules include, with reference to certain commodities, provisions as to other matters, such as minimum purchases by government monopolies from the United States, minimum quotas which may be fixed on imports from the United States, and (particularly in agreements with British Commonwealth countries) maximum margins of tariff preference which may be accorded to imports from associated countries.

Some of the general provisions relate only to the commodities included in the schedules and from the point of view of the United States are designed largely to prevent or at least to limit impairment of the value of the scheduled concessions. Other general provisions relate to all commodities, whether or not covered by scheduled concessions, and are designed to protect all United States exports to the other contracting countries from certain types of adverse treatment, particularly discriminatory treatment. The general provisions of the pre-Geneva trade agreements of the United States differ in form, and to some extent in content, from one agreement to another and are considerably less comprehensive than those of the Geneva agreement. The most important of these differences are described in the first section of this summary.

As regards the general provisions, only the effects on United States export trade are discussed in this section. Provisions of this sort are, however, reciprocal, and the United States, as well as the other contracting parties, is bound by them. These limitations, however, do not have the same significance for the United States as for many of the foreign contracting countries. Before the agreements became effective, the United States, in general, did not follow policies which would have been in

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violation of such limitations. Many of the foreign contracting countries, however, did follow such policies extensively and might have intensified them but for the commitments of the trade agreements. Moreover, present indications are that the United States would be less likely to apply measures contrary to these general trade-agreement provisions than other contracting countries would if they were free to do so.

The scope of the scheduled concessions (of different kinds and involving different degrees of rate reduction) of a trade agreement can be measured statistically. Concessions obtained through the general provisions, however, are not generally susceptible of statistical measurement. Nevertheless, for a better view of the totality of concessions obtained, it is appropriate to discuss certain general provisions which relate not only to the trade in items covered by the schedules of concessions but to trade in general.

GENERAL PROVISIONS OF TRADE AGREEMENTS

The importance of the trade-agreement general provisions to United States exporters lies largely in the fact that during and since the depression of the thirties there has been a widespread trend in foreign countries toward the use of nontariff trade restrictions (especially import quotas and exchange controls) and toward discriminatory treatment of imports from different countries. The trend toward discrimination was manifested partly in the increased use of multiple-column tariffs (tariffs with different rates of duty applicable to imports of like goods from different countries), but especially in the discriminatory application of quantitative import restrictions and exchange controls. Because of the excess of United States exports over imports and the consequent difficulties experienced by many foreign countries in obtaining adequate dollar exchange, these practices have been particularly restrictive of the export trade of the United States. Halting and reversal of the trend toward extension of these practices, therefore, have been prime objectives of the United States in its trade agreements program, and for these objectives the general provisions of the agreements are of major importance.

In connection with the general provisions of trade agreements as they relate to United States export trade, three matters deserve special attention: First, the advantages which have accrued or may hereafter accrue to United States exports (independently of the scheduled concessions) by reason of the most-favored-nation provisions of the trade agreements; second, the relation of these general provisions to the future of imperial-preference tariff systems, particularly those of British Commonwealth countries; and third, commitments of foreign countries as to their use of quantitative restrictions on imports and qualifications of these commitments.

Improved Treatment of United States Exports Resulting From the Most-Favored-Nation Provision

The most-favored-nation provision of the agreements resulted (independently of the scheduled concessions) in improved treatment by some of the contracting countries of imports from the United States. The most important example of this effect occurred under the 1936 trade agreement with Canada.

Before the first trade agreement with Canada, imports of United States goods into that country had been subject to the "general" Canadian tariff rates. On many, indeed most, dutiable commodities these general rates were higher than the "intermediate" (most-favored-nation) rates applicable to imports of similar goods from non-British countries with which Canada had most-favored-nation trade relations.[1] By virtue of the most-favored-nation provision of the 1936 agreement, all United States commodities, including many not listed in the Canadian schedule of concessions, became dutiable at the most-favored-nation rates of the Canadian tariff. In 1937 Canadian imports from the United States of articles on which Canadian duties were reduced as a result of this provision alone amounted to 132.5 million dollars and accounted for about 43 percent of the total dutiable imports from this country.

Similar benefits, though covering a smaller volume of trade, resulted from the most-favored-nation provision of the 1936 trade agreement with France and on a few commodities from the corresponding provision in trade agreements with other countries. Moreover, the most-favored-nation provision assures that United States exports will obtain the advantages of tariff concessions that may hereafter be made by the trade-agreement countries in agreements with third countries.

Relation of Most-Favored-Nation Provisions to Imperial-Preference Systems

Preferential tariff treatment of imports from British Commonwealth countries has long been a feature of the tariffs of some of the British Dominions and, after World War I, of the tariff of the United Kingdom itself. These preferential features were greatly expanded and intensified under the Ottawa agreements of 1932. Since that time British imperial preferences have been major disadvantages to the position of many United States exports in the markets of British Commonwealth countries.

The imperial-preference features of the Canadian and United Kingdom tariffs were curtailed somewhat by the schedules of concessions of these countries in their pre-Geneva trade agreements with the United States.

[1] The intermediate rates of the Canadian tariff, though higher on many commodities than the Empire preference rates applicable to imports into Canada from other countries of the British Commonwealth, are referred to as most-favored-nation rates.

These preferential features, however, were not directly affected by the most-favored-nation provisions of those agreements, since they specifically exempted Canada and the United Kingdom from obligation to apply as favorable tariff rates to United States goods as to British goods. Thus Canada during the late war, by reducing duties on imports from the United Kingdom of many articles covered by the Canadian schedule of concessions in the 1939 agreement with the United States, restored many margins of preference to the levels existing before the 1936 agreement with the United States, or even raised them above those levels.

The Geneva agreement greatly restricts the liberty respecting imperial preference previously enjoyed by British countries. Although the most-favored-nation provision of the Geneva agreement does not ban imperial-preference systems, it limits their scope and degree. A general provision of that agreement pledges participating countries not to introduce preferences on additional commodities and not to increase existing margins. Taken by itself, this general provision constitutes a substantial concession on the part of British Commonwealth countries: it precludes expansion of the British preferential tariff system at a time when conditions might otherwise encourage such expansion.[2]

Under the Geneva agreement the commitment not to extend or intensify preferential tariff systems applies to all the signatory countries, including Belgium, France, and the Netherlands. The Belgian and Netherlands Empires, however, had not theretofore applied imperial-preference tariffs, and the imperial-preference tariffs of the French Empire had affected the United States export trade much less than the British preferential system had. The territories within none of these three empires have been, or are likely to be, in a position to supply one another with a wide variety of the products which the United States exports; therein these empires differ greatly from the British Empire.

Provisions Regarding Quantitative Restrictions on Imports, and Exchange Controls

Some of the severest barriers to United States exports that rose during the thirties consisted of quota limitations or other quantitative restrictions which foreign countries imposed on imports. Moreover, through these quantitative restrictions, serious discriminations against United States export trade were often effectuated. In some foreign countries direct quantitative restrictions on imports were closely related, either as supplementary or alternative arrangements, to official control of foreign-exchange transactions and related practices, particularly exchange clearing. The trade-agreement commitments made by foreign countries as to the

[2] A further effect of the Geneva negotiations as regards British preference is indicated by notes exchanged between Canada and the United Kingdom on October 30, 1947, on the occasion of their subscribing to the Geneva agreement. In these notes the two countries agreed that in the future each of them would be free to reduce or eliminate preferences without the consent of the other and without regard to previous commitments between them.

application of quantitative import controls and exchange controls are, therefore, of great interest to United States export trade.

The general provisions of the pre-Geneva agreements committed the foreign contracting countries, subject to specified exceptions, not to apply quantitative restrictions to imports from the United States of commodities listed in the schedules of concessions (unless specific commitments as to quotas were set forth in the schedules themselves). The most important exceptions to this commitment permitted the application of quantitative controls to imports of particular goods in connection with measures restricting the production or marketing of like domestic goods. The pre-Geneva agreements also committed the foreign contracting countries not to apply quantitative restrictions, whether on scheduled or unscheduled items, in such manner as to discriminate against imports from the United States.

In the Geneva agreement all the provisions limiting the use of quantitative restrictions, and not alone those limiting their discriminatory application, relate to the use of such restrictions on any imports into the participating countries. The commitments in the Geneva agreement regarding quantitative restrictions, however, are subject to an important qualification in addition to those contained in the earlier agreements. Under specified conditions and subject to specified limitations, parties to the Geneva agreement encountering balance-of-payments difficulties are exempted from their commitments regarding the use of quantitative restrictions on imports and are even permitted to apply quantitative restrictions in a discriminatory manner.

Official control of foreign-exchange transactions in foreign countries has often amounted to quantitative, and sometimes to discriminatory, control of imports, since control over the payments which may be transferred to foreign suppliers in practice often means control over the amounts, varieties, and origin of the imports of particular commodities. The general articles of the earlier trade agreements, therefore, pledged the contracting countries not to apply control of foreign-exchange transactions in such a way as to discriminate against imports from the United States.[3] The general articles of the Geneva agreement do not deal directly with the use of exchange controls, but in effect provide that participating countries shall be governed in this matter by the principles of the International Monetary Fund Agreement. The Fund agreement provides that, after a transitional period of 3 to 5 years, control of foreign-exchange transactions shall not be applied to restrict the transfer of payments arising out of current merchandise trade. This provision of the Fund agreement, however, is subject to balance-of-payments qualifications corresponding in general to those of the Geneva agreement as to the use of quantitative restrictions.

[3] In a few of the agreements this commitment was subject to temporary exceptions.

The balance-of-payments qualifications on commitments regarding quantitative import restrictions and exchange controls were included, in both the Geneva agreement and the International Monetary Fund Agreement, because since the war many participating countries have been experiencing severe balance-of-payments difficulties, especially in the supply of United States dollars, and it could not be foreseen when and to what extent these difficulties would be overcome. The agreements could not have been made with many of the participating countries without these qualifications. Under existing conditions all-out commitments requiring nondiscrimination in the face of balance-of-payments difficulties would not have been feasible for many countries, and even if made could not be fulfilled. In the long run a country cannot buy more from the United States than its supply of dollars which can be used for that purpose will permit.

Although provisions regarding quantitative restrictions under the early agreements that are still in effect are not subject to specific balance-of-payments exceptions, recent experience with Sweden suggests that it may be advisable under existing conditions to permit temporary suspension of the prohibition on discriminatory use of import quotas. In 1947 Sweden encountered precisely the type of balance-of-payment difficulties visualized in the Geneva agreement. An understanding was reached between the United States and Sweden by which Sweden was released temporarily from its obligations (under the 1935 trade agreement with the United States) as to the application of quantitative import controls to imports from the United States.

Because of the difficulties with their dollar balances of payments, it appears that, at least for the next few years, many trade-agreement countries will continue to use quantitative import controls and to apply them so as to discriminate against imports from the United States. So long as these difficulties continue, discrimination against United States exports as to goods either obtainable from other countries or regarded by the importing country as nonessential will likewise continue, and dollar exchange available to pay for imports will be used mainly to purchase United States goods not obtainable elsewhere and regarded as essential. For some time to come, therefore, the provision against the discriminatory use of quotas will remain largely inoperative, and in consequence the value to United States exporters of many of the scheduled concessions will remain problematical. Moreover, quantitative restrictions imposed for balance-of-payments reasons may often afford additional protection to the industries of the countries imposing them and encourage the development of new industries.

Thus, the value of the trade agreements to United States export trade with many countries depends largely on when and to what extent balance-of-payments difficulties will be overcome, which, in turn, depends on numerous, complex, and unpredictable factors. These factors include events, conditions, and policies (not only commercial policies but other economic policies as well) both in the countries experiencing these difficulties and in other countries of the world. United States policies affecting imports and, especially, the levels of prosperity and business activity in this country are of much importance in this connection. The trade agreements themselves, especially the Geneva trade agreement, constitute one of the factors affecting the balance-of-payments situation.

Summary Comment Regarding Relation of General Provisions to United States Export Trade

In the light of the foregoing considerations, the importance of the trade agreements to the export trade of the United States may well lie as much in the general provisions of these agreements as in the scheduled commitments made by the other contracting countries regarding their treatment of imports of specific commodities from the United States. To be sure, some of the general provisions which in practice will involve greater limitation upon the freedom of action of foreign countries than of the United States are subject to important qualifications. Nevertheless, although the value to the export trade of the United States of the commitments in the general provisions of the trade agreements cannot be measured, there is scarcely reason to doubt their importance, especially in the long run. Of particular significance to United States exporting interests is the fact that the other contracting countries, through these commitments, obligate themselves, as soon as, and to the extent that, their balance-of-payments situations will permit, to suppress such restrictive import measures as quotas and to accord to imports from the United States treatment equal to that accorded imports from other countries.

SCHEDULED CONCESSIONS OF TRADE AGREEMENTS—STATISTICAL ANALYSIS

In 1939 the combined exports of the United States to countries with which it has negotiated trade agreements (including countries and their dependencies that participated in the Geneva agreement) amounted to about 2.4 billion dollars, or about three-fourths of the total exports of the United States. These countries accounted for a roughly similar proportion of total United States exports in other years immediately preceding World War II and for about four-fifths of the total in 1947.

Table 5 undertakes to show so far as practicable the scope of the scheduled concessions of foreign countries on imports from the United States. The table is based mainly on import data of the several countries for a single prewar year—for the most part 1939. The table does not take account of imports of United States goods by trade-agreement countries

TABLE 5.—*Imports (mainly in 1939* [1]*) from the United States into trade-agreement countries, by kinds of scheduled concessions applicable under the agreements*

[In thousands of dollars]

Country	Total imports from the United States	Imports from the United States subject to scheduled concessions: Total	Kind of concession: Binding of free status	Binding of duty against increase	Reduction in duty	Other commitments [2]
	All countries that have trade agreements with the United States					
Total	2,426,628	1,498,090	326,170	462,145	564,092	145,683
	Group 1.—Countries participating in the Geneva agreement that had previous trade agreements with the United States [3]					
Belgium-Luxembourg-Netherlands	144,019	118,166	45,904	36,799	9,566	25,897
Brazil	71,518	38,651	2,672	31,841	4,138	---------
Canada	477,113	342,485	75,490	24,023	242,972	---------
Cuba	77,666	74,929	3,967	13,620	46,489	10,853
France	146,614	138,820	58,628	41,344	16,635	22,213
United Kingdom	521,741	329,799	74,138	93,871	114,444	47,346
Other [4]	125,919	40,457	10,085	20,806	7,889	1,677
Total	1,564,590	1,083,307	270,884	262,304	442,133	107,986
	Group 2.—Countries participating in the Geneva agreement that had no previous trade agreements with the United States					
Australia	69,436	42,651	640	9,888	17,205	14,918
China	64,705	51,941	59	47,670	4,212	---------
Czechoslovakia	39,078	25,326	18,565	2,200	4,493	68
India-Pakistan	35,104	10,031	597	1,932	2,343	5,159
Norway	34,217	15,362	5,023	3,784	6,555	---------
Union of South Africa	76,367	40,114	6,841	14,782	8,790	9,701
Other [5]	55,556	33,803	1,175	15,599	14,149	2,880
Total	374,463	219,228	32,900	95,855	57,747	32,726
	Group 3.—Countries not participating in the Geneva agreement that have trade agreements with the United States					
Argentina	70,621	32,841	42	14,237	18,562	---------
Colombia	56,480	29,680	---------	15,345	14,335	---------
Mexico	80,256	23,413	255	12,305	10,853	---------
Sweden	99,385	46,473	19,042	26,253	1,178	---------
Switzerland	29,881	15,066	---------	8,695	1,400	4,971
Venezuela	61,588	20,144	757	13,696	5,691	---------
Other [6]	89,364	27,938	2,290	13,455	12,193	---------
Total	487,575	195,555	22,386	103,986	64,212	4,971

[1] Countries for which statistics cover periods other than the calendar year 1939 are as follows: Australia—July 1, 1938, to June 30, 1939; Brazil—Apr. 1, 1938, to Mar. 31, 1939; Czechoslovakia—1937; India-Pakistan—Apr. 1, 1938, to Mar. 31, 1939; Iran—Mar. 22, 1939, to Mar. 21, 1940; Newfoundland—July 1, 1938, to June 30, 1939; Syro-Lebanese Customs Union—1938. Statistics of imports into Argentina, Costa Rica, Ecuador, El Salvador, Finland, Guatemala, Haiti, Honduras, Uruguay, Venezuela, and French dependencies were not available in a form suitable for tabulating, and United States statistics of exports to these countries were used as measures of the trade covered by their concessions.

[2] Includes imports subject to commitments as to monopoly purchases or quantitative controls, commitments of British countries as to margin of preference unaccompanied by commitments as to rate of duty, and commitments as to duties which are reduced by indeterminate amounts and as to duties which may be increased within specified limits.

[3] For these countries the appropriate measurement of tariff concessions in trade agreements with the United States should take account of concessions both in earlier agreements and in the Geneva agreement. It has however, been feasible to report only the imports of concession items from the United States into Canada, Cuba, the United Kingdom, and Newfoundland (included in "Other" under group 1) on this basis. For Brazil, Belgium-Luxembourg-Netherlands, and France, completely revised tariffs were being formulated at the time of the Geneva negotiations. Imports into these countries have been tabulated on the basis of comparison of the rates provided for in the Geneva agreement with those that were accepted by the United States and other countries as bases of negotiation at Geneva.

[4] Includes Ceylon, dependencies of France, Newfoundland and other territories covered by United Kingdom commitments, and the dependencies of Belgium and the Netherlands (except the Netherlands West Indies and Surinam, for which available import statistics do not make it feasible to identify the trade in concession items). Ceylon subscribed independently to the Geneva agreement, but its trade relations with the United States were previously covered by the trade agreement between the United States and the United Kingdom.

[5] Includes Burma, Chile, Lebanon, and Syria, New Zealand, and Southern Rhodesia.

[6] Includes Costa Rica, Ecuador, El Salvador, Finland, Guatemala, Haiti, Honduras, Iceland, Iran, Paraguay, Peru, Turkey, and Uruguay.

which receive improved treatment by virtue of the general provisions of the agreements but which are not covered by the scheduled concessions.[4]

In compiling the data for table 5, it was not possible to follow a uniform procedure for all the countries. The procedures employed for different countries are explained in the footnotes to the table and are more fully discussed in part IV of the full report.

Table 5 shows the total imports from the United States into the trade-agreement countries and the imports of articles covered by scheduled concessions at present in effect. Data for imports subject to scheduled concessions relate to all such concessions obtained by the United States in trade agreements, whether made before, during, or after the prewar year taken as a base. Many of the concessions, including all those made for the first time in the Geneva agreement, were not in effect in the prewar year to which the import statistics relate. The data presented in the table, therefore have no bearing on the effects of the concessions on the value of trade in particular commodities or in all commodities combined.

The total imports from the United States into the agreement countries in 1939 (or in the other prewar year selected as a base for table 5) amounted to about 2,427 million dollars. Their imports from this country of articles at present subject to scheduled concessions were valued at about 1,498 million dollars, or 62 percent of the total.

Scope of Concessions by Kinds

In table 5 the imports from the United States into the trade-agreement countries of articles subject to scheduled concessions are classified by kinds of concessions, mainly binding of previous tariff treatment or reduction of previous rates of duty. Some scheduled concessions, however, are not classifiable on that basis. Among these are (1) guaranties as to the quantities of specified imported commodities to be purchased by official monopolies; (2) the fixing of minimum import quotas for specified articles; and (3) commitments involving reductions in the margins of preferential treatment for imports from associated countries without commitments on the rates of duty to be charged on imports from the United States. Concessions of the third type were made mainly by countries of the British Commonwealth. Concessions of these three types account for most of the trade classified in table 5 under "Other commitments." [5]

The largest class of scheduled concessions by the foreign trade-agreement countries is that involving actual reductions in duty. Articles at present subject to duties reduced in trade agreements accounted for about 23 percent of total imports into these countries from the United States in the prewar year (for 38 percent of the imports subject to concessions of all kinds).

[4] It should be emphasized that the data in this table (and in table 6) are confined to concessions granted in the schedules of the agreements. As pointed out above, advantages accruing to United States exports from the general articles of the agreements are, to a large extent, not susceptible of statistical measurement.

[5] See footnote 2, table 5.

Bindings of continued free entry by trade agreements relate to articles constituting about 13 percent of the total imports of the trade-agreement countries from the United States (22 percent of the imports subject to concessions of all kinds). Compared with the concessions granted by the United States, bindings of free entry by foreign countries are less extensive, mainly for the reason that duty-free imports constitute a smaller proportion of the total imports into most foreign countries than of the total imports into the United States. A more important class of concessions by the foreign agreement countries involves the binding of existing rates of duty against increase; these concessions applied to articles which accounted for about 19 percent of their total imports from the United States (31 percent of the total for imports subject to concessions of all kinds). Although bindings of duty-free entry or of existing rates of duty have little effect in increasing imports, they may help to forestall new or increased duties which might result in a reduction of imports.

Scope of Concessions by Countries

In table 5 the trade-agreement countries are classified into three groups according to the relation of each country to the Geneva agreement. The data for the most important countries are also shown separately. Group 1 (consisting of countries which are parties to the Geneva agreement and with which the United States had previously had trade agreements) is much the most important in terms of purchases of United States goods. As might be expected, the countries in group 1 have a higher ratio of imports of concession articles to total imports than either of the other two groups. This higher ratio results from the fact that the countries of group 1 have granted the United States concessions in two agreements (in the case of Canada, three agreements) in return for two (or three) sets of concessions granted them by the United States. Articles subject to scheduled concessions account for about 69 percent of the total imports of the countries of group 1 from the United States in the prewar year compared with 58 percent for the countries of group 2 (countries which are parties to the Geneva agreement, but with which the United States had no trade agreements in effect at the time of the Geneva negotiations), and with about 40 percent for the countries of group 3 (those which are not parties to the Geneva agreement, but with which trade agreements previously negotiated are still in effect). The ratio of imports of articles subject to duty-reduction concessions to total imports subject to concessions is also higher for countries of group 1 than for those of the other two groups.

Table 5 brings out the fact that in each of the three groups there are wide differences among individual countries as to the proportion of total imports from the United States consisting of concession articles and as to the relative importance of the different types of concessions. Apart from differences among the foreign countries in their economic positions and their commercial policies, there are several reasons for these disparities, among which two may be mentioned. (1) Some countries with which trade agreements have been negotiated find only a relatively unimportant market for their exports in the United States or are important suppliers of United States imports of few articles. The United States negotiators were obviously not in a position to offer such countries extensive concessions or concessions which were of major importance to their export trade. The United States, therefore, could not expect such great concessions from them as from countries to which it made concessions of greater interest. (2) In some trade-agreement countries the duties on certain major commodities imported from the United States are intended primarily for revenue rather than to protect domestic industry. For budgetary reasons some countries have been disinclined to limit by trade agreement their freedom of action as to the rates of revenue duties. Moreover, the United States negotiators have no doubt been less disposed to press for commitments on revenue duties than on definitely protective duties, since the former are normally less restrictive of imports.

Scheduled Concessions Involving Reductions in Duty

Table 6, which like table 5 is based on the import statistics of a single prewar year (mainly 1939), classifies the imports from the United States subject to duty-reduction concessions (at whatever time the reduction was made) according to the percentage by which the duties have been reduced. It also distinguishes the same three main groups of countries as table 5.

Of those prewar imports from the United States into all the trade-agreement countries on which duties have been reduced by the agreement schedules, about one-seventh (in terms of value) consisted of articles on which duties have been removed entirely; and about one-tenth, of commodities on which duties have been reduced by more than 50 but less than 100 percent. The largest group of articles subject to scheduled duty-reduction concessions consisted of those on which the rates have been lowered by 25 to 36 percent. As might be expected, the countries of group 1 (countries participating in the Geneva agreement which had previous trade agreements with the United States) have made greater reductions in duties than countries in groups 2 and 3.

Table 6.—*Imports (mainly in 1939* [1]*) from the United States by trade-agreement countries subject to rates of duty reduced by scheduled concessions, by percentage of reduction*

[In thousands of dollars]

Country	Imports from the United States subject to reduced rates of duty under scheduled concessions						
		Percent of reduction					
	Total	100	76 to 100	51 to 76	36 to 51	25 to 36	Less than 25
	All countries that have trade agreements with the United States						
Total	564, 092	80, 569	6, 744	52, 986	116, 571	173, 476	133, 746
	Group 1.—Countries participating in the Geneva agreement that had previous trade agreements with the United States [2]						
Belgium-Luxembourg-Netherlands	9, 566	357	2	--------	2, 442	1, 943	4, 822
Brazil	4, 138	18	423	79	2, 187	1, 259	172
Canada	242, 972	34, 453	523	23, 784	60, 269	92, 298	31, 645
Cuba	46, 489	966	4, 226	4, 387	8, 636	8, 349	19, 925
France	16, 635	193	39	4, 712	2, 128	5, 888	3, 675
United Kingdom	114, 444	38, 229	--------	9, 160	8, 182	33, 980	24, 893
Other [3]	7, 889	1, 077	8	1, 753	2, 308	1, 553	1, 190
Total	442, 133	75, 293	5, 221	43, 875	86, 152	145, 270	86, 322
	Group 2.—Countries participating in the Geneva agreement that had no previous trade agreements with the United States						
Australia	17, 205	2, 204	--------	1, 310	2, 530	6, 956	4, 205
China	4, 212	--------	--------	--------	--------	169	4, 043
Czechoslovakia	4, 493	--------	345	997	910	275	1, 966
India-Pakistan	2, 343	--------	--------	--------	15	980	1, 348
Norway	6, 555	58	--------	33	4, 540	799	1, 125
Union of South Africa	8, 790	2, 260	--------	329	4, 110	1, 046	1, 045
Other [4]	14, 149	26	1, 043	3, 387	2, 944	3, 897	2, 852
Total	57, 747	4, 548	1, 388	6, 056	15, 049	14, 122	16, 584
	Group 3.—Countries not participating in the Geneva agreement that have agreements with the United States						
Argentina	18, 562	--------	--------	--------	146	763	17, 653
Colombia	14, 335	--------	109	785	5, 576	6, 769	1, 096
Mexico	10, 853	--------	--------	71	4, 635	2, 773	3, 374
Sweden	1, 178	718	--------	38	49	325	48
Switzerland	1, 400	--------	--------	5	240	411	744
Venezuela	5, 691	--------	--------	--------	2, 002	1, 677	2, 012
Other [5]	12, 193	10	26	2, 156	2, 722	1, 366	5, 913
Total	64, 212	728	135	3, 055	15, 370	14, 084	30, 840

[1] See footnote 1, table 5.
[2] See footnote 3, table 5.
[3] See footnote 4, table 5.
[4] See footnote 5, table 5.
[5] See footnote 6, table 5.

Scheduled Concessions of British Commonwealth Countries Regarding Imperial Preferences

Reference has been made above to scheduled concessions of countries of the British Commonwealth involving guaranties as to the maximum margins of preference to be afforded to imports of specified commodities from other countries of the Commonwealth without obligation as to the rates of duty applicable to imports of these commodities from the United States. Imports from the United States into the British Commonwealth countries of commodities subject to such concessions are shown in table 5 under "Other commitments." However, concessions of this sort do not by any means account for all the scheduled concessions involving reductions in the margins of British preference. Many of the concessions of British Commonwealth countries (in fact, most of the concessions of the United Kingdom and the British Dominions) involving reductions of most-favored-nation rates of duty also involve corresponding or greater reductions in the margins of British preferential treatment of the imports concerned. In addition, concessions providing for the binding of the previous most-favored-nation rates of duty on some commodities are accompanied by commitments to reduce the margins of British preference below those previously in effect. In tables 5 and 6, however, the trade covered by scheduled concessions of the British Commonwealth countries has been tabulated on the basis of the effects of the concessions on the most-favored-nation rates of duty rather than on the basis of the effects of the concessions on margins of British preference. Consequently, the tables do not adequately show the trade which under the trade agreements is to receive improved treatment as to margins of British preference.

Comparison of Trade-Agreement Concessions Granted and Obtained by the United States

The Commission has not attempted, either in this summary or in the other parts of the report, to compare the relative importance of the concessions granted and the concessions obtained by the United States in trade agreements. As will appear from various points developed in the numbered paragraphs below, there is no adequate basis for such an overall statistical comparison. Any objective evaluation of these agreements, under the unstable conditions which have existed since the initiation of the trade agreements program in 1934, will depend largely on the relative importance assigned to the various factors involved, some of them imponderables subject to wide differences of view.

(1) The concessions granted by the United States in trade agreements consist almost entirely of tariff concessions (including reductions in duty, bindings of duty, and bindings of duty-free status) specifically listed in the schedules of the various agreements. This fact is due largely to two features of the trade policies of the United States. The tariff has always been the principal means used by the United States to regulate its import trade, and for many years this country has observed the most-favored-nation principle by according to all countries without any discrimination a single rate of import duty on each tariff classification.[1] It has made little use, compared with many other countries, of quotas and other non-tariff trade restrictions and no use at all of exchange controls for the purpose of regulating imports. The United States, like the other parties to the trade agreements, has agreed to refrain from imposing quantitative restrictions on imports except under specified conditions.[2] The importance of this commitment can be judged only in the light of whatever possibility there might otherwise have been of a wider application of such restrictions, either by this country or by the foreign agreement countries.

(2) The trade-agreement concessions obtained by the United States from foreign countries have consisted to a considerable extent of concessions other than reductions of duty and bindings of duty or of duty-free status. In the schedules of some agreements foreign countries have granted to the United States, on certain items, bindings of, or reductions in, margins of tariff preferences, without commitments as to rates. In other instances they have agreed to increase to a specified minimum, or

[1] The trade with Cuba and the Philippines, of course, has been an exception.

[2] In pre-Geneva agreements this commitment related only to scheduled items; in the Geneva agreement it relates to all items.

at least not to reduce, the quotas assigned to imports from the United States.

(3) Various advantages have also been obtained by the United States through the general provisions of the trade agreements. The most-favored-nation provision of some of the agreements has resulted in lower duties on imports from the United States of a considerable range of articles on which the foreign countries concerned had not formerly granted the United States most-favored-nation treatment. Many duty reductions resulting from most-favored-nation treatment cannot be measured from available statistics. Moreover, a general provision in the Geneva agreement in effect has bound against increase all margins of tariff preference which are permitted to continue under that agreement. Other important general provisions, appearing in one form or another in a number of trade agreements, lay down rules for the allocation of quotas on imports so as to insure a reasonable share for the United States (see also point 8 below), and for the administration of exchange controls so as to prevent discrimination against imports from the United States. In addition, certain individual trade agreements include special commitments which improve the treatment of goods imported from the United States. One example is the provision in the trade agreement with Canada resulting in lower valuations for duty on many United States products, and hence in lower charges on imports from this country, only part of which could be taken into account in the statistical analysis of concessions received. Another example is the provision in the 1936 agreement with France whereby the revenue tax on manufactures and semimanufactures imported into France from the United States was made the same as on like goods of French origin.

(4) In determining the significance of duty reductions and bindings in the various trade agreements, some account should be taken of the height of the duties bound or reduced. Although the height of a duty is not an index of its restrictiveness, consideration should be given to how protective were the average low rates in the tariffs of trade-agreement countries such as Belgium, Netherlands, Switzerland, and South Africa.

(5) In determining the significance of concessions made by foreign countries in trade agreements, including not only reductions in duties but also bindings of duties and of free entry, account should be taken of the influence of the trade agreements on the trend of commercial policies in the various agreement countries. During the 1930's there was in many countries a strong trend toward increase in tariff duties, tariff preferences, and nontariff trade barriers such as quantitative restrictions, exchange controls, and clearing agreements. So far as the trade agreements checked or reversed this trend, they were advantageous to United States exports. As regards concessions made in the Geneva agreement, consideration should be given to the strong tendency in many of the countries participating in that agreement—such as China, India, Aus-

tralia, Brazil, and Cuba—to raise their tariffs and impose other restrictions in order to help carry out programs of economic development calling for building up new industries and expanding established industries.

(6) Neither the statistics given in part III on the scope and depth of the reductions in the United States tariff made under the trade agreements program nor those given in part IV on the scheduled concessions obtained from foreign countries may be taken as measuring the degree of effective relaxation of import restrictions. The degree of duty reduction is not an index of the amount of increase in trade which will result, even assuming other conditions to be the same before and after the reduction. In any case the tendency of a reduction in duty to increase imports of a commodity may be lessened, or altogether offset, by other measures adopted by the importing country. The next two paragraphs afford examples.

(7) Some of the concessions granted by the United States in trade agreements, whether made before the war, during the war, or at Geneva, will have little effect, at least in the immediate future, on the quantity of imports. This is true of concessions on some commodities which bulk large in the weighting used to compute the trade covered and the average degree of reduction made in United States duties. For example, imports of sugar into the United States from Cuba are determined not by the duty set in the trade agreement with Cuba, but by the quotas imposed under the Sugar Act. Other important examples are certain other products which at present are the subject of Government subsidization, direct or indirect.

(8) Whatever their long-run value may be, many of the scheduled tariff concessions and other commitments made in the Geneva agreement by European countries, as well as by non-European countries experiencing balance-of-payment difficulties, will have little, if any, immediate value to United States exporters. So long as countries suffer from balance-of-payment difficulties they are largely exempt from the general prohibition of that agreement against the use of quantitative restrictions and against discrimination among countries in the application of such restrictions. Quotas imposed for balance-of-payment reasons, as well as exchange controls, governmental purchasing arrangements, etc., may afford effective protection, at least in the immediate future, to some industries of the countries imposing them and encourage the development of new industries. Consequently, the value in the more distant future to American export trade of the general provisions of the Geneva agreement regarding these matters, as well as the value of many of the scheduled concessions, will depend largely on when and to what degree the present balance-of-payment difficulties in many foreign countries will be overcome. This, in turn, may depend on political and economic developments which cannot be foreseen.

Effects of Trade Agreements on United States Trade and Industry

Part V of this report deals with the effects of the trade agreements made by the United States under the Trade Agreements Act on its export and import trade. The available statistics that may throw light upon the nature and the importance of these agreements are presented, although statistics can afford no adequate measure of the over-all effect of these agreements. Discussion of the effects that the agreements have on the trade, as well as on the agriculture and industry, of the United States is confined to this summary, the material presented in part V being almost entirely statistical.

CLASSIFICATION OF AGREEMENTS ACCORDING TO PERIOD WHEN MADE

The effects of the war and its aftermath on United States foreign trade have been so great that any attempt to analyze the influence of trade agreements upon exports and imports must distinguish the various agreements according to the periods in which they were made. From this standpoint, they fall into the following groups:

(1) The agreements which entered into force 2 years or more before the beginning of World War II, say, before December 31, 1936. (These agreements were in the order of the date on which they became effective, those with Cuba, Belgium, Haiti, Sweden, Brazil, Canada (first agreement), Netherlands, Switzerland, Honduras, Colombia, Guatemala, France, and Finland. Since the agreement with Cuba was preferential on both sides, the effects of it on trade must be distinguished from the effects of the other agreements.)

(2) The agreements which came into force between January 1, 1937, and the outbreak of war in Europe. (These agreements were with El Salvador (1937), Costa Rica (1937), Ecuador (1938), the United Kingdom (1939), Canada (second agreement, 1939), and Turkey (1939). For convenience, the agreement with Venezuela, which went into effect in December 1939 (after the outbreak of the war) may be included with this group.)

(3) The agreements which came into force between the outbreak of war in Europe and the end of the war. (These agreements were with Argentina, Peru, Uruguay, Mexico, Iran, and Iceland. To these for convenience may be added the agreement with Paraguay, the only one made after the close of hostilities and before the Geneva negotiations.)

(4) The General Agreement on Tariffs and Trade made at Geneva, which entered into effect provisionally January 1, 1948. (The Geneva agreement covered 22 countries apart from the United States. It superseded agreements previously made with a number of countries, including most of the major trading countries, and covered trade with a larger number of countries, mostly less important in United States trade, with which the United States previously had no agreement under the Trade Agreements Act.)

RELATION OF AGREEMENTS TO UNITED STATES FOREIGN TRADE IN THE WAR AND POSTWAR PERIODS

General Discussion of Factors Affecting Trade in These Periods

The Geneva agreement, effective January 1, 1948, has obviously not yet been in force long enough to afford evidence as to its general effects on United States trade. Moreover, the bilateral trade agreements which came into force shortly before and during the war (groups 2 and 3 above) have had little opportunity to show their general effects; since they entered into force, the course of United States trade with these countries as well as with others, has been dominated by the abnormal war and postwar conditions.

In the trade with most, if not all, of the trade-agreement countries during and since the war other factors, taken together, have had much greater influence on United States exports and imports than the trade agreements, at whatever time those agreements were made. During the war, and especially after the United States entered it, ordinary trade factors, including import duties, in general ceased to have an appreciable effect on international trade, which came to be dominated almost wholly by war conditions and war trade controls. The nature of these conditions and of the trade controls exercised by governments during the war is generally familiar. It would obviously be impossible to trace the general effects of the trade agreements of the United States on either its exports or its imports while this country was at war.

Highly abnormal also have been the conditions affecting international trade since the war. The great dislocations of the war have necessarily left major aftereffects. In most countries, the conditions of production are widely different from those before the war. In some countries which suffered severe war damage, production in certain industries has not yet fully recovered. Moreover, in these countries increased domestic needs resulting from the war now absorb the entire output of many of their industries which formerly produced export surpluses, although some countries have restricted domestic consumption so as to export on a fairly large scale. On the other hand, countries, like the United States and a number of others, which escaped war damage are producing much more than before the war, though with some significant shifts in the relative importance of different classes of goods. Inasmuch as most industries in such countries find strong demand for their output in the home market, some of these countries, including the United States, have restricted exports of certain commodities.

One of the most conspicuous features of the trade relations of the United States in the past 2 or 3 years has been the lack in many countries of dollar or other hard-currency exchange required to finance their greatly increased needs for imported goods, especially for United States goods.

They have had serious difficulty in expanding their exports sufficiently. Moreover, some of the European countries which formerly had large "invisible exports," particularly income from shipping, tourist travel, and foreign investments, find these sources of income in general greatly reduced. Under these conditions many European countries have resorted, to a much greater extent than before the war, to various devices, other than tariff duties, for restricting imports. Recently similar difficulties as to balance of payments have led certain Western Hemisphere countries, such as Canada and Mexico, to institute similar trade controls.

Despite these difficulties the export trade of the United States has greatly increased during the postwar compared with the prewar period. The principal factors in this increase are these: (1) Certain countries which escaped war damage have greater buying power for imports than they had before the war. (2) Some countries, notably Germany and Japan, have largely dropped out of export trade, and goods which they formerly supplied are now being supplied chiefly by the United States. (3) Large loans and contributions by the United States Government have enabled several European countries to obtain from this country great quantities of goods for which they could not otherwise pay. (4) Certain countries accumulated substantial reserves of dollar exchange because of the net cash purchase of supplies and services abroad by the United States during the war. To this has been added dollar exchange derived to some extent from the liquidation of prewar foreign-owned assets.

During the postwar period United States exports have exceeded imports by a far greater margin than during the prewar period. In the 2 years 1946 and 1947 average annual exports from this country amounted to 11.9 billion dollars as against average imports of 5.2 billion dollars, exports exceeding imports by 6.7 billions, or by 129 percent. The great increase over prewar figures for exports is in considerable part due to advance in prices, and for imports is probably due entirely to that cause.

In view of these trade conditions the concessions granted on both sides in the trade agreements, whenever they were made, have not been major factors, as a rule, in determining the magnitude of United States postwar trade. Exceptions to this statement as regards trade with certain countries are discussed hereinafter. Furthermore, in the trade with other countries, exports or imports of some individual commodities may have been materially affected by concessions.

Effects on Trade With Certain Individual Countries

The magnitude of the United States export or import trade with certain countries from the outbreak of the war in Europe to the entry of the United States into the war and also since the war has been influenced appreciably by the agreements consummated before the war. The effect on United States imports has been greater than on exports. The principal countries to which these statements apply are Canada, Cuba, Switzerland, and the United Kingdom. Moreover, the agreements made during World War II with Argentina and Mexico may have exercised a considerable influence on the trade with those countries during at least part of the postwar period.

Canada

The reductions in duties made by the United States in the two trade agreements with Canada tended to make United States imports from that country in the early part of the war and again during the postwar period greater than they would otherwise have been. More important, however, especially since the close of hostilities, have been the high buying power of the United States, the relative shortage of certain products in this country, and the increase in prices. Similarly, the reductions in duties and preferences made by Canada in these agreements favorably influenced United States exports to Canada during the period before the United States entered the war and also during the postwar period until late in 1947, when exchange difficulties led Canada to intensify its restrictions on imports and even to impose prohibitions on many commodities. Still more important in the postwar expansion of United States exports to Canada, however, were the very high buying power of that country, the backlog of demand resulting from wartime shortages, and the advance in prices.

Cuba

While the United States itself was engaged in hostilities, its trade relations with Cuba were dominated by special wartime arrangements, but the effects of the 1934 trade agreement were significant before the United States entered the war and have been so since the war. The reductions in Cuban duties made by the agreement continued to contribute to the ability of the population to afford imported goods. The reduction in the United States duty on sugar has continued in the postwar period to contribute to the support of prices for sugar in Cuba, although other actions of this Government and the aftereffect of the war on Philippine production of sugar have been more important factors. This support of sugar prices has augmented Cuba's buying power for United States exports.

Switzerland

While the United States was at war, its trade with Switzerland, notwithstanding transportation difficulties, was large and tended to increase. The increase in imports from Switzerland in terms of dollars was due principally to advance in prices in the United States and increased demand for certain Swiss specialties, particularly watches and coal-tar chemicals. Wartime civilian demand for watches was filled almost entirely by watches containing Swiss movements, as domestic facilities for manufacturing watch movements were diverted to war production.[1] Since the close of hostilities, the reduced United States duties made in the 1936 agreement with Switzerland have been of importance in the increased imports of watches and watch movements compared with prewar imports. By reason of the large proportion of indirect trade in the prewar period, the increase in United States exports to Switzerland during the war and postwar period cannot be accurately measured by the official United States export statistics, but the statistics on Swiss imports show clearly that the increase has been large. Presumably trade-agreement concessions by Switzerland have contributed to this larger trade, particularly since the end of hostilities, but more important factors have been the high buying power of the Swiss people and the difficulty encountered by that country in obtaining goods from other customary suppliers, particularly Germany.

United Kingdom

The trade agreement with the United Kingdom, which came into force January 1, 1939, was in effect 8 months before the outbreak of war, but even in those months anticipated war requirements checked increase, or caused a decrease, in British production of many classes of goods for export. During this period, however, and also during 1940 and 1941 (before the United States itself entered into the war) the reduced United States duties may have assisted the United Kingdom in maintaining, though usually at a reduced level, its exports of various commodities to this country. On the other hand, the increase in these years in United States exports to the United Kingdom was probably affected little by the trade agreement. During the participation of the United States in the war the trade-agreement concessions had almost no effect upon British-American trade in either direction, inasmuch as this trade was dominated by war necessities, by shortages of shipping facilities, and by the lend-lease system. Trade in both directions was rigidly controlled.

Since the war the reduced United States duties provided by the 1939 agreement have undoubtedly caused the imports of certain commodities from the United Kingdom to be larger than they otherwise would have been. High buying power and shortages of goods in the United States also have favored such imports. However, although total imports from the United Kingdom were about 15 percent greater in value in 1947 than in 1937–39, allowance for advance in prices would reveal an actual decline in the quantity of this trade. Manpower shortages and heavy domestic requirements in the United Kingdom have limited its capacity to export. Indeed, for many commodities the volume of exports actually

[1] Domestic watch-case manufacturers, however, continued to make cases throughout the war.

attained has been made possible only by severe restrictions on domestic consumption.

On the other hand, it is doubtful whether the reductions in duties and preferences made by the United Kingdom in the 1939 agreement have been important elements in causing the marked increase in postwar exports to that country from the United States compared with the prewar trade. United States exports in dollars to the United Kingdom in 1947 were more than double the prewar average. This increase, which would have been much greater had more dollar exchange been available to the British, has resulted from rising prices and from the urgent need of the United Kingdom for essential foodstuffs and for capital goods to reconstruct its industries. It has been made possible chiefly by the loans advanced by the United States, but the increase in the dollar value of British exports to the United States and the liquidation of various British-owned assets in this country have contributed. In this situation the United Kingdom, during the postwar period, has imposed various restrictions on imports regarded as nonessential, and these restrictions have become increasingly stringent. The United Kingdom has also taken certain measures designed to divert its purchases of goods to British areas, or to countries in the sterling block and other "soft-currency" countries.

Other European trade-agreement countries

What is said in the preceding paragraphs regarding the trade with the United Kingdom since the cessation of hostilities applies more or less to the trade with France and the Netherlands. Their capacity to produce goods for export overseas has been limited by war devastation and by the pressing requirements at home and in neighboring European countries. Overvaluation of the French franc in the official rate of exchange has been a major factor in holding down United States imports from France.

Future Prospects

As recovery proceeds in the United Kingdom and in continental European countries, the reductions in the United States tariff made by prewar agreements and the new concessions made in the Geneva agreement will doubtless become increasingly important factors in United States imports from Europe. In the long run, moreover, the concessions made by European countries will tend to increase United States exports to them. In the next few years, however, imports into most of the European countries with which the United States has agreements will probably continue to be directly controlled by measures such as governmental purchasing, exchange controls, and quantitative restrictions. They will continue to be so controlled at least as long as the amount of available dollar exchange is smaller, for any reason, than is required to pay for imports from the United States of goods regarded as essential under postwar conditions. In such a situation tariff concessions obtained in the trade agreements with these countries can have relatively little immediate effect on United States exports.

RELATION OF EARLIER AGREEMENTS TO TRADE IN THE PREWAR PERIOD

From the foregoing discussion it may be concluded that any attempt to measure statistically the effects of the trade agreements on the imports and exports of the United States must be confined to the agreements which were in force for 2 or more years before the beginning of the war, and to the operation of those agreements before the outbreak of the war in Europe. Dutiable imports from the countries with which agreements were then in force represented over three-fifths of the total dutiable imports from all the countries with which agreements were in effect before the Geneva agreement (disregarding the further expansion of scope by that agreement). For exports the corresponding ratio was somewhat smaller. Similarly, imports from all countries of articles on which duties were reduced before 1937 represented well over half of the total on which duties were reduced in all agreements made before the Geneva agreement.

These earlier agreements were, thus, of such scope that experience under them should afford a substantial basis for a study of the effects of the trade agreements. Such a study, however, would be difficult even if conditions were relatively stable and there were no important economic disturbances. As a matter of fact, conditions during the latter half of the 1930's were far from normal; many and profound economic changes were taking place both in this country and abroad, and these changes, taken together, had greater effects on United States foreign trade than the duty reductions and other trade-agreement concessions. Moreover, these changes affected trade with individual countries, whether or not the United States had agreements with them, in widely different ways and to widely different degrees.

Changes in general conditions during the latter half of the prewar decade included (1) the large measure of industrial recovery between 1934 and 1937; (2) the business recession in 1938; (3) the partial recovery in 1939; (4) the beginning of military preparations in various countries, notably in Germany, Italy, and Japan, some time before the outbreak of the war in Europe; (5) the use, especially by Germany, of various exchange devices and of bilateral trading arrangements; (6) the droughts in the United States in 1934 and 1936; and (7) the generally unsettled political, economic, and financial conditions in various foreign countries, and the resulting flight of capital (mostly in the form of gold) to the United States.

It is impossible to distinguish statistically between changes in trade resulting from concessions in trade agreements and changes resulting from other causes such as those just mentioned. It may be assumed, however, that tariff reductions as broad in scope and as deep as those made by the United States during 1934–36 must have operated to cause United States imports during 1937–38 to be appreciably larger than they otherwise would have been. Moreover, it would be expected that this effect would be greater on imports from agreement countries than on those from non-agreement countries. Although reduced duties were extended in accordance with the terms of the Trade Agreements Act, to imports from all countries (except Germany and, for a short time, Australia), the fact that concessions in the trade agreement with a given country were ordinarily made only on articles of which that country was the principal supplier would tend to increase imports of dutiable articles from agreement countries more than those from nonagreement countries.

On the other side, it may be assumed that tariff reductions made by the foreign countries in these earlier trade agreements, as well as alleviations in their quota restrictions and preferences within empires, must have operated to make their imports from the United States larger in the years immediately succeeding the agreements than they would have been had these trade barriers not been lowered. Moreover any increase in United States imports from agreement countries as a result of reductions in United States duties caused larger quantities of dollar exchange to become available to those countries, and this circumstance must have operated to make United States exports to them larger than they would otherwise have been.

Without these agreements, the trade barriers of most of the countries might not have remained at their previous level, but might have become still more restrictive, thus tending further to lessen their imports from the United States. These early trade agreements served to check, and to some extent reverse, the strong tendency previously manifest toward increased tariffs and tariff preferences and toward greater direct control of trade by quantitative restrictions, exchange controls, and bilateral and barter arrangements of various kinds. Measures such as these taken by foreign countries adversely affected United States export trade even when they were not directed specifically against the United States.

The general conclusion that the concessions granted and obtained in the early trade agreements operated, in the years immediately preceding the war, in the direction of increasing United States imports and exports, of course, is not susceptible of direct statistical proof because, as already explained, it is impossible to isolate the effects of these concessions from those of other causes. Nevertheless, the statistical data which follow may be taken as lending support to this conclusion. The figures given, however, must not be taken as measuring the general effects of the agreements on United States trade.

Totals for All Commodities by Groups of Countries

The countries with which agreements were in effect on December 31, 1936, have already been listed. Table 7 compares the changes between 1932–34 and 1937–38 in the imports from and exports to agreement countries with the changes in the imports from and exports to countries with which agreements were not then in effect. Principal interest attaches to the changes in dutiable imports and in exports. Since the agreement with Cuba was preferential, the trade under it is shown separately from the totals for other countries. The trade with Canada was much larger than that with any of the other countries of the group, and showed greater than average increase in both directions. The trade with France was especially depressed by the conditions prevailing in that country in 1937 and 1938, and its trade with the United States increased much less than the averages for either trade-agreement or non-trade-agreement countries.

TABLE 7.—*United States trade with principal countries with which trade agreements were in effect before Dec. 31, 1936, and trade with other countries, averages, 1932–34 and 1937–38*

[Value in millions of dollars]

Country and effective date of agreement	Imports for consumption			Domestic exports		
	Average, 1932–34 [1]	Average, 1937–38	Percent of increase, or decrease (−)	Average, 1932–34	Average, 1937–38	Percent of increase
Principal trade-agreement countries as of Dec. 31, 1936, except Cuba:						
Belgium (May 1, 1935), total or average	23.8	58.0	144	44.0	85.6	95
Free	6.8	13.2	94			
Dutiable	17.0	44.8	164			
Sweden (Aug. 5, 1935), total or average	29.8	51.8	74	22.8	64.0	181
Free	25.2	42.7	69			
Dutiable	4.6	9.1	98			
Brazil (Jan. 1, 1936), total or average	85.6	108.6	27	32.8	65.0	98
Free	82.5	96.4	17			
Dutiable	3.1	12.2	294			
Canada (Jan. 1, 1936), total or average	195.6	325.4	66	237.6	472.2	99
Free	141.2	213.3	51			
Dutiable	54.4	112.1	106			
Netherlands [2] (Feb. 1, 1936), total or average	76.2	156.9	106	66.1	157.6	138
Free	54.4	119.1	119			
Dutiable	21.8	37.8	73			
Switzerland (Feb. 15, 1936), total or average	14.1	24.4	73	7.3	10.0	37
Free	1.1	2.4	118			
Dutiable	13.0	22.0	69			
Colombia (May 20, 1936), total or average	51.8	50.8	−2	15.6	39.6	154
Free	47.7	50.5	6			
Dutiable	4.1	.3	−93			

See footnotes at end of table.

TABLE 7.—*United States trade with principal countries with which trade agreements were in effect before Dec. 31, 1936, and trade with other countries, averages, 1932–34 and 1937–38*—Continued

Country and effective date of agreement	Imports for consumption			Domestic exports		
	Average, 1932–34 [1]	Average, 1937–38	Percent of increase, or decrease (−)	Average, 1932–34	Average, 1937–38	Percent of increase
Principal trade-agreement countries as of Dec. 31, 1936, except Cuba—Continued						
France [2] (June 15, 1936), total or average	54.7	81.3	49	123.2	162.2	32
Free	18.5	34.3	85			
Dutiable	36.2	47.0	30			
Finland (Nov. 23, 1936), total or average	8.7	17.8	105	4.1	12.1	195
Free	8.0	16.0	100			
Dutiable	.7	1.8	157			
Other trade-agreement countries except Cuba (Guatemala, Haiti, and Honduras), total or average	13.0	18.1	39	12.0	16.8	40
Free	12.8	17.6	38			
Dutiable	.2	.5	150			
All trade-agreement countries except Cuba (as of Dec. 31, 1936), total or average	553.3	893.1	61	565.5	1,085.1	92
Free	398.2	605.5	52			
Dutiable	155.1	287.6	85			
Non-trade-agreement countries (as of Dec. 31, 1936),[3] total or average	850.5	1,460.6	72	1,176.4	2,009.7	71
Free	512.2	857.7	67			
Dutiable	338.3	602.9	78			
All countries except Cuba, total or average	1,403.8	2,353.7	68	1,741.9	3,094.8	78
Free	910.4	1,463.2	61			
Dutiable	493.4	890.5	80			
Cuba (preferential agreement), total or average	65.2	126.2	94	32.6	83.2	155
Free	5.2	10.9	110			
Dutiable	60.0	115.3	92			

[1] General imports for 1932 and 1933.
[2] Including territories, colonies, and other areas to which the agreement is applicable.
[3] This group includes Costa Rica and El Salvador, with which agreements entered into force in 1937, and Ecuador (agreement effective Oct. 23, 1938).

For all the agreement countries except Cuba the average annual dutiable imports were 85 percent greater in 1937–38 than in 1932–34. The corresponding increase for all other countries (again except Cuba) was 78 percent. Excluding Canada and France, the increase for the agreement countries would be 99 percent.

Another possible, though scarcely conclusive, indication of the tendency of duty-reduction concessions made by the United States to increase its imports appears in the fact that total dutiable imports from the trade-agreement countries (including articles on which duties were not reduced) increased much more than duty-free imports, 85 percent compared with 52 percent (Cuba not included). This disparity between dutiable and duty-free imports was more marked for the agreement countries than for the nonagreement countries, although for the latter also the increase in imports was greater for dutiable than for free commodities. (See also comparison of imports of concession and nonconcession articles in a subsequent section.)

It seems reasonable to conclude from table 7 that the reductions in duties by the agreements were a less important factor in increasing the value of imports into the United States between 1932–34 and 1937–38 than other causes taken together. The greater part of the increase in imports from both agreement and nonagreement countries was attributable to the large measure of economic recovery which took place and which not only caused larger quantities of many commodities to be imported but raised the price levels materially. An important factor in the increase in imports of dutiable commodities from nonagreement countries was the drought in the United States in 1936, which resulted in abnormally large imports of corn and flaxseed from Argentina in 1937.

As for United States exports, table 7 shows that the increase between 1932–34 and 1937–38 was materially greater for the agreement countries than for nonagreement countries, 92 percent compared with 71 percent (both computations excluding Cuba). Excluding Canada and France also, exports to the agreement countries increased 125 percent (exports to Canada increased 99 percent; to France, 32 percent). To what extent differences in factors other than trade agreements explain the disparity in these percentages cannot be determined. However, the general increase in United States exports, as in imports, both for agreement and for nonagreement countries as groups, was due principally to causes other than trade agreements.

One reason for caution in drawing conclusions from the comparison of United States exports to trade-agreement and non-trade-agreement countries is the fact, shown in part IV of this report, that the statistics of a number of European trade-agreement countries on their imports from the United States in the years under consideration showed less increase in items on which those countries had made concessions (even concessions reducing duties or increasing quotas) than in nonconcession items. Obviously, the increase in nonconcession items was not connected with the concessions obtained by the United States from the different trade-agreement countries. Nevertheless, part of such increase may well have been related to the increased dollar exchange available to a country by reason of increased exports to the United States resulting from a trade-agreement concession granted that country by the United States.

Although part of the increase in United States trade with Cuba between 1932–34 and 1937–38 was due to increases in preferences, the bulk of it was due to reductions in duties. Consequently, it is significant to combine the statistics of trade with Cuba with the statistics of trade with the other trade-agreement countries covered by table 7. Total dutiable imports from this group averaged 215 million dollars in 1932–34 and 403 million in 1937–38, an increase of 87 percent. Total exports to the agreement countries (including Cuba) increased from 598 to 1,168 million dollars, or by 97 percent.

Totals for all Commodities by Principal Individual Agreement Countries

From most of the principal individual trade-agreement countries (as of 1936) under consideration (table 7) the increase in dutiable imports between 1932–34 and 1937–38 was greater than the corresponding increase in dutiable imports from nonagreement countries as a group. For a number of these agreement countries the increase in imports of dutiable commodities into the United States exceeded 90 percent, and for Brazil (the bulk of the imports from which, however, continued to enter duty-free) it reached nearly 300 percent. As already stated, a conspicuous exception was France, from which the dutiable imports increased only 30 percent. Political, economic, and currency conditions during the 1930's were more disturbed in France than in most other leading countries, and the relatively low increases in United States trade with France, in both directions, must not be taken as necessarily indicating that the trade agreement with France was of less significance than those with other countries.

For most of the individual agreement countries, moreover, the increase in exports from the United States was greater than the increase in exports to nonagreement countries as a group. Here again a major exception is France, exports to which increased by only 32 percent.[2]

Trade With Cuba

Table 7 also shows separately the trade of the United States with Cuba.[3] The 1934 agreement increased the preferences in each country on imports from the other, but this was only a minor factor in increasing the trade between them. Average annual imports from Cuba into the United States, nearly all of which were dutiable, increased by 94 percent between 1932–34 and 1937–38, and United States exports to Cuba increased by 155 percent

[2] According to official United States statistics, exports to Switzerland increased relatively little between 1932–34 and 1937–38. However, by reason of indirect trade, United States statistics for those years greatly understate the actual exports to Switzerland, and cannot be relied on to show any change correctly. Swiss import statistics normally showed imports from the United States far larger than the reported exports from this country to Switzerland. The situation as regards indirect trade is very different at present than it was before the war.

[3] Although the agreement with Cuba entered into force some months before the end of 1934 (September 3, 1934), the average trade for the years 1932–34 may fairly be used for comparison with the average trade of 1937–38 in judging the effects of the trade agreement.

Two important factors contributed to the increase in United States exports to Cuba. One was the fact that the marked reductions in the Cuban duties on United States goods (the United States being the dominant source of Cuban imports) enabled the population to afford many more imported goods than before. Probably a more important factor was the increase in the value of Cuban exports, especially of sugar, to the United States, which greatly enhanced the buying power of the Cuban population. Sugar at that time, as it had before and has since, accounted for three-fourths or more of the imports from Cuba into this country. Because of the United States sugar quota system, introduced in 1934, the reduction of 50 percent in the duty on Cuban sugar by the trade agreement had in itself no effect in increasing the quantity of imports of that commodity. The reduced duty, however, which enabled Cuban producers to obtain a much higher price for sugar sent to the United States, largely explains the increase in total value of United States imports from Cuba between 1932–34 and 1937–38. The reductions in duties on Cuban leaf tobacco were also limited by a quota system. The reductions in United States duties on less important commodities contributed relatively little to the increase in imports from Cuba.

Trade With Principal Individual Nonagreement Countries

On December 31, 1936, trade agreements were not yet in effect with several of the countries with which agreements were subsequently made, even before the multilateral Geneva agreement. Among these, the principal countries were the United Kingdom, Argentina, and Mexico. Other countries, such as China, first entered into agreements with the United States at Geneva. Still other countries of importance in the prewar trade have never had trade agreements with the United States under the act of 1934; among these, the principal countries are Germany, Japan, and Italy.

Table 8 shows the changes between 1932–34 and 1937–38 in the trade with the 15 principal individual countries with which no trade agreement was in effect on December 31, 1936, and also the changes in the combined trade with all other nonagreement countries (the latter figures include trade with some minor agreement countries with which agreements entered into effect in 1937 and 1938). It will be noted from the table that the percentages of increase both in dutiable imports and in exports were much lower for the group of 15 countries taken together than for the other non-trade-agreement countries.

TABLE 8.—*United States trade with principal countries with which no trade agreements were in effect before Dec. 31, 1936, and trade with all other nonagreement countries, averages, 1932–34 and 1937–38*

[Value in millions of dollars]

Country	Imports for consumption			Domestic exports		
	Average, 1932–34[1]	Average, 1937–38	Percent of increase, or decrease (−)	Average, 1932–34	Average, 1937–38	Percent of increase, or decrease (−)
Principal non-trade-agreement countries as of Dec. 31, 1936:						
Japan, total or average	126.8	163.4	29	162.2	263.2	62
Free	100.5	106.8	6			
Dutiable	26.3	56.6	115			
United Kingdom, total or average	99.0	159.2	61	322.7	521.8	62
Free	43.9	55.5	26			
Dutiable	55.1	103.7	88			
Argentina, total or average	26.3	89.0	238	36.8	90.2	145
Free	7.5	17.1	128			
Dutiable	18.8	71.9	282			
Germany, total or average	73.5	76.9	5	125.0	113.6	M9
Free	21.4	24.8	16			
Dutiable	52.1	52.1				
British India, total or average	43.9	73.2	74	24.0	38.5	60
Free	14.8	34.1	130			
Dutiable	29.1	42.1	45			
China, total or average	35.7	73.3	105	58.7	42.0	M28
Free	23.0	44.6	94			
Dutiable	12.7	28.7	126			
Mexico, total or average	34.4	48.8	42	40.6	82.6	103
Free	21.4	36.2	69			
Dutiable	13.0	12.6	−3			
Italy, total or average	39.2	44.8	14	57.7	66.8	16
Free	7.9	8.4	6			
Dutiable	31.3	36.4	16			
Australia, total or average	7.0	23.9	241	32.0	71.1	122
Free	4.7	9.1	94			
Dutiable	2.3	14.8	543			
Czechoslovakia,[2] total or average	15.1	31.5	109	2.0	19.7	885
Free	1.3	3.1	138			
Dutiable	13.8	28.4	106			
Poland and Danzig, total or average	7.4	13.5	82	13.7	25.4	85
Free	1.1	1.3	18			
Dutiable	6.3	12.2	94			
Venezuela,[3] total or average	18.5	21.4	16	14.1	49.1	248
Free	9.4	6.0	−36			
Dutiable	9.1	15.4	69			
Uruguay, total or average	3.5	9.1	160	4.3	9.1	112
Free	.6	.9	50			
Dutiable	2.9	8.2	183			

See footnotes at end of table.

TABLE 8.—*United States trade with principal countries with which no trade agreements were in effect before Dec. 31, 1936, and trade with all other nonagreement countries, averages, 1932–34 and 1937–38*—Continued

Country	Imports for consumption			Domestic exports		
	Average, 1932–34[1]	Average, 1937–38	Percent of increase, or decrease (−)	Average, 1932–34	Average, 1937–38	Percent of increase, or decrease (−)
Principal non-trade-agreement countries as of Dec. 31, 1936—Continued						
Norway, total or average	13.4	20.5	53	8.4	22.2	164
Free	6.8	11.2	65			
Dutiable	6.6	9.3	41			
Greece, total or average	7.4	13.5	82	5.1	6.9	35
Free	1.1	1.3	18			
Dutiable	6.3	12.2	94			
All 15 countries listed above, total or average	551.1	865.0	57	907.3	1,422.2	57
Free	265.4	360.4	36			
Dutiable	285.7	504.6	77			
All other non-trade-agreement countries as of Dec. 31, 1936, total or average	299.4	595.6	99	269.1	587.5	118
Free[4]	246.8	497.3	101			
Dutiable	52.6	98.3	87			
All non-trade-agreement countries, total or average	850.5	1,460.6	72	1,176.4	2,009.7	71
Free	512.2	857.7	67			
Dutiable	338.3	602.9	78			

[1] General imports for 1932 and 1933.
[2] Trade agreement with Czechoslovakia became effective Apr. 16, 1938.
[3] Petroleum, a major import from Venezuela, became subject to an import-excise tax in June 1932; it was formerly free of duty.
[4] Includes British Malaya with an average value of duty-free imports of 66.5 million dollars in 1932–34 and 176.7 million in 1937–38. Dutiable imports from British Malaya, and exports to it, were small in both periods.

The proportions of total United States dutiable imports supplied by the individual countries with which trade agreements had not been negotiated by 1937 were very different in 1937–38 from those in 1932–34; so were the proportions of total United States exports taken by these countries. At the one extreme, dutiable imports from Argentina rose by 282 percent and exports to that country by 145 percent. At the other extreme, dutiable imports from Germany failed to increase and exports to that country decreased 9 percent. The marked rise in imports from Argentina was largely due to a special circumstance, the drought of 1936 in the United States, which caused abnormally large imports of corn and flaxseed in 1937. Trade with Germany in both directions during 1937 and 1938 was much affected by German armament activities and special trade controls, as well as by United States policy in not extending the benefit of trade-agreement concessions to Germany and in imposing countervailing duties on many imports from that country.

In the trade with the United Kingdom, United States imports of dutiable goods increased by 88 percent between the two periods compared and United States exports by 62 percent. In the trade with Japan, dutiable imports increased by 115 percent and exports by 62 percent.

Imports of Concession and Nonconcession Articles

Table 9 shows the combined imports from all countries, including non-trade-agreement as well as trade-agreement countries, of the principal articles on which duties were reduced by trade agreements in effect at the end of 1936. The increase in these imports between 1933–35 and 1937–39 is compared with the increase in imports of all other dutiable commodities (including the less important articles on which duties were reduced), as well as with the increase in duty-free imports. The total for imports of the principal duty-reduced articles does not include sugar or other principal commodities covered by the preferential agreement with Cuba, and imports from Cuba are also excluded from the total for other dutiable imports.

TABLE 9.—*United States imports of the principal duty-reduced articles (as of Dec. 31, 1936) and imports of other dutiable articles and of free articles (excluding trade with Cuba), averages, 1933–35 and 1937–39*

Item	Average, 1933–35	Average, 1937–39	Percent of increase
	Million dollars	*Million dollars*	
Imports except from Cuba:			
Principal articles on which duties were reduced by trade agreements before January 1, 1937 [1]	78.1	141.8	82
Other dutiable articles	513.9	713.9	39
Total dutiable articles	592.0	855.7	45
Free articles	1,033.3	1,438.3	39
Total, dutiable and free	1,625.3	2,294.0	41
Principal duty-reduced articles:			
Agricultural	18.1	35.6	96
Nonagricultural	60.0	106.2	77

[1] Includes imports from Cuba of articles on which the rates were reduced in agreements with other countries; the amount is small.

Disregarding trade with Cuba, the imports of commodities on which duties were reduced by the early trade agreements constituted in 1937–39 about one-sixth of total dutiable imports. Undue reliance, therefore, may not be placed upon the comparisons in table 9. Nevertheless it seems significant that between 1933–35 and 1937–39 the increase in the average annual imports of the principal duty-reduced items (disregarding trade with Cuba) was 82 percent compared with 39 percent for other dutiable imports and 39 percent for duty-free imports.

Like the increase in imports shown in table 7, the increase in imports of both duty-reduced articles and other articles was no doubt attributable to a considerable extent to two major factors, economic recovery and advance in prices. These factors could hardly be responsible, however, for the wide difference between the foregoing percentages. It is possible that factors other than tariff changes (for example, differences in price changes among various products) are partly responsible for the disparity. However, the much greater rate of increase in imports of items on which the duties were reduced is probably attributable, in substantial part at least, to the duty reductions themselves.

Table 9 also distinguishes the principal duty-reduced articles as agricultural or nonagricultural. Of the imports of the principal duty-reduced articles covered by the table in 1937–39, about one-fourth consisted of agricultural and three-fourths of nonagricultural products. The percentage increase in imports between 1933–35 and 1937–39 was greater for the agricultural than for the nonagricultural products, 96 percent compared with 77 percent. A large part of the increase in agricultural products was due to the great expansion in the imports of heavy cattle (i. e., cattle weighing 700 pounds or more each), which were about eight times larger in value in the later than in the earlier period. Other factors beside the reduction in duty contributed to the increase in imports of cattle, but it was probably the leading factor. Total imports of all cattle in 1937–39, including cattle not covered by duty reductions, were about 3 percent of domestic slaughter.

RELATION OF TRADE AGREEMENTS TO UNITED STATES AGRICULTURE AND INDUSTRY

For any period, however normal and free from major economic disturbances, it would be very difficult to estimate with any exactitude the effects which changes in the import tariff of the United States or in the import tariffs of foreign countries have on United States industry as a whole. For a period as disturbed politically and economically as the 14 years during which the trade agreements program has been in operation, it would manifestly be impracticable to attempt to make any such estimate. In view of this, any discussion of the impact of the trade agreements upon United States agriculture and industry must be in general terms. Consideration, of course, must be given to the effect on United States production, on the one hand, of any increase in United States imports resulting from the reduction in United States import duties and, on the other hand, of any increase in United States exports resulting from the concessions made by foreign countries on United States export products, as well as from the increased dollar exchange made available to foreign countries by any increase in their exports to the United States due to United States concessions to them.

Effects of Agreements During the Prewar Period

From the inauguration of the trade agreements program in the summer of 1934 through the summer of 1937, there was an almost continuous upswing in the domestic consumption of goods, an upswing participated in by almost all commodities whether or not affected by trade agreements. Although consumption declined for a year or more after the summer of 1937, it remained much above the 1932–34 level, and in 1939 a renewed upturn began. The trade agreements, it seems clear, had relatively little to do with the higher level of consumption in the latter half of the 1930's although the restraining effect on prices due to reduction in duty may have been a factor for some commodities.

It is certain that the increase in consumption (except, of course, of those duty-free articles of which the United States produces none, or produces much less than its normal requirements) was supplied principally by increased domestic production. For some dutiable commodities the increase was relatively greater for imports than for domestic production. Even if domestic producers did supply the larger part of the increase in consumption, they might have supplied an even greater part had there been no reduction in duty. There is no way of determining the number of commodities to which the foregoing statements would apply inasmuch as it is difficult, even for individual commodities, to measure the direct effect, either on consumption or on the share of consumption supplied by imports, of changes in import duties as distinguished from the effect of changes in other factors.

Between the depression period, 1932–34, and the recovery period, 1937–39, average annual imports of dutiable articles into the United States rose from 538 million to 964 million dollars, or by 79 percent. Between these two periods average annual exports of domestic merchandise rose from 1,774 million to 3,159 million dollars, or by 79 percent, the same percentage of increase as shown by dutiable imports. In absolute amounts, the increase in exports (1,385 million dollars) was greater than in dutiable imports (426 million dollars). In percentages, however, the increase in dutiable imports was considerably greater. The share of total imports consisting of dutiable goods averaged 36.5 percent in 1932–34 and 39.8 percent in 1937–39.

The increase in United States exports reflected principally world-wide industrial recovery, which carried with it a general advance in prices. The trade agreements program, however, contributed to the expansion of United States exports by (1) increasing dutiable imports and thus augmenting the amount of dollar exchange available to buy United States goods; (2) restraining the tendency, strong in this period in many foreign countries, to increase the barriers to United States exports; and

(3) securing reduction in barriers already existing. As United States agriculture and industry in this period did not in most of their branches attain full production, any increase in exports, as a rule, meant a greater domestic output than would otherwise have occurred, just as any increase in imports of competitive articles tended to make domestic production smaller than it would otherwise have been.

Effects of Agreements During the War and Postwar Period

During the period of active hostilities from the fall of 1939 to the summer of 1945, especially after the summer of 1941, the trade agreements had comparatively little influence on the volume or the composition of United States exports or imports. It follows that in this period trade agreements could have had little effect on the volume or composition of United States production.

Since the cessation of hostilities, the effects of the pre-Geneva agreements have doubtless increased in importance, but the increased effect has probably been greater on United States imports than on United States exports. On trade in both directions, taken as a whole, however, other factors have continued to overshadow the trade agreements even though the agreements have doubtless been of consequence to the trade in certain commodities. Moreover, the effects of the trade agreements on United States trade in the postwar period have been greater than their effects on the production of United States agriculture and industry. This circumstance follows from the fact that the high level of demand in the United States has been sufficient to cause most United States industries to operate at or near full capacity, notwithstanding any increase in imports, and from the further fact that exports have tended to cause a decrease in the amount of goods available to satisfy domestic demand, rather than to cause an increase in the volume of domestic production, which in any case would have been at practically maximum levels. In this situation, obviously, changes in either imports or exports, whether due to the trade agreements or to other causes, have not had a major effect on United States agriculture and industry.

How long this situation will last it is impossible to predict. When the economies of the various foreign countries have fully recovered from the effects of the war and their industries have got on a sound export basis, both exports and imports will have more important effects on United States agriculture and industry, especially if demand in the United States recedes from its high postwar level, than they have had heretofore since the war ended. The trade-agreement concessions made and obtained by the United States (including those in the Geneva agreement) will then have their first opportunity since the prewar period to show their effects.

Conclusion

It follows from what has been said above that data are not available for measuring the net effects of the trade agreements program on United States agriculture and industry taken as a whole. It is difficult enough to do this for any individual industry, as it is frequently impossible to isolate the effects of the trade agreements from the effects of other causes. Data bearing on the problem in individual industries are included in the Tariff Commission's Summaries of Tariff Information now being revised for publication. The summaries will show all the significant available data on the course of United States production, imports, and exports of the various commodities and on the competitive conditions in the several industries.

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