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UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

Fifth Report

July 1951–June 1952

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Foreword

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

The Commission's first report on the operation of the trade agreements program covered the period from the inception of the program in June 1934 until April 1948. The second report covered the period from April 1948 through March 1949; the third, that from April 1949 through June 1950; and the fourth, that from July 1950 through June 1951. The present report discusses the operation of the trade agreements program from July 1951 through June 1952. Copies of the Commission's reports on the operation of the trade agreements program may be purchased from the Superintendent of Documents, United States Government Printing Office, Washington 25, D. C.[1]

[1] The prices of these reports are as follows:

Report	*Price*
Operation of the Trade Agreements Program, June 1934 to April 1948, Rept. No. 160, 2d ser., 1949:	
Part I. Summary	20¢
Part II. History of the Trade Agreements Program	25¢
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Operation of the Trade Agreements Program: Fourth Report, July 1950–June 1951, Rept. No. 174, 2d ser., 1952	40¢

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Chapter 1

Introduction and Summary

This, the fifth report of the Tariff Commission on the operation of the trade agreements program, covers the period from July 1, 1951, through June 30, 1952.[1] During this period the United States concluded no new trade agreements. The report, however, discusses in detail the concessions that the United States granted and obtained at the Torquay Conference of the General Agreement on Tariffs and Trade[2] in 1950–51, and analyzes the effects of all trade-agreement concessions on the level of the United States tariff. It also covers, for the last half of 1951 and the first half of 1952, important developments respecting the General Agreement on Tariffs and Trade; changes in tariffs, exchange controls, and quantitative restrictions on imports by countries with which the United States has trade agreements; and United States measures relating to imports of trade-agreement items.

TRADE AGREEMENTS EXTENSION ACT OF 1951

During the period covered by this report the United States Government conducted its trade agreements program under the provisions of the Trade Agreements Act of 1934, as amended, and the Trade Agreements

[1] The first report of the Tariff Commission, *Operation of the Trade Agreements Program, June 1934 to April 1948,* Rept. No. 160, 2d ser., 1949, consisted of five volumes, as follows: Part I, Summary; Part II, History of the Trade Agreements Program; Part III, Trade-Agreement Concessions Granted by the United States; Part IV, Trade-Agreement Concessions Obtained by the United States; Part V, Effects of the Trade Agreements Program on United States Trade. Hereafter this report will be cited as *Operation of the Trade Agreements Program* (first report). The second report of the Tariff Commission was *Operation of the Trade Agreements Program: Second Report, April 1948–March 1949,* Rept. No. 163, 2d ser., 1950. Hereafter this report will be cited as *Operation of the Trade Agreements Program* (second report). The third report of the Tariff Commission was *Operation of the Trade Agreements Program: Third Report, April 1949–June 1950,* Rept. No. 172, 2d ser., 1951. Hereafter this report will be cited as *Operation of the Trade Agreements Program* (third report). The fourth report of the Tariff Commission was *Operation of the Trade Agreements Program: Fourth Report, July 1950–June 1951,* Rept. No. 174, 2d ser., 1952. Hereafter this report will be cited as *Operation of the Trade Agreements Program* (fourth report).

[2] The General Agreement on Tariffs and Trade is known by the short titles "General Agreement" and "GATT." In this report the short title "General Agreement" is ordinarily used.

Extension Act of 1951.[3] The extension act of 1951 (sec. 2) extends the President's authority to enter into trade agreements with foreign countries for a period of 2 years from June 12, 1951. It differs from the extension act of 1949 in several respects, the most important differences being the "peril point" and "escape clause" provisions.[4]

Peril-Point Provision

Sections 3 and 4 of the extension act of 1951 incorporate the peril-point provision in substantially the same form that it appeared in the Trade Agreements Extension Act of 1948. The peril-point provision of the 1951 act requires the President, before entering into any trade-agreement negotiations, to transmit to the Tariff Commission a list of the imported articles that may be the subject of negotiations. The Commission is then required to make an investigation of the listed commodities (including a public hearing), and to report to the President its findings regarding (1) the maximum decrease in duty, if any, that can be made on each listed commodity without causing or threatening serious injury to the domestic industry producing like or directly competitive articles, or (2) the minimum increase in duty or additional import restriction that may be necessary for any of the products in order to avoid such injury or threat thereof. The President may not conclude an agreement until the Commission has made its report to him, or until 120 days from the date he transmitted the list of products to the Commission. If the President concludes a trade agreement which provides for greater reductions in duty than the Commission specifies in its report, or which fails to provide for the additional import restrictions specified in the Commission's report, he must transmit to the Congress a copy of the agreement, identifying such articles and stating his reason for not carrying out the Tariff Commission's recommendations. Promptly thereafter, the Tariff Commission must deposit with the appropriate House and Senate committees a copy of those portions of its report that deal with the articles the President has identified in his report to the Congress.

Escape-Clause Provision

Section 6 of the extension act of 1951 makes mandatory the inclusion in all future trade agreements of an escape clause conforming to the policy set forth in section 6 (a) of the act. Section 6 (a) provides that no tariff concession in any future trade agreement shall be permitted to

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[3] For discussions of the legislative history of the trade agreements program, see *Operation of the Trade Agreements Program* (first report), pt. 2, ch. 2; *Operation of the Trade Agreements Program* (second report), ch. 2; *Operation of the Trade Agreements Program* (third report), ch. 2; and *Operation of the Trade Agreements Program* (fourth report), ch. 2.

[4] For a detailed discussion of the extension act of 1951, see *Operation of the Trade Agreements Program* (fourth report), ch. 2.

continue in effect when the product concerned is, as a result (wholly or in part) of the duty or other customs treatment reflecting the concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. Section 6 (b) directs the President to bring all existing trade agreements into conformity with this policy as soon as practicable.

Section 7 of the act sets forth the procedure for administering trade-agreement escape clauses. Under this section the Tariff Commission, upon request of the President, upon resolution of either House of Congress, upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means, upon application by any interested party, or upon its own motion, must promptly make an escape-clause investigation (including, under specified conditions, a public hearing). Should the Tariff Commission find the existence of serious injury or the threat thereof, the Commission must recommend to the President that the concession be withdrawn or modified, that it be suspended in whole or in part, or that import quotas be established, to the extent and for the time necessary to prevent or remedy such injury. In arriving at its determination, the Commission must consider a number of specified factors, not to the exclusion of others. Within 60 days, or sooner if the President has taken action, the Commission must transmit to the Senate Committee on Finance and the House Committee on Ways and Means a copy of its report and recommendations to the President. Should the President fail to follow the Commission's recommendations within 60 days, he must report to the Senate Committee on Finance and the House Committee on Ways and Means, stating the reasons why he has taken no action. Should the Tariff Commission find that serious injury or the threat of serious injury does not exist, it must make and publish a report of its findings and conclusions.

Other Provisions

Section 5 of the extension act of 1951 directs the President, as soon as practicable, to suspend, withdraw, or prevent the application of any tariff concession contained in any trade agreement to imports from the Soviet Union and from any Communist-dominated or Communist-controlled countries or areas.

The act provides (sec. 8) that no existing or future trade agreement shall be applied in a manner inconsistent with the requirements of section 22 of the Agricultural Adjustment Act, as amended, thereby reversing the previous provisions of law.

Section 8 also provides that when the Secretary of Agriculture reports to the President and the Tariff Commission that, because of the perishability of any agricultural commodity, a condition exists requiring emergency treatment, the Tariff Commission shall make an investigation under section 22 of the Agricultural Adjustment Act or under section 7 of the Trade Agreements Extension Act of 1951, and recommend such relief as may be appropriate. The time allowed for the investigation and action by the President is limited to 25 days. If he considers it necessary, the President may act without awaiting the recommendations of the Commission.

The other sections of the extension act of 1951 delete certain provisions of the Trade Agreements Act of 1934 and the Customs Administrative Act of 1938 which made section 516 (b) of the Tariff Act of 1930 (relating to appeals from the classification of imports by the customs authorities) inapplicable to commodities included in any trade agreement (sec. 9); declare that enactment of the act shall not be construed to determine or indicate the approval or disapproval by the Congress of the General Agreement on Tariffs and Trade (sec. 10); and direct the President to prohibit imports of certain furs and skins which are the products of the Soviet Union or of Communist China (sec. 11).

DEVELOPMENTS RESPECTING THE GENERAL AGREEMENT ON TARIFFS AND TRADE

On June 30, 1952, there were 34 contracting parties to the multilateral agreement known as the General Agreement on Tariffs and Trade. The General Agreement now embraces the original agreement concluded by 23 countries at Geneva in 1947; the Annecy Protocol of 1949, under which 9 additional countries acceded to the agreement; and the Torquay Protocol of 1951, under which 4 other countries have acceded. All together, 37 countries [5] have acceded to the General Agreement, but 3 of these countries have since withdrawn.

Apart from the accession of the new members after the Torquay tariff negotiations, developments respecting the General Agreement during the period July 1, 1951, to June 30, 1952, relate principally to the proceedings of the Sixth Session of the Contracting Parties,[6] held at Geneva from September 17 to October 26, 1951, and to the activities of the newly created Intersessional Committee which the Contracting Parties established as an experimental arrangement to handle urgent matters between the Sixth and Seventh Sessions.

Although the Sixth Session was concerned largely with problems relating to the general provisions of the agreement, it dealt also with

[5] The Netherlands negotiated concessions on behalf of the Netherlands Indies (Indonesia) at Geneva in 1947. On February 24, 1950, the Contracting Parties recognized Indonesia as a contracting party to the General Agreement in its own right.

[6] The term "contracting parties," when rendered with initial capitals (Contracting Parties), refers to the member countries acting as a group. When rendered without initial capitals (contracting parties), it refers to member countries acting individually.

matters concerning tariffs, tariff negotiations, and the future administration of the agreement. The Sixth Session took two actions that may have special significance in the long-run administration of the General Agreement: the establishment of an ad hoc Committee for Agenda and Intersessional Business; and the adoption of rules for tariff negotiations in the periods between full-scale conferences.

General Provisions

During the period July 1, 1951, to June 30, 1952, the Contracting Parties did not amend the general provisions of the General Agreement. At their Sixth Session, however, and at the several meetings of the Intersessional Committee, they held various discussions and consultations relating to the general provisions, the operation of the agreement, and routine problems and complaints.

At the Sixth Session the major discussions and consultations relating to the general provisions were those concerning the waiver for continued free entry into Italy of Libyan products (art. I); the United Kingdom purchase-tax system (art. III); quantitative restrictions for balance-of-payments reasons (arts. XI–XIV); special exchange agreements (art. XV); the withdrawal by the United States of its concession on women's fur felt hats (art. XIX); the modification by the United States of its concession on hatters' fur (art. XIX); extension of the time limit for the elimination of certain quantitative import and export restrictions (art. XX); United States restrictions on imports of dairy products (art. XXIII); Belgian measures to deal with current financial problems (art. XXIII); the Belgian family-allowance tax (art. XXIII); the South Africa-Southern Rhodesia customs union and the Nicaragua-El Salvador free-trade area (art. XXIV); and the relation of the General Agreement to the proposed Charter for an International Trade Organization (art. XXIX).

These discussions and consultations are described in detail in the section of chapter 2 on developments relating to the general provisions of the General Agreement. Because of their complexity, they are not susceptible of further condensation for the purposes of this summary.

Tariffs and Tariff Negotiations

In the field of tariffs and tariff negotiations, the Contracting Parties at their Sixth Session granted the United States and Czechoslovakia permission to suspend their obligations to one another under the General Agreement. The Contracting Parties also considered the report of the intersessional working party on the disparity in the level of European tariffs, and extended the time allowed certain countries to sign the Torquay Protocol.

Future Administration of the Agreement

During their Sixth Session the Contracting Parties gave special consideration to the future administration of the General Agreement. To deal more effectively with problems that require urgent action between meetings of the Contracting Parties, they established an ad hoc Committee for Agenda and Intersessional Business. This committee was directed to consider matters requiring immediate action between the Sixth and Seventh Sessions, and also to meet some weeks before the opening of the Seventh Session to prepare the agenda for that meeting.

At the Sixth Session the Contracting Parties also adopted a set of rules for conducting tariff negotiations under the General Agreement without convening full-scale conferences of the Geneva-Annecy-Torquay type. The rules they established were of two types: (1) For negotiations with nonmember countries that wish to accede to the agreement; and (2) for negotiations between two or more contracting parties that wish to negotiate with each other and to incorporate in the agreement the results of the negotiations. In general, the procedures are based on those followed in the negotiations at Geneva, Annecy, and Torquay. Although simplified, they maintain the multilateral feature that has characterized tariff negotiations undertaken within the General Agreement.

Other Developments

At the Sixth Session, the Contracting Parties fixed a provisional date for the opening of their next session, but agreed that the Intersessional Committee should select the exact date and site. At its February 1952 meeting the Committee decided that the Seventh Session would be held at Geneva beginning October 2, 1952. The Committee also agreed that a special session of the Contracting Parties should be called in July 1952 to discuss several important matters. It was subsequently decided to postpone consideration of these matters until the Seventh Session of the Contracting Parties.

The Contracting Parties at the Sixth Session also considered certain resolutions of the International Chamber of Commerce on the reduction of trade barriers. To study these resolutions, they established a working party. The working party prepared a draft convention to facilitate the importation of commercial samples and advertising material and a draft set of recommendations designed to reduce the unnecessary burdens connected with the documentation of commercial shipments. These drafts were then circulated to the contracting parties for study and comment, with a view to further action on them at the Seventh Session.

Besides attending to routine and formal matters, such as the rectification and modification of schedules, the Contracting Parties at their Sixth Session completed arrangements to publish consolidated schedules of the tariff concessions granted in the General Agreement; agreed to derestrict certain General Agreement documents; agreed to publish certain documents relating to the operation of the agreement; agreed to publish a third progress report on the operation of the agreement; opened for signature a protocol to incorporate into the agreement the post-Torquay concessions negotiated by the Union of South Africa and the Federal Republic of Germany; established a working party to examine the treaty creating a European Coal and Steel Community; and adopted the report of the working party on budgetary matters.

CONCESSIONS GRANTED AND OBTAINED BY THE UNITED STATES AT TORQUAY

Chapter 3 of this report includes detailed discussions of the concessions that the United States granted to and obtained from each of the countries with which it concluded negotiations at Torquay, as well as discussions of the action taken by countries that modified or withdrew concessions under the provisions of article XXVIII of the General Agreement. These individual country discussions are not susceptible of further condensation for the purpose of this summary. The following summary of chapter 3, therefore, is limited to a discussion of the general nature of the concessions that the United States granted and obtained at Torquay.

Concessions Granted by the United States

The 17 countries with which the United States concluded regular negotiations at Torquay accounted for about 45 percent of the total value of imports into the United States in both 1949 and 1950. In each of those years the 12 contracting parties to the General Agreement with which the United States concluded negotiations accounted for about 43 percent of the total value of United States imports, whereas the 5 acceding countries accounted for about 2 percent of the total. In both 1949 and 1950 United States imports from all countries with which it now has trade-agreement obligations accounted for 81 percent of the total value of its imports.

The negotiations that the United States concluded at Torquay with Austria, the Federal Republic of Germany, and Korea (countries with which the United States had not previously negotiated trade agreements) increased the share of United States imports that is supplied by countries with which it has trade agreements. This increase, however, was partially offset in 1951 by the withdrawal of certain contracting parties from the General Agreement, by the suspension of trade-agreement obligations between the United States and Czechoslovakia, and by the termination of the bilateral trade agreement between the United States and Costa Rica. Countries that withdrew from the General Agreement in 1951 were Lebanon (February 25) and Syria (August 6). Although Czechoslovakia is still a contracting party, obligations between the United States and that country under the General Agreement were suspended on November 2, 1951. The bilateral trade agreement between the United States and Costa Rica (which is not a contracting party to the General Agreement) was terminated on June 1, 1951.

In 1949, total imports from the 17 countries with which the United States concluded negotiations at Torquay were valued at 2,792 million dollars. Of this total, dutiable imports accounted for 931 million dollars, and duty-free imports, for 1,860 million dollars. The concessions that the United States granted at Torquay apply to products the imports of which were valued at 266 million dollars in 1949—about 10 percent of its total imports (dutiable and free) from the 17 Torquay countries.

At Torquay, the United States reduced import duties on products which accounted for imports valued at 241 million dollars in 1949—26 percent of total dutiable imports from the 17 Torquay countries. It bound the existing rates of duty on products accounting for imports valued at 9.1 million dollars in 1949—1 percent of total dutiable imports from those countries. It also bound the duty-free status of products imported to the value of 15.6 million dollars in 1949—about 1 percent of total duty-free imports from the Torquay countries.

The commitments that the United States made at Torquay establish the customs treatment to be accorded specified commodities upon their importation into the United States. Under the general provisions of the General Agreement, the concessions that the United States granted directly to individual countries at Torquay are extended to each of the other countries that participate in the agreement. Moreover, under the Trade Agreements Act, benefits of concessions are extended to those countries that are not contracting parties to the General Agreement but with which the United States has most-favored-nation obligations. The concessions are also extended to all countries that have not been found by the President to be discriminating against the commerce of the United States.

The five acceding countries with which the United States concluded negotiations at Torquay not only obtain the concessions that the United States granted to them and to other countries there, but also obtain in their own right all the concessions that the United States granted at Geneva in 1947 and at Annecy in 1949. This is true even though the benefits of those concessions had already been generalized and therefore extended to the acceding countries, as well as to all other countries to which the United States extends most-favored-nation treatment.

Concessions Obtained by the United States

The concessions that the United States obtained from the 17 countries with which it concluded negotiations at Torquay consist of commercial-policy commitments that are contained in the general provisions of the General Agreement and in the Torquay Protocol, and commitments with respect to the customs treatment to be accorded specified products listed in the schedules of tariff concessions annexed to the Torquay Protocol.

The most important of the general provisions of the General Agreement that have a bearing on the United States export trade are those that (1) provide, with specified exceptions, for most-favored-nation treatment of imports by the respective contracting parties; (2) limit the freedom of contracting parties to employ quantitative restrictions and exchange controls; and (3) permit contracting parties, under specified circumstances, to suspend, modify, or withdraw scheduled commitments.

By virtue of the most-favored-nation provision of the General Agreement, the United States also obtained the benefit of the extensive tariff concessions that each of the Torquay countries granted in the negotiations that they concluded among themselves. The provisions of the General Agreement that relate to the use of quantitative restrictions and exchange controls are designed to prevent or minimize impairment of the scheduled commitments and to prevent discrimination against that portion of the export trade of the contracting parties that is not covered by the scheduled concessions. The provisions of the General Agreement that permit contracting parties, under specified circumstances, to modify or withdraw scheduled commitments, are contained in article XIX (the escape clause) and article XXVIII. Modification of scheduled concessions by contracting parties under the provisions of these articles may possibly reduce the value to the United States of certain of the concessions it has obtained under the agreement. In the event of such modification, of course, the United States has the right to make compensatory withdrawals. The United States itself, however, has resorted to the use of the provisions of article XIX and, like other contracting parties, may in the future have occasion to use the provisions of both articles XIX and XXVIII.

In 1949 total imports from the United States into the 17 Torquay countries were valued at 5,631 million dollars. The scheduled concessions that the United States obtained at Torquay account for imports into those countries from the United States valued at 1,058 million dollars in 1949—19 percent of the total.

Because the tariffs of the 5 countries that negotiated at Torquay for accession to the General Agreement generally provide for low or moderate import duties, and because most of the 12 contracting parties had previously made extensive commitments to the United States at Geneva in 1947 or at Annecy in 1949, the commitments that the United States obtained at Torquay consist chiefly of bindings of existing duties and bindings of duty-free status. In 1949, imports into the Torquay countries of products on which they bound the existing duties amounted to 377 million dollars, or 36 percent of total imports of concession items into those countries from the United States. Products on which the duty-free status was bound accounted for imports into those countries from the United States valued at 348 million dollars—33 percent of their imports of concession items from the United States. The reductions in duty that the United States obtained from the Torquay countries apply to imports from the United States valued at 311 million dollars in 1949—29 percent of imports of concession items.

"Other commitments" that the Torquay countries made to the United States account for imports into the several countries valued at 20.3 million dollars—about 2 percent of total imports into the Torquay countries of products on which the United States concluded negotiations. These "Other commitments" consist principally of agreements whereby the country making the commitment reserves the right to convert certain existing specific rates of duty to ad valorem rates, or to increase certain rates of duty to specified levels. The purpose is either to prevent price increases from reducing the fiscal or protective effects of specific rates of duty to extremely low levels, or to provide a uniform rate structure for similar or related commodities. Had those items that are classified under "Other commitments" not been included in the Torquay schedules, the countries desiring to increase these specific rates in order to compensate for increased prices would have been free to increase such rates without limitation as to height. Under the agreements concluded, however, the countries made specific commitments not to increase the rates of duty on these particular items above specified levels. In this latter sense, such commitments can be regarded as concessions to the United States.

Among the Torquay countries there are wide variations (by kind of commitment as well as by country) in the ratio of the value of their imports of concession items from the United States to the value of their total imports from the United States. For Brazil and Indonesia, for example, imports of concession items from the United States in 1949 were equal to less than 1 percent of their total imports from the United States. For Germany, the Torquay commitments applied to 74 percent of its total imports from the United States; for Peru and Turkey the proportion was nearly 50 percent. These variations are attributable to several factors, including differences in the composition and magnitude of the trade of the several countries with the United States, as well as differences in their commercial policy. For the 12 contracting parties the variations are also partly attributable to the relative importance of the concessions they had previously granted to the United States at Geneva or Annecy.

In terms of the value of trade in both 1949 and 1950, the 17 countries with which the United States concluded negotiations at Torquay accounted for about 49 percent of the total value of United States exports to all countries. Exports to the 12 contracting parties were equal to more than 38 percent of United States exports to all countries in 1949, and 42 percent in 1950. The 5 acceding countries accounted for 10 percent of the total exports from the United States in 1949, and for 7 percent in 1950. United States exports to countries with which it has trade agreements amounted to about 76 percent of the total value of its exports to all countries in each of the years 1949 and 1950.

Article XXVIII Negotiations

Besides the regular negotiations it concluded at Torquay, the United States agreed, in special negotiations under article XXVIII of the General Agreement, to the modification or withdrawal of certain of the concessions that a number of the contracting parties had granted to it at Geneva in 1947 or Annecy in 1949. Before the Torquay Conference opened, 16 contracting parties to the General Agreement (including Uruguay) [7] announced their intention of modifying certain of the concessions in their respective schedules. The notifications by the United Kingdom, Haiti, and Sweden did not affect concessions those countries had initially granted to the United States; however, the action by Haiti and Sweden did apply to concessions in which the United States had an interest. The countries that negotiated under article XXVIII at Torquay modified or withdrew concessions they had granted to the United States at Geneva or Annecy on products which accounted for United States exports valued at approximately 100 million dollars in 1949. In exchange for these modifications or withdrawals, these countries granted the United States compensatory concessions on products the United States exports of which were valued at approximately 102 million dollars in 1949.

EFFECT OF TRADE-AGREEMENT CONCESSIONS ON THE UNITED STATES TARIFF

The following analysis, like the corresponding analyses in earlier Tariff Commission reports, indicates the proportion of dutiable imports into the United States that have been the subject of trade-agreement concessions involving duty reductions or bindings (against increase) of preexisting rates, and the extent to which rates of duty have been reduced pursuant to trade agreements. The figures showing changes in the average rates of duty since the trade agreements program went into effect are not intended to indicate the extent to which the level of duties at any given time actually restricted imports. No method exists for ascertaining the quantities of goods that are excluded from entry at given levels of duties.

[7] Uruguay, which has not yet acceded to the General Agreement, was permitted by the Contracting Parties to withdraw or modify certain of its Annecy concessions even though they had never become effective.

Effect of the Torquay Concessions

Concessions that the United States granted at Torquay apply to commodities the imports of which were valued at 340 million dollars in 1949—about 13 percent of total dutiable imports in that year. The bulk of the concessions, covering imports valued at 315 million dollars, consisted of reductions in rates of duty—for the most part, reductions in rates of duty that had been reduced in earlier trade agreements. The average ad valorem equivalent of the rates of duty on the commodities on which the duties were reduced at Torquay was 37.4 percent before any trade agreements were concluded; 19.9 percent before the Torquay negotiations; and 14.6 percent after Torquay.

Combined Effect of All Trade Agreements

Concessions that the United States has granted in all trade agreements since 1934, including those negotiated at Torquay, apply (after allowing for the termination of the concessions to Mexico and China) to commodities that accounted for 94.5 percent of total dutiable imports in 1949. This share includes the group (11.8 percent) on which the preagreement rates have been bound against increase, and the larger and more significant group (82.7 percent) on which the rates have been reduced by trade agreements.

Before the United States concluded any trade agreements, the average ad valorem equivalent of the duties on total dutiable imports (based on and weighted by the value of 1949 imports) was 25.8 percent. The average on January 1, 1951 (pre-Torquay), was 13.9 percent, and on January 1, 1952, when all Torquay concessions are assumed to have become effective, it was 13.3 percent. The reduction in rates of duty over the entire period averaged 49 percent; the reduction effected at Torquay was less than 5 percent from the rates previously in force.

For the group of dutiable imports on which the United States had reduced the rates of duty in trade agreements (82.7 percent of the total) the average reduction—from a preagreement level of 27.7 percent ad valorem to a post-Torquay average of 12.5 percent—was 55 percent. The average ad valorem equivalent of the rates of duty that the United States has bound against increase was 12.3 percent throughout the period; that on the relatively small imports not subject to any concession was 26.1 percent.

Concessions by Tariff Schedules

The proportion of dutiable imports subject to reduced rates in the various tariff schedules ranges from 51 to 100 percent, but only in the following two schedules is it less than 80 percent: Sundries, 51.2 percent; and the free-list taxable group, 54.3 percent. An unusually large proportion of imports in each of these groups (22.6 and 45.6 percent, respectively) is subject to rates bound against increase.

Before any trade agreements were concluded, the averages of the ad valorem equivalents of the duties applicable to imports under the various dutiable tariff schedules (based on and weighted by 1949 imports) ranged from a high point of 85.2 percent for beverages to a low of 10.9 percent for wood and manufactures thereof. However, the cumulative effect of all trade-agreement concessions made from the beginning of the program, up to and including Torquay, narrows this range considerably—the high point being 26.6 percent for earths, earthenware, and glassware, and the low, 4.5 percent for wood and wood manufactures.

Relation of Type of Duty to Height of Duty

On the basis of value, 76 percent of total United States dutiable imports in 1949 were subject to specific rates of duty; 20 percent, to ad valorem rates; and 4 percent, to compound rates (combinations of specific and ad valorem rates). The average ad valorem equivalent of the rates of duty on imports subject to specific rates was 11.1 percent; on imports subject to ad valorem rates, 18.2 percent; and on the relatively small volume of imports subject to compound rates, 30.4 percent.

Extent to Which Rates of Duty Have Been Reduced by Trade Agreements

Rates of duty on imports valued at slightly more than 1 billion dollars in 1949 (38 percent of total dutiable imports in that year) have not been reduced since January 1, 1945. On the other hand, the rates of duty on imports valued at about 825 million dollars in 1949 (31 percent of total dutiable imports) have been reduced 50 percent since January 1, 1945. The rates of duty on imports valued at approximately 856 million dollars in 1949 have been reduced since January 1, 1945, but by less than the 50 percent maximum permissible.

UNITED STATES MEASURES RELATING TO IMPORTS OF TRADE-AGREEMENT ITEMS

Entry Into Force, Withdrawal, or Modification of Trade-Agreement Concessions

During the last half of 1951 and the first half of 1952 the United States placed in effect the concessions it granted to 9 of the 17 countries with which it concluded negotiations at Torquay. Previously, in June 1951, the United States had given effect to the concessions it granted at Torquay to 6 of those countries. The 2 remaining countries—Brazil and Korea—did not sign the Torquay Protocol by June 30, 1952, and the concessions that the United States granted to them did not become effective by that date.

On August 29, 1951, the Trade Agreements Committee issued formal notice of the intention of the United States to negotiate with Venezuela to supplement and amend the 1939 trade agreement between the two countries. Also on that date, the President transmitted to the Tariff Commission the list of imported articles to be considered in those negotiations, and requested the Commission to conduct the required peril-point investigation. The Commission submitted its peril-point report to the President on December 27, 1951. After completion of preparations by both the United States and Venezuela, the negotiations began at Caracas on April 18, 1952.

As required by section 5 of the Trade Agreements Extension Act of 1951, the President on September 1, 1951, suspended the application to imports from 13 Communist-controlled countries or areas, of reduced rates of duty and import-excise tax established pursuant to any trade agreement. Subsequently, as the United States terminated its most-favored-nation commitments with 6 other Communist-controlled countries, the President made such suspensions applicable to imports from them.

As required by section 11 of the extension act of 1951, the President prohibited, effective September 1, 1951, the entry for consumption of certain furs and skins that are the product of Communist China and, effective January 5, 1952, the entry of those that are the product of the Soviet Union.

During the early months of 1952 the United States modified or withdrew certain tariff concessions it had granted in the General Agreement on Tariffs and Trade. Under article XXVII of the General Agreement, the United States withdrew, effective January 25, 1952, a second group of the concessions it had negotiated initially with the Republic of China at Geneva. Under article XIX (the escape clause), the United States modified, effective February 9, 1952, the concession that it had granted at Geneva on hatters' fur.

Activities Under the Escape Clause

Since June 1951 United States activities under the escape clause have been governed by certain provisions of the Trade Agreements Extension Act of 1951. Section 6 of the act makes it mandatory to include an escape clause in all trade agreements the United States may conclude in the future, and, as soon as practicable, in all trade agreements currently in force. The clause must conform to the policy set forth in section 6 (a). The procedure for administering the escape clause, originally established by Executive order and currently prescribed by section 7 of the extension act of 1951, designates the Tariff Commission as the investigating agency.

On January 10, 1952, as required by section 6 (b) of the extension act of 1951, the President submitted to the Congress his first report on the status of trade-agreement escape clauses. In his report the President stated that all but six of the country's existing trade agreements conform to the escape-clause policy established in section 6 (a) of the act and reported on the status of those six agreements. He also discussed the pertinent safeguarding provisions contained in those agreements that he reported were in conformity with the policy set forth in section 6 (a).

During the period covered by this report, the Tariff Commission had a total of 19 escape-clause investigations pending before it. As of June 30, 1952, the Commission had completed investigations relating to 4 of those applications and had accepted the withdrawal of one application. The completed investigations were those on hatters' fur, wood screws of iron or steel, blue-mold cheese, and motorcycles and parts. The other investigations were in process. The Commission's reports on the completed investigations, as well as the nature and status of each of the 19 investigations, are discussed in chapter 5.

Quantitative Restrictions on Imports Into the United States

During the period July 1, 1951, to June 30, 1952, the United States continued to apply quantitative restrictions (absolute quotas) on the importation of cotton and wheat and wheat flour under the provisions of section 22 of the Agricultural Adjustment Act, as amended. The basic quotas were not changed during the period under review, and, in contrast with action taken in several previous years, supplemental quotas were not established for certain types of long-staple cotton.

In September 1951 the Tariff Commission, under the provisions of section 22, held a second public hearing as part of its continuing investigation of almonds, filberts, walnuts, brazil nuts, and cashews. In accordance with the findings and recommendations of the Commission, made as a result of the investigation, the President on December 10, 1951, imposed a fee of 10 cents per pound, but not more than 50 percent ad valorem (in addition to the existing duties), on imports of shelled and blanched almonds entered in excess of specified quantities during the remainder of the quota year (to September 30, 1952).[8] On June 19, 1952, the Commission ordered a third public hearing, to begin on July 28, 1952.

Since 1934 all sugar for the United States market, whether domestic or imported, has been limited by absolute quotas, except during periods of emergency. The quotas currently are imposed pursuant to the Sugar Act of 1948. On September 1, 1951, the President approved legislation, which became effective January 1, 1953, to extend the Sugar Act of 1948 in amended form until 1957.

[8] For convenience, the fee on imports of shelled and blanched almonds is discussed in conjunction with the quantitative restrictions imposed under sec. 22.

By means of licenses, the United States continued during the first 7 months of 1951 to control imports of certain fats and oils and rice and rice products, under the provisions of the Second War Powers Act. Beginning in August 1951 these controls were continued, and similar controls were imposed on imports of cheese and casein, under section 104 of the Defense Production Act of 1950.

The United States maintains absolute quotas on imports from the Philippines of rice, cigars, scrap and filler tobacco, coconut oil, pearl or shell buttons, sugar, and hard-fiber cordage. These quotas, established pursuant to the Philippine Trade Act of 1946, are part of the extensive provisions of that act for the transition of Philippine products, upon entry into the United States, from their present duty-free status to full-duty status.

Other Measures

From July 1, 1951, to April 21, 1952, the United States continued to maintain mixing regulations for rubber as part of a broad program of controls established pursuant to the Rubber Act of 1948 and the Defense Production Act of 1950 in order to conserve the supply of rubber for national defense and to assure its equitable distribution. On April 21, 1952, the mixing regulations, as well as most other controls relating to rubber, were terminated.

On March 11, 1952, pursuant to article XVI of the General Agreement, the United States submitted to the Contracting Parties its third notification on the subsidies that it maintains. The notification contained preliminary data on the export-subsidy programs that the United States conducted during the fiscal year 1951–52 under section 32 of the Agricultural Adjustment Act, as amended, under section 407 of the Agricultural Act of 1949; and under section 2 of the International Wheat Agreement Act of 1949.

CHANGES IN TARIFFS, EXCHANGE CONTROLS, AND QUANTITATIVE IMPORT RESTRICTIONS BY COUNTRIES WITH WHICH THE UNITED STATES HAS TRADE AGREEMENTS

During all or part of the period July 1951–June 1952, the United States had trade-agreement obligations in force with 44 foreign countries. Of these, 33 were contracting parties to the General Agreement on Tariffs and Trade: (1) 15 European countries—Austria, Belgium, Czechoslovakia, Denmark, Finland, France, the Federal Republic of Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Sweden, Turkey, and the United Kingdom; (2) 8 British Commonwealth countries—Australia, Canada, Ceylon, India, New Zealand, Pakistan, Southern Rhodesia, and the Union of South Africa; (3) 7 Latin American countries—

Brazil, Chile, Cuba, the Dominican Republic, Haiti, Nicaragua, and Peru; and (4) 3 other countries—Burma, Indonesia, and Liberia.

Of the aforementioned 33 countries, 4—Austria, the Federal Republic of Germany, Peru, and Turkey—acceded to the General Agreement between July 1, 1951, and June 30, 1952; Peru and Turkey had been parties to bilateral trade agreements with the United States before they became contracting parties to the General Agreement. The remaining 11 countries with which trade agreements were in force during the period covered by this report are those with which the United States had bilateral agreements that were negotiated before the General Agreement became operative. Those countries are Iceland, Iran, and Switzerland, and 8 Latin American countries—Argentina, Ecuador, El Salvador, Guatemala, Honduras, Paraguay, Uruguay, and Venezuela.

The Use of Quantitative Import Restrictions for Balance-of-Payments Reasons

Most of the countries with which the United States had trade agreements in force in 1951–52 continued, as indicated in previous Commission reports on the operation of the trade agreements program, to apply exchange controls and quantitative import restrictions for balance-of-payments reasons—that is, because they were unable to obtain sufficient foreign exchange from exports to the United States, Canada, and other hard-currency areas to supply the demand for exchange to purchase goods obtainable only with hard currency. Most of the countries that were in financial difficulties of this kind discriminated against imports from countries with which they had a persistently adverse payments balance. Such discrimination takes the form of more severe quantitative restrictions on imports from hard-currency sources than on imports from other sources. In some instances, quantitative restrictions are placed on imports from hard-currency sources, whereas virtually no restrictions are placed on imports from soft-currency sources. Imports so restricted usually are classified into such categories as "nonessential" or "essential," with intermediate classifications indicating the degree of essentiality. Under such systems of trade control, the usual practice is to permit imports only under license; the quantities permitted entry are usually under quota limitation.

The General Agreement on Tariffs and Trade permits the use of quantitative import restrictions and exchange-control measures by any contracting party that is in balance-of-payments difficulties; it also permits the discriminatory application of such restrictions. The agreement provides, however, that contracting parties that employ quantitative restrictions for such reasons, and that apply them in a discriminatory manner, shall discontinue their use as soon as circumstances permit. Substantially the same rule as to the use of quantitative import restrictions for balance-of-payments reasons, and the abandonment of such restrictions, applies to the bilateral trade agreements that the United States has negotiated with foreign countries.

In November 1951, in their second report on quantitative restrictions, the Contracting Parties to the General Agreement indicated that 23 contracting parties were then resorting to the use of quantitative restrictions for balance-of-payments reasons. These included all the British Commonwealth countries except Canada; 12 continental European countries (Austria, Czechoslovakia, Denmark, Finland, France, the Federal Republic of Germany, Greece, Italy, the Netherlands, Norway, Sweden, and Turkey); and 3 other countries (Brazil, Chile, and Indonesia). Belgium, Canada, Cuba, the Dominican Republic, Haiti, Luxembourg, Nicaragua, Peru, and the United States stated that they were not using quantitative import restrictions for balance-of-payments reasons. Burma and Liberia did not report their position on the use of quantitative restrictions. The bilateral-agreement countries that have applied quantitative import restrictions for balance-of-payments reasons are Argentina, Ecuador, Paraguay, Uruguay, Iceland, and Iran.

The trade controls employed by most of the countries with which the United States has trade agreements tend to conform to certain patterns, depending on whether the countries fall into one or another of the following three categories (with some overlapping): (1) Those countries that are members of the European Payments Union (EPU); (2) those that are members of the sterling area, which consists of all British Commonwealth countries (except Canada) and a few non-Commonwealth countries; and (3) those that use multiple-exchange systems as an important feature of their trade-control programs. Not included in any of these groups are the few countries that conduct their foreign trade with few or no quantitative restrictions. These countries include Canada, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, and Liberia. Also not included in any of the three groups named above are Czechoslovakia and Finland. Neither of these countries is a member of the Organization for European Economic Cooperation (OEEC) or the European Payments Union. Their systems of trade control are discussed in chapter 6.

The European Payments Union, which was established in 1950, provides a multilateral clearing arrangement for the participating countries, and for a general relaxation of quantitative restrictions on their trade with one another. Replacing the old network of bilateral agreements for settling trade balances, EPU provides a mechanism whereby the participants pool their resources and clear through a central system.

EPU was initially given financial assistance, in the form of a working-capital fund, by the Economic Cooperation Administration (ECA); this assistance was authorized by the United States Congress. The resources of the Payments Union are obtained by quotas allocated to the members on the basis of their relative importance as trading nations. Each member was granted a line of credit with the Payments Union equal to 60 percent of its quota, and each became obligated to grant the same percentage of credit to the Payments Union. The remaining 40 percent of each member's quota was made subject to settlement in gold or dollars. The settlement of net deficits or surpluses is made at periodic intervals by gold transfers based on a sliding scale. A debtor country is subject to a rising scale of gold payments as it uses an increasing percentage of its quota, and a creditor country is entitled to receive in gold half of the payments due it after its creditor position reaches a certain point. The purpose of the gold-transfer part of the mechanism is to discourage participants from moving into extreme positions, either as debtors or as creditors, with relation to the group as a whole.

In 1951–52 some countries developed extreme positions as debtors with EPU, and others, as creditors; and the countries finding themselves in either of these positions took steps to bring their accounts into balance. The United Kingdom and France became EPU's largest debtors during this period; Turkey, Norway, Sweden, and Iceland were also in a deficit position. West Germany emerged during the year as the largest EPU creditor, after having been in a deficit position for several months following the beginning of EPU operations in July 1950. Italy also became a heavy creditor. The Belgo-Luxembourg Economic Union, which had been a creditor from the beginning, continued in that position during 1951–52, although its surplus was reduced.

The sterling area (with the United Kingdom as the link with EPU by virtue of its membership in the Organization for European Economic Cooperation) acts as a unit in its dealings with EPU with respect to relaxing import restrictions when the area is in a surplus position with the Payments Union, or increasing its restrictions when it is in a deficit position. During 1951–52 the sterling area as a whole was in deficit not only with EPU, but also with hard-currency areas; moreover, some of the sterling-area countries were in deficit with other members of the sterling-area group. Because the sterling area was in deficit with both EPU and the dollar countries, its balance-of-payments difficulties could not be relieved by shifting its sources of imports. Consequently, the sterling-area countries increased their restrictions on imports from both the dollar area and the EPU countries. Early in 1952 the Commonwealth Finance Ministers recognized that the various members of the sterling area should adopt temporary measures to reduce the entire area's deficit with the rest of the world, but each member was left free to formulate its own method of restriction.

The use of the multiple-exchange system as an important means of regulating the volume and composition of a country's total foreign trade, as well as its trade with individual countries, is particularly prevalent among Latin American countries. In the first half of 1952, according to a report of the International Monetary Fund, multiple exchange rates were employed by the following trade-agreement countries: Argentina, Brazil, Chile, Cuba, Ecuador, Nicaragua, Paraguay, Peru, Uruguay, Venezuela, Iceland, Indonesia, and Iran. Multiple-exchange practices range from a simple system such as that used by Cuba to highly complex systems such as those used by Chile and Indonesia. The common practice is to apply lower rates of exchange to imports that the authorities wish to encourage, and higher rates to imports that they wish to curtail. Exports are subjected to a corresponding kind of differential treatment. Some countries that use multiple exchange rates also impose import and export restrictions of a quantitative nature. The use of multiple rates of exchange and quantitative restrictions is discussed in chapter 6 of this report. Particular attention is given to the actions of Brazil, Chile, Cuba, Nicaragua, Iceland, Indonesia, and Iran.[9] During the period July 1950–June 1951 most of the trade-agreement countries that employed multiple-exchange systems simplified them, or relaxed the associated quantitative restrictions. Most of these countries, however, made no major revisions in their systems during the ensuing period (1951–52).

The Use of Export Subsidies

A number of contracting parties to the General Agreement reported in 1950 that they were not granting or maintaining subsidies (as defined in art. XVI of the agreement) which operate directly or indirectly to increase exports or to reduce imports. A number of other contracting parties reported that they were employing such subsidies, but most of them maintained that the effects of their subsidies on exports and imports were slight.

Chapter 6 of this report reviews various devices employed by certain countries to stimulate exports. These devices consist principally of tax rebates to exporters, special credit facilities for exporters, and so-called currency-retention quotas. The currency-retention method of encouraging exports permits exporters to use a specified share of the foreign exchange derived from their exports; they are permitted to use the retained portion for the purchase of certain foreign goods, or for transfer to other importers. For most countries that use currency-retention quotas, the principal objective is the expansion of exports to hard-currency areas. The use of this device by certain countries has been criticized on the ground that it represents a form of selective currency devaluation which works to the advantage of the countries employing it and therefore to the disadvantage of those countries that do not employ similar or equivalent

[9] The multiple-exchange practices of Argentina, Ecuador, Paraguay, Peru, Uruguay, and Venezuela were discussed in *Operation of the Trade Agreements Program* (fourth report), ch. 6.

means of stimulating exports. The operation of the currency-retention plans employed by the Netherlands, Denmark, Western Germany, France, Italy, Austria, Indonesia, and Iceland is discussed in chapter 6. Also discussed are the tax rebates that are granted to exporters by Austria, Western Germany, and France.

Miscellaneous Matters Regarding Trade-Agreement Obligations

The status of various matters at issue between the United States and certain countries with which it has trade agreements has been discussed in previous Commission reports on the operation of the trade agreements program. Chapter 6 of this report again reviews these matters, and discusses the new issues that arose in 1951–52. These issues, both old and new, relate mainly to the failure of some trade-agreement countries to correct certain practices that have been called to their attention by the United States Government. Some of these practices have been corrected, but others have remained at issue for several years. For the most part, the points at issue relate to a limited number of items (in some instances only one) on which a country has made duty concessions. When a contracting party to the General Agreement is involved, the United States Government protests to the Contracting Parties, who usually refer the matter to a working party for examination. Protests involving certain practices by Belgium, Brazil, Cuba, Denmark, France, Greece, Liberia, and the United Kingdom have been handled in this manner. When the practices involve countries with which it has bilateral trade agreements, the United States discusses them directly with the country concerned. The present report discusses certain issues that have arisen between this country and Argentina, Guatemala, Paraguay, and Turkey.

Chapter 2

Developments Respecting the General Agreement on Tariffs and Trade

INTRODUCTION

On June 30, 1952, there were 34 contracting parties [1] to the multilateral agreement known as the General Agreement on Tariffs and Trade.[2] The General Agreement now embraces the original agreement concluded by 23 countries at Geneva in 1947; the Annecy Protocol of 1949, under which 9 additional countries acceded to the agreement; and the Torquay Protocol of 1951, under which 4 other countries have acceded. Indonesia, on behalf of which the Netherlands negotiated concessions at Geneva, became an independent contracting party in 1950. All together, 37 countries have become contracting parties to the General Agreement since the Geneva Conference in 1947. Three of the countries that acceded as a result of the negotiations at Geneva—China, Lebanon, and Syria—have since withdrawn.

Four new countries acceded to the General Agreement during the period July 1, 1951, to June 30, 1952—all as a result of the Torquay tariff negotiations.[3] The Federal Republic of Germany became a contracting party on October 1, 1951; Peru, on October 7, 1951; Turkey, on October 17, 1951; and Austria, on October 19, 1951. By the terms of the Torquay Protocol, the last day for signature of that instrument was to be October 21, 1951. At their Sixth Session, however, the Contracting Parties granted extensions of time for signature to three countries that negotiated for accession at Torquay. Korea was given until March 31, 1952, to sign the Torquay Protocol, and the Philippines, until May 22, 1952. The Contracting Parties also granted Uruguay an extension of time until

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[1] These countries were the following: Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Greece, Haiti, India, Indonesia, Italy, Liberia, Luxembourg, the Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, Southern Rhodesia, Sweden, Turkey, the Union of South Africa, the United Kingdom, and the United States.

[2] For discussion of the history and nature of the General Agreement, see *Operation of the Trade Agreements Program* (first report), pt. 2; *Operation of the Trade Agreements Program* (second report), pp. 19–21; and *Operation of the Trade Agreements Program* (third report), pp. 31 and 32.

[3] For a discussion of the Torquay Conference, see *Operation of the Trade Agreements Program* (fourth report), ch. 4.

April 30, 1952, to sign both the Annecy and Torquay Protocols.[4] Neither Korea, the Philippines, nor Uruguay signed the Torquay Protocol within these extended time limits. The Contracting Parties subsequently granted Korea and the Philippines a further extension of time for signature until May 21, 1953, and Uruguay, until April 30, 1953.

Apart from the accession of new members, developments respecting the General Agreement during the period covered by this report relate principally to the proceedings of the Sixth Session of the Contracting Parties and to the activities of the ad hoc Committee for Agenda and Intersessional Business, which was established during that session.

The Contracting Parties held their Sixth Session at Geneva from September 17 to October 26, 1951. At the beginning of the session 30 countries were contracting parties to the General Agreement. By the end of the session the number had increased to 34 by virtue of the accession of Austria, the Federal Republic of Germany, Peru, and Turkey after the Torquay tariff negotiations. Korea and the Philippines, which had negotiated for accession at Torquay but had not yet signed the Torquay Protocol, were represented by observers. Also represented by observers were 8 nonmember countries—Bolivia, Egypt, El Salvador, Japan, Mexico, Switzerland, Venezuela, and Yugoslavia. Five international organizations—the United Nations, the International Monetary Fund, the International Labor Office (ILO), the Organization for European Economic Cooperation (OEEC), and the European Customs Union Study Group—were similarly represented.[5]

At their Sixth Session the Contracting Parties acted directly on many problems in plenary meetings. To deal with the more complicated issues, however, they established six new working parties. These working parties were directed to study in detail the following matters: (1) The resolutions—submitted by the International Chamber of Commerce—on reduction of trade barriers; (2) the schedules of tariff concessions annexed to the General Agreement; (3) the future administration of the agreement; (4) arrangements for interconference tariff negotiations; (5) the report on import restrictions; and (6) the budget.

Aside from the various consultations and discussions relating to the operation of the general provisions of the General Agreement, the Sixth

[4] For the dates on which the contracting parties (except Brazil, Chile, and Nicaragua) signed the Torquay Protocol, see *Operation of the Trade Agreements Program* (fourth report), ch. 4, p. 66. Brazil, Chile, and Nicaragua, which were originally granted extensions of time for signature until December 31, 1951, did not sign the protocol by that date. The Contracting Parties subsequently (by postal ballot) granted them a further extension of time for signature. Brazil signed the Torquay Protocol on February 19, 1953, and Chile, on September 24, 1952.

[5] Representatives of the International Chamber of Commerce attended the meetings of the working party that drafted the convention for facilitating the importation of samples and advertising material.

Session was particularly noteworthy because of two actions the Contracting Parties took to facilitate the future administration of the agreement. These actions were the establishment of an ad hoc Committee for Agenda and Intersessional Business, and the adoption of rules for tariff negotiations in the periods between conferences of the Geneva-Annecy-Torquay type.

Originally, the general provisions of the General Agreement were to have been superseded by the proposed Charter for an International Trade Organization. In 1950, when it became apparent that this expectation would not be realized in the foreseeable future, the Contracting Parties examined the possibility of improving and strengthening the administrative features of the agreement. They concluded that it would be premature to change the existing administrative arrangements radically, but decided to devise methods for dealing with urgent problems that arise when the Contracting Parties are not in session, as well as for conducting tariff negotiations in the interim between full-scale conferences.

The ad hoc Committee for Agenda and Intersessional Business (hereafter referred to as the Intersessional Committee) was established to operate on an experimental basis between the Sixth and Seventh Sessions. Creation of this committee may be especially significant in the long-run administration of the General Agreement. It provides, for the first time, a formal arrangement for considering problems that require immediate action between the regular sessions of the Contracting Parties. Likewise, the procedures adopted for interconference negotiations may in the long run have an important effect on the technique of tariff negotiations under the General Agreement. The nature of the Intersessional Committee and the rules for conducting interconference negotiations are discussed more fully in later sections of this chapter.

The subsequent discussion of the principal developments respecting the General Agreement is divided into the following sections: (1) General provisions; (2) tariffs and tariff negotiations; (3) future administration of the agreement; and (4) other developments. Actions of the Contracting Parties at their Sixth Session, as well as actions of the Intersessional Committee at its several meetings,[6] are discussed under the appropriate subject headings.

The general provisions of the General Agreement, as well as the discussions and consultations that the Contracting Parties hold with respect to their operation, are complex and highly technical. In this chapter, the sections dealing with the general provisions of the agreement and the consultations and actions of the Contracting Parties are necessarily brief, and, as far as possible, are written in nontechnical language. For a more complete understanding of the provisions of the General Agreement, the

[6] During the period covered by this report, the Intersessional Committee held two meetings—on January 14 and 15, 1952, and on February 25 and 26, 1952.

reader should consult *The General Agreement on Tariffs and Trade (Amended Text) and Texts of Related Documents.*[7]

GENERAL PROVISIONS

Most-Favored-Nation Treatment (Art. I): Waiver for Continued Free Entry Into Italy of Libyan Products

Article I of the General Agreement incorporates the most-favored-nation clause in its unconditional form. One of the principal purposes of this article is to pledge each contracting party to apply to its imports from any other contracting party no higher customs duties or internal taxes than it applies to imports of the same products from any other country. Article I, however, also provides for certain exceptions to this general principle.[8]

At their Sixth Session the Contracting Parties examined Italy's request for authority to continue to exempt from customs duties certain commodities imported into Italy from Libya. Because of the special relations between the two countries before and after the war, Italy has been virtually the sole market for Libyan products. According to Italy, maintenance of the existing special treatment of imports from Libya appeared to be the best means of overcoming the economic difficulties which that country would face when it achieved its independence on January 1, 1952.

After considering the problem, the Contracting Parties granted Italy a waiver, until September 30, 1952, of its obligations under article I. The waiver was granted with the understanding that it would apply only to the customs treatment currently accorded Libyan products, and that the entire question would be examined more fully at the Seventh Session.

National Treatment on Internal Taxation (Art. III): United Kingdom Purchase-Tax System

Article III of the General Agreement requires the contracting parties to grant national treatment with regard to internal taxes on products they import from other contracting parties. Accordingly, contracting parties may not levy on imported products internal taxes or other internal charges of any kind in excess of those they levy directly or indirectly on like domestic products. However, as long as they apply the General Agreement provisionally, they may maintain discriminatory internal

[7] U. S. Department of State, Pub. 3758 (Commercial Pol. Ser. 124), 1950.

[8] See *Operation of the Trade Agreements Program* (first report), pt. 2, pp. 44 and 45.

taxes that were in effect on the date of the protocol under which they acceded to the agreement.[9]

During the Sixth Session, the United Kingdom informed the Contracting Parties of its action to amend its purchase-tax system, which had come to afford protection to some domestic industries.[10] The representative of the United Kingdom explained that, as a result of unforeseen developments, his government had not been able to give effect to its undertaking at the Fifth Session to remove without further delay the existing discrimination against imported goods. He stated that the United Kingdom had appointed a committee to study the entire purchase-tax and utility system, with a view to thoroughly overhauling its mechanism, as well as to considering the problem of discrimination against imports. However, the committee would not be able to complete its review, nor would the United Kingdom be able to decide what action should be taken, before the early months of 1952. The Contracting Parties therefore granted the United Kingdom's request for an extension of time, and placed the matter on the agenda for the Seventh Session.

Quantitative Restrictions for Balance-of-Payments Reasons (Arts. XI–XIV): Examination of Restrictions and Their Discriminatory Application

With specified exceptions, article XI of the General Agreement prohibits contracting parties from applying various nontariff restrictions on trade with other contracting parties, such as import prohibitions, quotas, licensing systems, and other quantitative control measures. Article XII, however, provides for temporary departure from the general rule when such departure is necessary to safeguard a country's balance-of-payments position or to effect a necessary increase in its monetary reserves. Article XIII provides that, in administering such quantitative restrictions as are permitted, member countries shall not discriminate against any contracting party. The Contracting Parties recognized, however, that strict compliance with this provision would not be possible during the immediate postwar period. Accordingly, article XIV permits certain deviations from the rule of nondiscrimination, for balance-of-payments reasons.[11]

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[9] The date of the Protocol of Provisional Application (Geneva) is October 30, 1947; that of the Annecy Protocol, October 10, 1949; and that of the Torquay Protocol, April 21, 1951. All the contracting parties, except Liberia, apply the General Agreement provisionally.

[10] See *Operation of the Trade Agreements Program* (fourth report), pp. 41 and 42.

[11] See *Operation of the Trade Agreements Program* (second report), pp. 22 and 23, and *Operation of the Trade Agreements Program* (third report), pp. 34 and 35.

At their Sixth Session, the Contracting Parties reviewed the quantitative import restrictions maintained by member countries for balance-of-payments reasons, and examined the discriminatory application of import restrictions employed by contracting parties.[12] As the two tasks were closely related, the Contracting Parties prepared a single report to cover both subjects. The report, which was published in November 1951, reviews the quantitative restrictions on imports that 20 contracting parties maintain for balance-of-payments reasons.[13] It also examines the methods of restriction those countries employ, the trends of their trade policies, and the incidental effects of their restrictions.[14]

Beginning in 1952, contracting parties that still discriminate in applying quantitative restrictions on imports must consult annually with the Contracting Parties. At the Sixth Session, the Contracting Parties adopted procedures for conducting such consultations, as well as for preparing their third annual report on the discriminatory application of quantitative restrictions on imports.

In January 1952 the Intersessional Committee met to consider whether the import restrictions that the United Kingdom had announced in November 1951 were such as to require consultations between the United Kingdom and the Contracting Parties. The Committee noted that the Organization for European Economic Cooperation had sponsored discussions between the United Kingdom and certain European countries, and that the Contracting Parties would in any event consult with the United Kingdom in 1952 on the discriminatory application of its restrictions. In these circumstances, the Committee decided to postpone its consideration of the problem. In order that the Chairman of the Contracting Parties and the Executive Secretary of the General Agreement Secretariat may determine whether a prima facie case exists for initiating consultations under article XII of the General Agreement, the Intersessional Committee recommended that any contracting party that intensifies its import restrictions should promptly inform the Secretariat.

At its February 1952 meeting the Intersessional Committee noted that France, Southern Rhodesia, and the United Kingdom had supplied information on modifications in their import programs and import restrictions, and had made public announcements thereof. The Committee

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[12] In March 1950 the Contracting Parties to the General Agreement on Tariffs and Trade published the *First Report on the Discriminatory Application of Import Restrictions, March 1950,* Sales No.: GATT/1950–1, Geneva.

[13] Contracting Parties to the General Agreement on Tariffs and Trade, *The Use of Quantitative Import Restrictions to Safeguard Balances of Payments: Incorporating the Second Report on the Discriminatory Application of Import Restrictions, October 1951*, Sales No.: GATT/1951–2, Geneva, 1951.

[14] In July 1950 the Contracting Parties to the General Agreement on Tariffs and Trade had published a report *The Use of Quantitative Restrictions for Protective and other Commercial Purposes,* Sales No.: GATT/1950–3, Geneva.

decided that the Contracting Parties would examine these measures at their Seventh Session.

Special Exchange Agreements (Art. XV): Extension of Time Limit for Germany To Conclude Agreement

Article XV of the General Agreement provides that any contracting party that is not a member of the International Monetary Fund shall enter into a special exchange agreement with the Contracting Parties. This article is designed to insure that exchange manipulations by contracting parties will not nullify or impair tariff concessions and the effectiveness of the rules relating to quantitative restrictions.[15]

After the Sixth Session of the Contracting Parties the Federal Republic of Germany—which acceded to the General Agreement after the Torquay negotiations—requested an extension from April 30 to June 30, 1952, of the time limit for concluding its special exchange agreement or for joining the Monetary Fund. As an urgent matter, this item was placed on the agenda for the February 1952 meeting of the Intersessional Committee.

At its February 1952 meeting the Intersessional Committee concluded that it was not competent to decide the question of waiving the obligation of the Federal Republic of Germany to consult with the Contracting Parties, under the provisions of article XV, should Germany not by March 15, 1952, either become a member of the Fund or conclude its special exchange agreement. The Committee therefore decided to submit to the Contracting Parties, by postal ballot, a draft "decision" extending until June 30, 1952, the time limit for consultations by the Federal Republic of Germany, as well as for concluding its special exchange agreement or for joining the International Monetary Fund. The Contracting Parties approved this decision.[16]

Emergency Action (Art. XIX)

Article XIX of the General Agreement provides that if, as a result of unforeseen developments and of tariff concessions or other obligations incurred by a contracting party under the agreement, "any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to

[15] See *Operation of the Trade Agreements Program* (first report), pt. 2, p. 50; and *Operation of the Trade Agreements Program* (fourth report), p. 42.

[16] The Federal Republic of Germany deposited its instrument of acceptance of the special exchange agreement on June 24, 1952, and the agreement entered into force on July 24. Subsequently, on August 14, 1952, Germany became a member of the International Monetary Fund, and, accordingly, the special exchange agreement terminated on that date.

prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession" under certain conditions.

United States withdrawal of concession on women's fur felt hats and hat bodies

On November 1, 1950, under the provisions of article XIX, the United States withdrew part of the tariff concession it had granted at Geneva on women's hats and hat bodies made of fur felt.[17] At the Fifth Session the United States consulted with the contracting parties principally concerned—Czechoslovakia, France, and Italy—but the results of the consultations proved to be unacceptable to Czechoslovakia. The Contracting Parties, therefore, established a working party to examine Czechoslovakia's contention that the United States had failed to fulfill its obligations under article XIX.

At the Sixth Session the Contracting Parties adopted the report of the working party.[18] According to the report, increased imports had in some degree adversely affected the United States industry producing women's fur felt hat bodies. Indicating that the factual evidence pointed toward temporary difficulties in the industry, the report recommended that the matter be kept under review, so that the concession might be wholly or partially restored (as required by art. XIX) as soon as the United States industry is able to compete with imports, without the support of higher rates of duty. The report stated that there was no conclusive evidence that the United States action constituted a breach of its obligations under the General Agreement.

Czechoslovakia maintained that the report of the working party was not acceptable, and that United States action in invoking article XIX violated the provisions of the General Agreement. The United States Delegation informed the Contracting Parties that the United States Government had taken steps to keep the matter under constant review, and that the President had requested the United States Tariff Commission to report any development which in its judgment would permit relaxation of the restrictions without again causing or threatening serious injury to the domestic industry.[19]

United States modification of concession on hatters' fur

On January 5, 1952, the President of the United States signed a proclamation, effective February 9, 1952, modifying the concession that the United States had granted at Geneva on hatters' fur, or furs not on the

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[17] See *Operation of the Trade Agreements Program* (fourth report), pp. 137 and 138.

[18] The report, which was published by the Contracting Parties to the General Agreement on Tariffs and Trade in November 1951, is entitled *Report on the Withdrawal by the United States of a Tariff Concession under Article XIX of the General Agreement on Tariffs and Trade, October, 1951*, Sales No.: GATT/1951-3, Geneva.

[19] See the section on activities under the escape clause in trade agreements in ch. 5 of this report.

skin, prepared for hatters' use, including fur skins carroted.[20] The President's action, which was based on an investigation and report by the United States Tariff Commission, was taken under the "escape clause" procedure (sec. 7 of the Trade Agreements Extension Act of 1951) and in accordance with the provisions of article XIX of the General Agreement. At the time he signed the proclamation, the President called the attention of the Chairman of the Tariff Commission to the need for establishing a periodic review of all modifications of trade-agreement concessions under the escape clause. He stated that he had asked that an Executive order be prepared to establish a regular procedure for such review.

Before it modified the concession, the United States informed Belgium of its proposed action and of its willingness to consult with that country. On December 22, 1951, after consultations between the two countries, Belgium informed the United States that it believed the United States was not justified in invoking article XIX because the United States had not met some of the requirements laid down in that article. Belgium insisted that, should the United States not change its view of the matter, any modification should at least be made within the limitations laid down in article XIX—that is, "to the extent and for such time as may be necessary to prevent or remedy such injury."

On January 14, 1952, after the proclamation modifying the concession was issued, Belgium informed the United States that it still believed the United States action was not justified under the provisions of article XIX. Belgium reserved its rights under that article, as well as its right to later place the matter before the Contracting Parties under the provisions of article XXIII (nullification or impairment). It noted with satisfaction, however, that the United States had taken steps to insure a periodic review of its decision. Subsequently, Belgium announced its intention, under the provisions of article XIX, to take compensatory action by suspending the application to United States trade of its concession on mastics (certain industrial waxes, adhesives, and putties). The Contracting Parties not having by May 22, 1952, disapproved the suspension of this concession as not being substantially equivalent to the United States modification on hatters' fur, it became effective on that date.

General Exceptions (Art. XX): Extension of Time Limit Fixed in Part II of the Agreement

Under the provisions of article XX of the General Agreement contracting parties may maintain, during the postwar transitional period, certain

[20] The concession, initially negotiated with the Benelux Customs Union, established a rate of duty of 15 percent ad valorem. The modified rate of duty is 47½ cents per pound, but not less than 15 percent ad valorem or more than 35 percent ad valorem. For details of the modification of the concession, see the section on activities under the escape clause in trade agreements in ch. 5 of this report.

measures necessitated by postwar conditions, even if those measures are not compatible with other provisions of the agreement. Among the exceptions to the general rule for the elimination of quantitative restrictions on imports and exports (art. XI) is the permission given contracting parties in article XX to adopt (subject to certain safeguards) measures they consider essential for any of the following purposes: (1) Acquisition or distribution of products in short supply; (2) control of prices by a contracting party undergoing shortages subsequent to the war; or (3) liquidation of temporary surplus government stocks subsequent to the war.

Article XX also provided that such measures, if they are inconsistent with other provisions of the agreement, were to be removed as soon as the conditions giving rise to them cease to exist—in any event not later than January 1, 1951. At their Fifth Session the Contracting Parties extended this time limit for 1 year and decided to determine at the Sixth Session what further extension of time, if any, should be granted with respect to each of the above-mentioned categories. Although the representatives of certain countries felt that there should be an earlier time limit for ending the exceptions relating to liquidation of surplus government stocks, the Contracting Parties at their Sixth Session agreed to grant a further extension for all three categories until January 1, 1954.

Nullification or Impairment of Benefits (Art. XXIII)

Article XXIII of the General Agreement recognizes that benefits which are intended to accrue to contracting parties may be nullified or impaired by failure of some contracting party to carry out its obligations under the agreement, or even by some action of a contracting party that does not breach a specific provision of the agreement. Accordingly, article XXIII provides that any contracting party which considers that the benefits it derives from the agreement have been impaired may make representations to the other contracting party (or parties) concerned. Any contracting party thus approached must give sympathetic consideration to the representations or proposals thus made. If a satisfactory adjustment cannot be reached by the contracting parties directly concerned, the matter may be referred to the Contracting Parties acting as a group. In serious circumstances, the Contracting Parties by majority vote may authorize one or more of the contracting parties to suspend the application to any other contracting party or parties of such obligations or concessions as may be considered appropriate.

United States restrictions on imports of dairy products[21]

On August 9, 1951, under the provisions of section 104 of the United States Defense Production Act, the United States restricted the importa-

[21] See also the section of ch. 5 on restrictions under the Defense Production Act of 1950.

tion of certain dairy products. Toward the beginning of the Sixth Session of the Contracting Parties, the representatives of Denmark and the Netherlands stated that these restrictions nullified or impaired, within the meaning of article XXIII, concessions granted by the United States, and that they constituted an infringement of article XI. These statements were supported by representatives of Australia, Canada, France, Italy, New Zealand, and Norway. In view of the efforts of the executive branch of the United States Government to have section 104 of the Defense Production Act repealed, however, the Contracting Parties after a plenary discussion agreed to postpone action until later in the Sixth Session.

At the close of the Sixth Session, the United States Delegation reported that the pressure of business in the closing weeks of the recently concluded session of the United States Congress had prevented action on the bill for the repeal of section 104, and that the next occasion for action on it would be the congressional session beginning in January 1952.

In the light of this statement, the Contracting Parties adopted a resolution noting the determination of the United States Government to seek repeal of section 104 of the Defense Production Act. The resolution recognized that "concessions granted by the United States Government have been nullified or impaired within the meaning of article XXIII" and that "the import restrictions in question constitute an infringement of article XI." It also recognized "that a large number of contracting parties have indicated that they have suffered serious damage as a result of this nullification or impairment and that the circumstances are serious enough to justify recourse by those contracting parties to paragraph 2 of article XXIII." The Contracting Parties requested the United States to report its action to them as soon as possible, in any event not later than the beginning of the Seventh Session. Subsequently, because of the postponement of the Seventh Session until October 1952, the Intersessional Committee agreed that a special session of the Contracting Parties should be called in July 1952, to consider several matters, including United States restrictions on imports of dairy products. It was subsequently decided to postpone consideration of these matters until the Seventh Session of the Contracting Parties.

Belgian measures to deal with current financial problems

At the Sixth Session certain countries, notably the United States, Canada, and Cuba, called the attention of the Contracting Parties to Belgium's recent imposition of restrictions against imports of dollar goods. Toward the end of the session the representative of Belgium reviewed the measures that the Governments of Belgium and Luxembourg had taken. He stated that, in the situation in which these countries found themselves, the usual criteria for justifying import restrictions under the General Agreement (that is, to safeguard a country's balance-of-payments position or to effect a necessary increase in its monetary reserves) could not be applied. It was necessary, he said, to examine the country's entire financial position. He stated that his country, in the spirit of the General Agreement, would consult with the Contracting Parties on condition that the question be examined as a whole, and not in the light of the limited criteria of article XII alone.

After discussion by representatives of the United States, Canada, the United Kingdom, France, Cuba, and Belgium, the Chairman of the Contracting Parties summarized both the position of Belgium and that of the other interested contracting parties. He stated that, although Belgium considered that it was adhering to the terms of the General Agreement, the United States and Canada, it was clear, believed that Belgium had departed from its provisions. According to him, any government that holds this latter view may institute proceedings under those provisions of the agreement that relate to departure from its obligations. After a general discussion by representatives of the United States, Canada, the United Kingdom, France, Cuba, and Belgium, the Contracting Parties decided not to pursue the matter further at the Sixth Session.

Inasmuch as consultations between Belgium and the United States in January 1952 did not result in a satisfactory adjustment, at the February 1952 meeting of the Intersessional Committee the United States referred the matter of the Belgian restrictions to the Contracting Parties under the provisions of article XXIII. In accordance with a United States request, the Committee established a working party to consider the problem and to report at the Seventh Session.

Belgian family-allowance tax

Under a law of August 4, 1930, Belgium has in operation a system of family allowances to workers (allocation familiale). The system is financed by contributions required of Belgian employers. To countervail these contributions, a special tax of 7.5 percent ad valorem is levied on products imported by the Belgian Government or by provincial or municipal authorities. Provision is made to exempt from this tax imports from countries which require similar contributions by employers, either by law or by collective agreements.

At the Sixth Session, Denmark and Norway informed the Contracting Parties that they had requested Belgium to exempt imports from their respective countries from the family-allowance tax, as it already had exempted imports from certain other contracting parties. As a basis for their request they cited their own social legislation, which they stated is not less costly or less developed than the corresponding Belgian legislation. Belgium had not acted on their requests for exemption from the special import tax.

After considering the problem, the Contracting Parties granted Belgium's request for time to review the administrative problems involved in granting the requests of Denmark and Norway. On October 23, 1951, Belgium reported that it would require further time to make the necessary changes. The Contracting Parties expressed the hope that Belgium could make a satisfactory statement at the Seventh Session, if not before.

Customs Unions and Free-Trade Areas (Art. XXIV)

Article XXIV of the General Agreement exempts from the most-favored-nation principle the trade between countries forming a customs union or a free-trade area or entering into an interim agreement preparatory to forming such a union or area. The agreements entered into must fulfill certain conditions and must be expected to achieve the desired results within a reasonable time.

South Africa-Southern Rhodesia customs union

South Africa and Southern Rhodesia submitted the first report on their proposed customs union at the Fifth Session of the Contracting Parties.[22] At the Sixth Session the Contracting Parties noted that, in accordance with their declaration of May 18, 1949, the two countries would submit, not later than July 1, 1952, another report on the progress they had made toward eliminating tariffs and restrictions on trade between their two territories and toward the application of a uniform tariff to imports from other contracting parties.

Nicaragua-El Salvador free-trade area

At their Sixth Session the Contracting Parties examined the treaty concluded by Nicaragua (a contracting party) and El Salvador (not a contracting party) for the establishment of a free-trade area. The treaty became effective on August 21, 1951. In accordance with the provisions of paragraph 10 of article XXIV, the Contracting Parties decided that the Government of Nicaragua is entitled to claim the benefits of those provisions of article XXIV which relate to the establishment of free-trade areas. They also accepted Nicaragua's proposal that it submit to them annual reports on the action it takes under certain articles of the treaty which authorize the imposition of quantitative restrictions on specified imports.

Relation of the Agreement to the ITO Charter (Art. XXIX): Proposed Amendment to the General Agreement

When the General Agreement was being drafted at Geneva in 1947 there was considerable discussion as to whether it should include provisions relating to employment and economic activity, in addition to the proposed commercial-policy provisions. It was then considered likely that the General Agreement would soon be replaced by the proposed Charter for an International Trade Organization, which would include

[22] See *Operation of the Trade Agreements Program* (fourth report), p. 40.

provisions relating to employment and economic activity. For this reason, the matter was not pursued further at Geneva. Under article XXIX of the General Agreement, however, the contracting parties undertake to observe to the fullest extent of their executive authority the general principles of the proposed charter, pending their acceptance of it in accordance with their constitutional procedures.

At the Fifth Session of the Contracting Parties the representative of Norway pointed out that it was uncertain whether or when the proposed charter would become effective. In the opinion of the Norwegian Government, the commercial-policy principles of the General Agreement could not be practiced indefinitely without regard to the principles of employment and economic activity laid down in chapter II of the ITO Charter. For this reason, Norway proposed that articles 3, 4, and 6 of the charter be incorporated in the General Agreement. The Contracting Parties considered the matter, but felt that it was premature to consider making piecemeal additions to the General Agreement; therefore they did not act on the Norwegian proposal at the Fifth Session.

Norway suggested, at the Sixth Session, that the Contracting Parties again consider the matter. The United Kingdom Delegation supported the Norwegian proposal, stressing the need to amend the General Agreement in order to make it a suitable instrument of long-range commercial policy. Other delegations agreed in principle, but again questioned the desirability of amending the agreement in piecemeal fashion. Although the Contracting Parties took no action, the discussion indicated a measure of agreement on the need to reexamine the General Agreement at a later date through a constitutional session of the Contracting Parties.

TARIFFS AND TARIFF NEGOTIATIONS

Suspension of General Agreement Obligations Between the United States and Czechoslovakia

Section 5 of the United States Trade Agreements Extension Act of 1951 requires the President, as soon as practicable, to take such action as is necessary to suspend, withdraw, or prevent the application of any trade-agreement concession to imports from the Soviet Union and from Communist-dominated nations or areas. In order to clear the way for such action against products of Czechoslovakia, the United States at the Sixth Session of the Contracting Parties requested permission to terminate all obligations between it and Czechoslovakia under the General Agreement, including the tariff concessions it had negotiated initially with Czechoslovakia at Geneva.

After examining the United States request, the Contracting Parties on September 27, 1951, adopted a declaration stating that the United States and Czechoslovakia "shall be free to suspend, each with respect to the other, the obligations of the General Agreement on Tariffs and Trade." The declaration affirmed that "any measure which may be taken either by the United States or Czechoslovakia shall not in any way modify the obligations of that government under the General Agreement toward the other contracting parties." Although the representative of Czechoslovakia made it clear that his government did not recognize the validity of the declaration, he stated that Czechoslovakia would continue to adhere to the General Agreement and to the commitments it had undertaken therein.

On October 2, 1951, the President of the United States notified the United States Treasury Department that after the close of business on November 1, 1951, concessions made in trade agreements by the United States would be suspended with regard to imports of products of Czechoslovakia. On October 26, 1951, the Government of Czechoslovakia informed the Contracting Parties that, as from November 1, 1951, it would charge the highest rate of customs duty on goods of United States origin imported into Czechoslovakia on which Czechoslovakia had granted reduction in duty after the Geneva negotiations. Czechoslovakia also informed the Contracting Parties that it would not apply this increase in duties to imports from other contracting parties to the General Agreement.

Report of Intersessional Working Party on Disparity of European Tariffs

At a Special Session held at Torquay from March 29 to April 3, 1951, the Contracting Parties considered a memorandum from the representatives of a number of European countries and the United States on the disparity in the level of European tariffs. These countries contended that although the tariff reductions resulting from the Torquay negotiations might be significant, they probably would not contribute materially to the reduction of such disparity. After examining the problem, the Contracting Parties invited the countries concerned to submit proposals for multilateral action and other procedures designed to reduce the disparity in the level of European tariffs on a nondiscriminatory basis, taking into account the differences in the economic and social structures of the countries concerned. The Contracting Parties also established a working party to study such proposals and to formulate recommendations thereon.

When the working party met during the Sixth Session, it was informed of the further discussions between some of the countries concerned; it then considered a proposal made to the Contracting Parties by the French Delegation for a general lowering of customs tariffs. At the close of the session the Contracting Parties received the report of the working party, and authorized it to examine any proposal concerning procedures likely to result in nondiscriminatory reductions of tariff levels, in particular the proposal submitted by the French Delegation. The working party, renamed the "working party on the reduction of tariff levels," was instructed to report to the Contracting Parties at their Seventh Session.

Extensions of Time for Signature of Torquay Protocol

By the terms of the Torquay Protocol, the last day for signature of that document was to be October 21, 1951. At their Sixth Session, however, the Contracting Parties extended the time limit for certain contracting parties and acceding governments to sign the protocol. Brazil, Chile, Denmark, Nicaragua, and the United Kingdom were granted an extension to December 31, 1951; Korea, to March 31, 1952; Uruguay (for signature of both the Annecy and Torquay Protocols), to April 30, 1952; and the Republic of the Philippines, to May 22, 1952. The United Kingdom signed the Torquay Protocol on December 19, 1951, and Denmark, on December 21, 1951. Brazil, Chile, and Nicaragua, however, did not sign the protocol by December 31, 1951. The Contracting Parties subsequently granted them a further extension of time for signature until October 15, 1952.[23] Korea and the Philippines not having signed the protocol by March 31 and May 22, 1952, respectively, the Contracting Parties granted them a further extension of time for signature until October 15, 1952.[24]

FUTURE ADMINISTRATION OF THE AGREEMENT

Establishment of Ad Hoc Committee for Agenda and Intersessional Business

During the Sixth Session the Contracting Parties devoted considerable attention to the question of the future administration of the General Agreement. Member countries generally agreed that to administer the agreement effectively the Contracting Parties should devise some method for dealing with problems that require urgent action between regular sessions. They also agreed that the work of the sessions could be facilitated and expedited by more intensive advance preparation of agenda items. The Contracting Parties decided, therefore, to establish an ad hoc Committee for Agenda and Intersessional Business as an experimental arrangement between the Sixth and Seventh Sessions. This Committee was directed to meet at Geneva from time to time to consider matters requiring immediate action, and also to meet 4 to 6 weeks before the opening of the Seventh Session to prepare the agenda for that meeting.

[23] These countries were subsequently granted a further extension of time for signature. Chile signed the Torquay Protocol on September 24, 1952, and Brazil, on February 19, 1953.

[24] Subsequently the Contracting Parties extended, to May 21, 1953, the time for the signatures of Korea and the Philippines.

Arrangements for Interconference Tariff Negotiations

At the beginning of the Sixth Session the United States suggested that the Contracting Parties make some arrangement for conducting tariff negotiations under the General Agreement without convening full-scale conferences of the Geneva-Annecy-Torquay type. To examine this matter and to devise a fairly simple technique for interconference negotiations, the Contracting Parties established a working party. The report of the working party, which was adopted on October 23, 1951, established rules for (1) negotiations with nonmember countries that wish to accede to the General Agreement and (2) negotiations between two or more contracting parties that wish to negotiate with each other and to incorporate the results of the negotiations into the agreement.

The rules for tariff negotiations at times other than during full-scale conferences are summarized below. In general, the rules are based on the procedures and practices followed at Geneva, Annecy, and Torquay. Although somewhat simplified, they maintain the multilateral feature that has characterized tariff negotiations undertaken within the General Agreement.

Negotiations with a country not party to the General Agreement

When a country that is not a contracting party to the General Agreement desires to negotiate with contracting parties for the purpose of acceding to the agreement, it shall so notify the Secretariat. The Secretariat will then notify the contracting parties by cable, indicating the specific contracting parties with which the requesting country intends to negotiate. Within 30 days of such notification [25] each contracting party is expected to inform the Secretariat (1) whether it objects to negotiations by the requesting country under these procedures and (2) whether it wishes to participate in the negotiations, should they take place.

If three or more contracting parties object to the proposed negotiations, the proposal of the requesting country will be referred to the Contracting Parties at their next session.[26] Unless three or more contracting parties object, the Secretariat will consult with the participating countries (that is, the requesting country and the participating contracting parties) to determine the site of the negotiations, the date for the exchange of the request lists, and the date on which the negotiations will commence. After the negotiations have been completed, a draft protocol of accession and the schedules of tariff concessions will be submitted to the Contracting Parties at their next session, together with a draft "decision" relating to

[25] Or within 60 days, should any contracting party so request.

[26] A special session of the Contracting Parties may be called at the request of any contracting party that has indicated its desire to enter into negotiations with the requesting country.

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the accession of the requesting country.[27] If two-thirds of the contracting parties vote favorably on the decision, the protocol will be opened for signature.

Negotiations between contracting parties

When contracting parties wish to negotiate with each other and to incorporate the results of the negotiations in the General Agreement, they shall so notify the Secretariat. The Secretariat will then by cable inform all the other contracting parties of the proposed negotiations. At least 30 days before the proposed negotiations begin, the participating contracting parties shall notify the Secretariat of the date and site, and shall submit copies of their request lists. The Secretariat will then circulate the information and the request lists to the other contracting parties.

Within 30 days after the request lists are circulated, any other contracting party having a substantial interest in the proposed negotiations may propose to the participating countries that it negotiate with one or more of them, and it shall so notify the Secretariat. If the participating countries consider that still other contracting parties have a substantial interest in the negotiations, they may invite such parties to participate. When the negotiations have been completed, the participating countries shall promptly inform the Secretariat of the results. The Secretariat, in turn, will transmit this information to all the contracting parties. The results of the negotiations shall become effective as agreed upon by the participating countries, and in accordance with the provisions of the model protocol annexed to the rules for negotiations, which also provides for their incorporation in the General Agreement. When the results of the negotiations enter into force, they shall be regarded by all contracting parties as parts of the schedules of tariff concessions annexed to the General Agreement.

OTHER DEVELOPMENTS

Arrangements for Seventh Session of Contracting Parties

At their Sixth Session, the Contracting Parties provisionally selected June 5, 1952, as the date for the opening of the Seventh Session, but agreed that the Intersessional Committee should determine the exact date and site. At its February 1952 meeting the Intersessional Committee decided that the Seventh Session would be held at Geneva beginning October 2, 1952. This date was chosen so that the International Monetary Fund might complete its consultations with a number of countries

[27] The draft protocol, as well as the draft decision, is to be based on the model protocol and model decision annexed to the rules adopted by the Contracting Parties. Should there be a substantial period between conclusion of the negotiations and the next session of the Contracting Parties, and should the participating countries so request, the Secretariat will circulate the protocol and the decision to the various contracting parties.

regarding their import restrictions, and so that the information thus obtained would be available for the consultations to be held during the Seventh Session. The Intersessional Committee agreed also that a special session of the Contracting Parties should be called in July 1952 to receive a report from the working party established to examine the treaty instituting a European Coal and Steel Community, to discuss United States restrictions on imports of dairy products, and to consider other urgent matters. It was subsequently decided to postpone consideration of these matters until the Seventh Session of the Contracting Parties.

Report of Working Party on Resolutions of the International Chamber of Commerce

At the Sixth Session the Contracting Parties considered certain resolutions regarding the reduction of trade barriers—resolutions which had been passed by the Thirteenth Congress of the International Chamber of Commerce at Lisbon in June 1951—and established a working party to examine them. This working party prepared a draft convention for the purpose of facilitating the importation of commercial samples and advertising material, and also drafted recommendations on consular formalities and recommendations on documentary requirements for the importation of goods. These drafts were the result of considerable discussion in governmental and commercial circles over a period of years. They were prepared as a consequence of complaints made by persons and organizations engaged in international trade, regarding the obstacles to the importation of samples and advertising material in various countries and the unnecessary burdens connected with the documentation of commercial shipments. The draft convention and the draft set of recommendations were circulated to the contracting parties and to the International Chamber of Commerce for study and comment, with a view to further action on them at the Seventh Session.

Miscellaneous Matters

Besides routine and formal matters, such as the rectification and modification of schedules, the Contracting Parties took the following actions at their Sixth Session: (1) Completed arrangements to publish consolidated schedules of all tariff rates resulting from the Geneva, Annecy, and Torquay negotiations;[28] (2) agreed upon a plan to derestrict General Agreement documents (with certain exceptions); (3) agreed to publish certain documents relating to the operation of the General Agreement; (4) agreed to publish a third progress report on the operation of the

[28] The *Consolidated Schedules of Tariff Concessions* (5 vols.), GATT/CP/133, Sales No.: GATT/1952–1, Geneva, was published by the Contracting Parties to the General Agreement on Tariffs and Trade in January 1952.

agreement;[29] (5) opened for signature a protocol incorporating into the General Agreement the post-Torquay tariff concessions negotiated by the Union of South Africa and the Federal Republic of Germany; (6) established a working party to examine the treaty creating a European Coal and Steel Community (the "Schuman Plan"); and (7) adopted the report of the working party on budgetary matters.

[29] The United Nations Interim Commission for the International Trade Organization published this report in January 1952 at the request of the Contracting Parties to the General Agreement on Tariffs and Trade. It is entitled *GATT in Action: Third Report on the Operation of the General Agreement on Tariffs and Trade, January 1952*, Sales No.: GATT/1952-2, Geneva. The first progress report was *The Attack on Trade Barriers: A Progress Report on the Operation of the General Agreement on Tariffs and Trade from January 1948 to August 1949*, Geneva, 1949. The second progress report was *Liberating World Trade: Second Report on the Operation of the General Agreement on Tariffs and Trade, June 1950*, Sales No.: GATT/1950-2, Geneva, 1950. The Contracting Parties also publish a monthly record of news reports on items related to the operation of the General Agreement, under the title *International Trade News Bulletin*. A *Short History of Official Material Relating to the General Agreement on Tariffs and Trade*, published in mimeographed form by the General Agreement Secretariat, lists the complete series of General Agreement publications, and indicates where they may be obtained.

Chapter 3

Concessions Granted and Obtained by the United States at Torquay

This chapter deals with the concessions that the United States granted to and obtained from the countries with which it concluded negotiations at Torquay in 1950–51. The Commission's fourth report on the operation of the trade agreements program [1] discussed in detail the preparations by the Contracting Parties and by the United States for the Torquay Conference, and the character and scope of the tariff negotiations undertaken there. The first two sections of this chapter analyze the general nature of the concessions that the United States granted and obtained at Torquay. The third section describes the concessions that the United States granted to and obtained from each of the 17 countries with which it concluded regular negotiations, as well as the separate series of negotiations between the United States and certain countries that took action under article XXVIII of the General Agreement. For the purposes of this report, it is assumed that all the concessions that the United States granted and obtained at Torquay became effective on January 1, 1952.[2]

CONCESSIONS GRANTED BY THE UNITED STATES AT TORQUAY

The tariff concessions that the United States granted to the 17 countries with which it concluded regular negotiations at Torquay establish the customs treatment to be accorded specified commodities upon their importation into the United States. These concessions, which are listed in the schedules of tariff concessions annexed to the Torquay Protocol,[3] are of three types: (1) Bindings of reductions from previously existing rates of duty; (2) bindings of existing rates of duty against increase; and (3) bindings of duty-free status.

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[1] *Operation of the Trade Agreements Program* (fourth report), ch. 4.

[2] Actually, the concessions that the United States granted to and obtained from Korea and Brazil had not become effective by that date. See ch. 2.

[3] For a complete list of the commodities on which the United States granted concessions at Torquay, see U. S. Department of State, *Analysis of Torquay Protocol of Accession, Schedules, and Related Documents, General Agreement on Tariffs and Trade, Negotiated at Torquay, England, September 1950–April 1951*, Pub. 4209 (Commercial Pol. Ser. 135), 1951 (hereafter cited as *Analysis of Torquay Protocol*).

Under existing United States legislation, the maximum reduction that may be made in the import duty on any commodity is 50 percent of the rate in effect on January 1, 1945.[4] Pursuant to this authority, the United States granted the maximum permissible reduction in the rates of duty on a substantial number of commodities at Geneva in 1947 and at Annecy in 1949. The scope of the negotiations that the United States undertook at Torquay—particularly with countries that already were contracting parties to the General Agreement—was therefore limited. The United States, however, made maximum permissible reductions on a considerable number of commodities that had not previously been the subject of trade-agreement concessions. For many other commodities, on which maximum permissible reductions had not previously been made, it further reduced the rates of duty at Torquay. For a few commodities on which the rates of duty had been increased after July 1, 1945, by reason of the termination of bilateral trade agreements between the United States and certain countries, the Torquay concessions involved reductions of more than 50 percent of the rates in effect when the Torquay Conference opened.[5] These reductions were not, however, reductions of more than 50 percent of the rates in effect on January 1, 1945.

For a few of the commodities on which it granted tariff concessions at Torquay, the United States limited its commitments by tariff quotas, or otherwise qualified them. For example, the concession on sugar, negotiated jointly with the Dominican Republic and Peru, which provides for a reduction of 9 percent in the rate of duty on 96-degree sugar, will apply only as long as the existing sugar-quota provisions of title II of the Sugar Act of 1948 (or substantially equivalent legislation) remain in force. The concession to Peru on certain classifications of raw cotton will be subject to modification if the United States removes the restriction on the quantity of such cotton that may be imported. These limitations, as well as those on certain other concessions, are discussed more fully in the sections of this chapter that deal with the concessions granted and obtained by the United States in negotiations with individual countries at Torquay.

Under the general provisions of the General Agreement, the concessions that the United States granted directly to the individual countries with which it concluded negotiations at Torquay are extended to each of the other countries that participate in the agreement. The benefits of the concessions are also extended, of course, to countries that are not contracting parties to the General Agreement but have most-favored-nation agreements with the United States. Moreover, under the Trade

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[4] For a discussion of the limitations placed on the authority by the Trade Agreements Extension Act of 1951, see the section on the "peril point" provision in ch. 1 of this report.

[5] See ch. 5.

Agreements Act, the benefits of the concessions are extended to all countries that have not been found by the President to be discriminating against the commerce of the United States. The five countries that negotiated at Torquay for accession to the General Agreement (Austria, the Federal Republic of Germany, the Republic of Korea,[6] Peru, and Turkey) also obtain in their own right all the concessions that the United States granted at Geneva in 1947 and at Annecy in 1949,[7] even though the benefits of those concessions had already been generalized to them

Scope of the Concessions

Table 1 shows the scope of the concessions that the United States granted at Torquay. The table presents data on the value of United States imports in 1949 from the 17 countries with which the United States concluded negotiations (hereafter referred to as the "Torquay countries"). It also shows the value of imports in that year of the products on which the United States granted concessions, as well as the value of such imports by kinds of commitment.

In 1949, total imports into the United States from the 17 Torquay countries were valued at 2,792 million dollars. Of this total, dutiable imports amounted to 931 million dollars, and duty-free imports to 1,860 million dollars. In return for the concessions it obtained at Torquay, the United States granted tariff concessions (including bindings) on products that accounted for imports valued in 1949 at 266 million dollars—about 10 percent of the total value of United States imports from the Torquay countries.

The concessions that the United States granted at Torquay consist chiefly of reductions in rates of duty. Such commitments apply to imports valued at 241 million dollars in 1949—26 percent of total dutiable imports from the 17 Torquay countries. The United States also bound existing rates of duty against increase on products accounting for imports valued at 9.1 million dollars in 1949—1 percent of total dutiable imports from the Torquay countries; and it bound the duty-free status on products the imports of which were valued at approximately 15.6 million dollars in 1949—about 1 percent of total duty-free imports from those countries.

[6] The Republic of Korea did not sign the Torquay Protocol by October 21, 1951, the last day for signature. The Contracting Parties subsequently granted Korea extensions of time for signature until March 31, 1952, and until October 15, 1952. Korea did not sign within these extended time limits. The Contracting Parties granted Korea a further extension of time for signature until May 21, 1953.

[7] For a discussion of the concessions that the United States granted at Geneva, see *Operation of the Trade Agreements Program* (first report), pt. 3. For a discussion of the concessions that the United States granted at Annecy, see *Operation of the Trade Agreements Program* (third report), ch. 4.

TABLE 1.—*United States imports in 1949 (dutiable and free) from the 17 countries with which the United States concluded agreements at Torquay: Total, and imports of commodities on which the United States initially granted concessions to each country, by kinds of commitment* [1]

[Value in thousands of dollars]

Country	Imports of all commodities			Imports of concession items, by kind of commitment						
					Dutiable items bound or reduced					Items bound free
						Rate of duty reduced				
	Total	Dutiable	Free	Total (dutiable and free)	Rate of duty bound	Total	Less than 25 percent	25 to 35 percent	36 to 50 percent	
Acceding countries (5):										
Austria	9, 615	8, 098	1, 517	6, 501	6, 450	51	8	21	22	--------
Federal Republic of Germany	43, 660	23, 861	19, 799	6, 853	3	6, 726	2, 296	2, 207	2, 223	124
Republic of Korea	1, 602	1, 025	577	141	2	91	--------	--------	91	48
Peru	40, 708	16, 660	24, 048	25, 789	567	24, 320	3, 350	3, 077	17, 893	902
Turkey	50, 047	36, 432	13, 615	44, 604	1, 526	33, 369	124	30, 806	2, 439	9, 709
Total, acceding countries	145, 632	86, 076	59, 556	83, 888	8, 548	64, 557	5, 778	36, 111	22, 668	10, 783

Contracting parties to the General Agreement (12):										
Benelux Customs Union	154,680	92,160	62,520	29,914	1	29,763	18,384	8,139	3,240	150
Brazil	551,084	38,727	512,357	107	----------	65	----------	----------	65	42
Canada	1,551,499	567,625	983,874	125,539	----------	121,066	65,752	23,042	32,272	4,473
Denmark	6,445	4,365	2,080	263	147	116	1	1	114	----------
Dominican Republic	24,679	9,266	15,413	2,844	----------	2,803	1,183	1,620	----------	41
France	62,207	45,236	16,971	13,370	441	12,871	8,933	3,394	544	58
Overseas areas	20,170	5,863	14,307	2,676	----------	2,594	82	15	2,497	82
Indonesia	120,262	3,267	116,995	42	----------	42	2	----------	40	----------
Italy	70,572	52,755	17,817	5,073	----------	5,073	3,044	1,116	913	----------
Norway	29,942	17,825	12,117	2,020	----------	1,998	1,284	6	708	22
Sweden	54,430	8,251	46,179	403	----------	403	351	27	25	----------
Total, contracting parties	2,645,970	845,340	1,800,630	182,251	589	176,794	99,016	37,360	40,418	4,868
Total, countries (17) with which the United States concluded agreements at Torquay	2,791,602	931,416	1,860,186	266,139	9,137	241,351	104,794	73,471	63,086	15,651

[1] Except for the French overseas areas, statistics on imports from the possessions of the Torquay countries have not been included because of the difficulty of obtaining adequate data on trade in the concession items with such territories.

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

Most of the reductions in duty that the United States granted at Torquay were of less than 25 percent. Imports from the 17 Torquay countries of products subject to this type of commitment were valued at 105 million dollars in 1949—11 percent of total dutiable imports into the United States from those countries. Reductions ranging from 25 percent to 35 percent apply to products which accounted for imports valued at 73.5 million dollars in 1949—8 percent of total dutiable imports. Reductions ranging from 36 percent to 50 percent apply to imports of products valued at 63.1 million dollars in 1949—7 percent of total dutiable imports from the Torquay countries.

Importance of the Torquay Countries as Suppliers of United States Imports

Table 2 shows, for 1949 and 1950, United States imports from each of the 17 countries with which the United States concluded negotiations at Torquay, total imports from the countries that acceded to the General Agreement at Geneva and Annecy but did not negotiate with the United States at Torquay, and total imports from the countries with which the United States has bilateral trade agreements. It also shows United States imports in 1949 and 1950 from all trade-agreement countries combined, and from all non-trade-agreement countries.

United States imports for consumption from the 17 Torquay countries, including their possessions, amounted to 2,961 million dollars in 1949, and to 3,929 million dollars in 1950. In each of these years imports from the 17 Torquay countries were equal to 45 percent of the total value of United States imports for consumption from all countries. In terms of the value of the trade in 1950, Canada (with 22.4 percent of the total), Brazil (with 8.2 percent), and the Benelux Customs Union (with 5.1 percent) ranked highest among the 17 countries as sources of United States imports.

In both 1949 and 1950 the major share of United States imports from the 17 Torquay countries was supplied by the 12 countries with which the United States had already negotiated under the General Agreement at Geneva or Annecy. These 12 countries accounted for about 43 percent of the total value of United States imports from all countries in both years, whereas imports from the 5 acceding countries with which the United States concluded negotiations were equal to about 2 percent of the total.

The negotiations that the United States concluded at Torquay with Austria, the Federal Republic of Germany, and the Republic of Korea—countries with which the United States did not already have trade agreements—increased the share of total United States imports that is supplied by countries with which it has trade agreements. In 1951, however, the withdrawal of certain contracting parties from the General Agreement,

TABLE 2.—*United States imports (for consumption) in 1949 and 1950 from countries (including their possessions) with which the United States had trade agreements after the Torquay Conference, and from non-trade-agreement countries*

[Value in millions of dollars]

Source	1949 Value	1949 Percent of total	1950[1] Value	1950[1] Percent of total
Agreement countries:				
Countries with which the United States concluded agreements at Torquay:				
Acceding countries (5):				
Austria	9.6	0.1	16.2	0.2
Federal Republic of Germany	43.6	.7	103.0	1.2
Republic of Korea	1.6	(2)	2.5	(2)
Peru	40.6	.6	45.6	.5
Turkey	50.0	.8	57.8	.7
Total, acceding countries	145.4	2.2	225.1	2.6
Contracting parties to the General Agreement (12):				
Benelux Customs Union	324.4	4.9	444.8	5.1
Brazil	551.1	8.4	714.5	8.2
Canada[3]	1,551.7	23.5	1,954.4	22.4
Denmark	6.4	.1	12.3	.1
Dominican Republic	24.3	.4	37.6	.4
France	82.6	1.3	168.3	1.9
Indonesia	120.3	1.8	155.1	1.8
Italy	71.4	1.1	105.8	1.2
Norway	29.1	.4	40.5	.5
Sweden	54.3	.8	71.0	.8
Total, contracting parties	2,815.6	42.7	3,704.3	42.4
Total, countries (17) with which the United States concluded agreements at Torquay	2,961.0	44.9	3,929.4	45.0
Countries (16) with which the United States has trade-agreement obligations under the General Agreement but with which it concluded no agreements at Torquay	1,720.5	26.1	2,198.0	25.2
Countries (11) not party to the General Agreement but with which the United States has bilateral trade agreements[4]	661.1	10.0	919.8	10.5
Total, agreement countries	5,342.6	81.0	7,047.2	80.7
Nonagreement countries	1,249.0	19.0	1,687.3	19.3
Total, all countries	6,591.6	100.0	8,734.5	100.0

[1] Preliminary. [2] Less than 0.05 percent.

[3] Includes Newfoundland and Labrador in 1950.

[4] Includes Uruguay, with which the United States concluded negotiations at Annecy, and with which it concluded art. XXVIII negotiations at Torquay. Uruguay has not yet (June 30, 1952) signed either the Annecy or Torquay Protocols. For the purpose of this report it is considered to be a country not party to the General Agreement.

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

the suspension of trade-agreement obligations between Czechoslovakia and the United States, and the termination of the bilateral trade agreement between the United States and Costa Rica partially offset this increase. Countries that withdrew from the General Agreement in 1951 were Lebanon (February 25) and Syria (August 6). Although Czechoslovakia is still a contracting party to the General Agreement, obligations between that country and the United States under the agreement were suspended effective September 29, 1951.[8] The bilateral trade agreement between the United States and Costa Rica (which is not a party to the General Agreement) was terminated on June 1, 1951.

The 16 contracting parties with which the United States did not negotiate at Torquay accounted for 26 percent of the total value of United States imports for consumption from all countries in 1949, and for 25 percent in 1950. In each of these years the 11 countries (including Uruguay) that are not contracting parties to the General Agreement but have bilateral trade agreements with the United States accounted for 10 percent of the total value of United States imports from all countries. In both 1949 and 1950, imports from all countries with which the United States has trade agreements constituted 81 percent of the total value of United States imports (for consumption) from all countries.

CONCESSIONS OBTAINED BY THE UNITED STATES AT TORQUAY

The commitments that the United States obtained from the 17 countries with which it concluded negotiations at Torquay consist of (1) commercial-policy commitments that are contained in the general provisions of the General Agreement and the Torquay Protocol, and (2) commitments with respect to the customs treatment to be accorded specified commodities listed in the schedules of tariff concessions annexed to the Torquay Protocol.

Commercial-Policy Commitments

Commercial-policy commitments that the United States obtained at Torquay (as distinguished from the commitments listed in the schedules of tariff concessions) are commitments that are accorded contracting parties by virtue of the general provisions of the General Agreement.[9] The most important of the commercial-policy commitments that have a bearing on the United States export trade are those that (1) provide (with some specified exceptions) for most-favored-nation treatment of imports

[8] For a discussion of the suspension by the United States of the application of trade-agreement concessions to products imported from Czechoslovakia and other Communist-dominated countries, see ch. 5.

[9] For a detailed discussion of the general provisions of the General Agreement, see *Operation of the Trade Agreements Program* (first report), pt. 2, pp. 42–57.

by the respective contracting parties; (2) limit the freedom of contracting parties to employ quantitative restrictions and exchange controls; and (3) permit contracting parties, under specified circumstances, to suspend, modify, or withdraw scheduled commitments on individual commodities.

Under the provisions of the General Agreement that relate to most-favored-nation treatment, each of the concessions granted at Torquay by individual foreign countries to countries other than the United States applies also to imports from the United States. The concessions that the United States obtained as a result of the direct negotiations it concluded at Torquay, therefore, are supplemented by the extensive tariff concessions that each of the other negotiating countries granted.

In this report, no attempt has been made to measure the effect on the United States export trade of the provisions of the General Agreement that relate to most-favored-nation treatment or to the use of exchange controls or of quantitative restrictions on imports. The provisions of the General Agreement respecting the use of such measures are designed to prevent or minimize impairment of the scheduled commitments and to prevent discrimination against that portion of the export trade of the contracting parties which is not covered by such commitments.

The United States has accepted the same limitations as have the other contracting parties to the General Agreement with respect to the use of exchange controls or quantitative restrictions on imports. These limitations, however, have a different significance for the United States than they do for most other contracting parties. Because of balance-of-payments difficulties—particularly with the dollar area—many contracting parties since the early 1930's have resorted to exchange controls and quantitative restrictions to safeguard their reserves of gold and foreign currencies and have discriminated against imports from certain countries or monetary areas. These practices have created many problems for United States exporters, and, at least temporarily, have detracted from or nullified some of the benefits that the United States has obtained under the General Agreement. Despite the provisions of the General Agreement that permit temporary departure from the rules relating to the application of quantitative restrictions, however, and despite the deviations that are permitted from the rule of nondiscrimination, the agreement has tended to limit somewhat the extent to which contracting parties may apply such controls; it has also tended to forestall the establishment of new measures that might be detrimental to the United States export trade.

Article XIX (the escape clause) and article XXVIII of the General Agreement permit contracting parties to modify or withdraw scheduled commitments under specified circumstances. Such withdrawals or modifications (as, for example, those made by 16 countries in the art. XXVIII negotiations at Torquay, which are discussed below) may possibly reduce the value to the United States of certain scheduled commitments. However, the United States itself has resorted to use of the escape provisions of article XIX, and, like other contracting parties, may in the future find it necessary to use the provisions of both articles XIX and XXVIII.

Scheduled Commitments

The scheduled commitments that the United States obtained in the negotiations it concluded with individual countries at Torquay are those that specify the customs treatment that is to be accorded the commodities listed in the schedules of tariff concessions annexed to the Torquay Protocol.[10] For virtually all the commodities listed, these schedules establish the maximum rate of duty that may be levied on imports. For some items, the scheduled commitments provide for reductions in the rates of duty; for others they provide for bindings of existing rates of duty against increase or for bindings of duty-free status.

For a few products, the scheduled commitments that the Torquay countries made to the United States provide for conversion, at the discretion of the country making the commitment, of certain specific rates of duty to ad valorem rates. For some products the country making the commitment reserves the right to increase certain existing specific duties to stated levels. The purpose is either to prevent price increases and currency devaluation from reducing the fiscal or protective effects of particular specific duties to extremely low levels, or to provide a uniform rate structure for similar or related commodities. Had those items that are classified under "Other commitments" not been included in the Torquay schedules, the countries desiring to increase these specific rates in order to compensate for increased prices would have been free to increase such rates without limitation as to height. Under the agreements concluded, however, the countries made specific commitments not to increase the rates of duty on these particular items above specified levels. In this latter sense, such commitments can be regarded as concessions to the United States.

Besides obtaining new or additional commitments from the 17 countries with which it conducted regular negotiations at Torquay, the United States agreed, in special negotiations under article XXVIII of the General Agreement, to the modification or withdrawal of certain concessions that a number of contracting parties had granted at Geneva or Annecy. Article XXVIII originally provided that the member country might withdraw or modify its scheduled concessions after January 1, 1951, without joint action by the Contracting Parties. The article further provided that the contracting party desiring to withdraw or modify a concession before January 1, 1951, must consult with the contracting party with

[10] For a complete list of the scheduled commitments that the United States obtained at Torquay, see U. S. Department of State, *Analysis of Torquay Protocol.*

which the concession was originally negotiated, as well as with other contracting parties having a substantial interest in the concession. If agreement could not be reached as to the compensatory concessions to be granted by the country initiating the action under article XXVIII, the concession in question could nevertheless be withdrawn or modified. If this was done, the country that originally obtained the concession, and all the other contracting parties having a substantial interest in it could themselves withdraw concessions substantially equivalent to those being withdrawn by the contracting party initiating the action. The Torquay Protocol amended article XXVIII by changing to January 1, 1954, the date after which contracting parties might modify their scheduled concessions without joint action by the Contracting Parties.

Sixteen countries negotiated at Torquay under article XXVIII to modify or withdraw certain concessions that they had granted at Geneva or Annecy. These countries were the Benelux Customs Union (Belgium, the Netherlands, and Luxembourg), Brazil, Chile, Cuba, Denmark, Finland, France, Haiti, Italy, New Zealand, Sweden, the Union of South Africa, the United Kingdom, and Uruguay. The actions taken by the United Kingdom, Sweden, and Haiti did not affect concessions that they had negotiated initially with the United States; however, the actions by Sweden and Haiti did apply to certain commodities in which the United States had an interest. It is estimated that the countries negotiating under article XXVIII at Torquay modified or withdrew concessions on products that accounted for United States exports valued at approximately 100 million dollars in 1949. In exchange for permission to make these modifications or withdrawals, the countries concerned granted compensatory concessions to the United States on products that accounted for exports valued at about 102 million dollars. Later sections of this chapter analyze, on a country basis, the concessions of interest to the United States on which action was taken at Torquay under the provisions of article XXVIII.[11]

Scope of the Concessions

Table 3 shows the scope of the tariff concessions that the United States obtained at Torquay. For the specified year, the table shows the total value of imports from the United States into each of the countries with which the United States concluded negotiations, as well as the value of imports of those commodities on which the United States

[11] As a result of negotiations at Torquay, the United States increased the duties on three United States tariff items, effective July 6, 1951. The items were onion powder; women's and children's leather gloves seamed in part by hand and in part by machine, not lined, and not trimmed with fur; and stencil silk valued at more than $5.50 per pound. See *Operation of the Trade Agreements Program* (fourth report), pp. 138 and 139.

TABLE 3.—*Imports (mainly in 1949* [1]*) from the United States into countries with which the United States concluded agreements at Torquay, by kinds of commitment*

[In thousands of dollars]

Country	Total imports from the United States	Imports from the United States of products on which new tariff commitments were made				
		Total	Rate of duty reduced	Rate of duty bound	Duty-free status bound	Other commitments
Acceding countries (5):						
Austria	181, 187	29, 242	13, 959	2, 952	12, 331	-------
Federal Republic of Germany	754, 367	560, 097	47, 868	276, 543	235, 686	-------
Republic of Korea	52, 080	6, 917	2, 348	-------	4, 569	-------
Peru	90, 843	45, 100	7, 080	34, 117	2, 405	1, 498
Turkey	58, 667	28, 038	2, 760	17, 143	38	8, 098
Total, acceding countries	1, 137, 144	669, 394	74, 015	330, 755	255, 029	9, 596
Contracting parties (12):						
Benelux Customs Union	662, 800	34, 783	5, 918	17, 860	1, 731	9, 274
Brazil	363, 725	154	83	71	-------	-------
Canada	1, 951, 860	290, 316	202, 240	13, 683	74, 393	-------
Denmark	124, 538	15, 452	301	21	14, 924	207
Dominican Republic	34, 420	5, 444	2, 822	2, 622	-------	-------
France	490, 099	14, 481	13, 947	10	524	-------
Overseas areas [2]	75, 353	10, 920	3, 860	5, 457	3	-------
Indonesia	134, 318	751	-------	751	-------	-------
Italy	454, 126	9, 341	7, 196	2, 145	-------	-------
Norway	99, 948	5, 628	669	3, 361	1, 068	530
Sweden	102, 710	1, 435	84	173	436	742
Total, contracting parties	4, 493, 897	388, 705	237, 120	46, 154	93, 079	10, 753
Total	5, 631, 041	1, 058, 099	311, 135	376, 909	348, 108	20, 349

[1] For Peru, the Benelux Customs Union, and Norway, the data are from the official import statistics of the respective countries for 1948—the latest year available. For Brazil, Italy, Korea, and certain of the overseas territories of France, United States export statistics for 1949 have been used in the absence of comparable foreign import data. The data for Canada are based on official Canadian import statistics and expressed in terms of the Canadian dollar, which was at par with the United States dollar during the period July 5, 1946, to Sept. 19, 1949. For the rest of 1949, the exchange rate was 1.10 Canadian dollars per United States dollar.

[2] For Algeria, Martinique, Guadeloupe, French Oceania, and Tunisia, the data are based on United States exports (partly estimated) in 1949; data on exports of concession items to these areas have not been classified as to kind of commitment. For this reason import data, classified by kind of commitment, are not equal to the value of total imports of concession items into the French overseas areas. For French West Africa and Madagascar the data are based on French import statistics for 1949. Data for French Guiana and Réunion are not available.

Source: Compiled from official import statistics of the respective countries, except as otherwise indicated.

obtained tariff concessions.[12] The data are also classified as to the kind of commitment the United States obtained—that is, (1) reductions in rates of duty, (2) bindings of rates of duty, (3) bindings of duty-free status, or (4) "Other commitments." Under the category "Other commitments" appear data on the following classes of imports: Products on which individual countries reserved the right to increase rates of duty to specified levels; products on which the countries reserved the right to replace specific duties with ad valorem duties; and products on which there were import restrictions, but of which the countries agreed to permit increased imports.

Total imports from the United States into the 17 countries with which the United States concluded negotiations at Torquay were valued at 5,631 million dollars in 1949. The tariff concessions that the United States obtained at Torquay apply to imports into those countries amounting to 1,058 million dollars in 1949, or 19 percent of the total value of their imports from the United States.

Because the tariffs of the 5 acceding countries generally provide for low or moderate import duties, and because most of the 12 contracting parties had already made extensive concessions to the United States at Geneva or Annecy, the commitments that the United States obtained at Torquay consist chiefly of bindings of existing duties and bindings of duty-free status. In 1949, imports of articles subject to these two kinds of commitments were equal to 68 percent of the total value of imports of concession items into the Torquay countries from the United States. Imports of products on which existing duties were bound amounted to 377 million dollars, or 36 percent of total imports of concession items into the Torquay countries from the United States. Imports of products bound free of duty amounted to 348 million dollars, or 33 percent of total imports of concession items. Reductions in duty that the United States obtained apply to imports valued at 311 million dollars in 1949—29 percent of imports of concession items. "Other commitments" that the United States obtained apply to imports into the several countries valued at 20.4 million dollars—about 2 percent of the total value of imports of products on which the United States obtained concessions.

The 5 acceding countries accounted for the major share of the total value of imports of concession items from the United States into the 17 Torquay countries in 1949. Imports of concession items into these 5 countries amounted to 669 million dollars, or 63 percent of the total, whereas imports from the United States into the 12 countries that were

[12] For a discussion of the concessions that the United States obtained at Geneva, see *Operation of the Trade Agreements Program* (first report), pt. 4. For a discussion of the concessions that the United States obtained at Annecy, see *Operation of the Trade Agreements Program* (third report), ch. 4.

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already contracting parties amounted to 389 million dollars, or 37 percent of the total. Similarly, the 5 acceding countries accounted for most of the imports of products on which the existing duty or duty-free treatment was bound. Imports into these 5 countries of products on which the United States obtained bindings of existing rates of duty amounted to 331 million dollars in 1949, or 88 percent of the total value of imports into all the Torquay countries of products subject to this kind of commitment. Imports into the 5 acceding countries of products on which the duty-free treatment was bound were valued at 255 million dollars—73 percent of the total imports into the Torquay countries of commodities subject to such commitments. The 12 contracting parties accounted for 237 million dollars—or 76 percent—of the total value of imports of products on which the United States obtained reductions in duty, and for 10.8 million dollars—or 53 percent—of the value of imports into all the Torquay countries of products to which "Other commitments" apply.

Among the Torquay countries there are wide variations (by kind of commitment as well as by country) in the ratio of the value of their imports of concession items from the United States to the value of their total imports from the United States. For Brazil and Indonesia, for example, imports in 1949 of articles subject to the Torquay commitments were equal to less than 1 percent of the value of their total imports from the United States. On the other hand, the Torquay commitments account for 74 percent of the total value of Germany's imports from the United States in 1949. For Peru and Turkey the proportion was nearly 50 percent. While the proportion was considerably smaller for France (including its overseas areas), the Dominican Republic, Austria, and Canada, imports into those countries of items subject to the concessions they granted to the United States covered an important share of their total imports from the United States in 1949. For the acceding countries variations in the relative value of their imports of concession items are due to several factors, including differences in the composition and magnitude of their trade and differences in their commercial policy. For the 12 contracting parties the variations are also partly attributable to the relative importance of the tariff concessions they previously had granted to the United States at Geneva or Annecy.

Although the data in table 3 are satisfactory for comparing the relative importance of the new tariff commitments that the United States obtained from the individual Torquay countries, they are neither complete nor wholly accurate. For many of the tariff items on which the United States obtained commitments, data are not available either in the import statistics of the respective foreign countries or in United States export statistics. For these items, therefore, the value of imports has been estimated. Moreover, it has not been possible to classify, by kind of commitment, the data for certain French overseas departments and dependencies (Algeria, Martinique, Guadeloupe, French Oceania, and Tunisia). Estimates (based on United States export statistics) of the value of total imports into those areas of products subject to Torquay commitments have therefore been included. Although the data in table 3 involve both understatements and overstatements of the value of the trade covered, on the whole they represent a reasonably accurate estimate of the scope of the commitments that the United States obtained.

Importance of the Torquay Countries as Purchasers of United States Exports

Table 4 shows, for 1949 and 1950, United States domestic exports to each of the 17 countries with which the United States concluded negotiations at Torquay, total exports to the countries that acceded to the General Agreement at Geneva and Annecy but did not negotiate with the United States at Torquay, and total exports to the countries with which the United States has bilateral trade agreements. It also shows United States total domestic exports in 1949 and 1950 to all trade-agreement countries and to all non-trade-agreement countries. Because of the difficulty of compiling the data from foreign statistics, data on United States exports have been used in table 4 to show the relative importance of foreign countries in the United States export trade.

In 1949, United States exports of domestic merchandise to the 17 Torquay countries, including their possessions, were valued at 5,545 million dollars, and in 1950, at 4,659 million dollars. In both of these years, exports to the Torquay countries were equal to about 49 percent of the total value of United States exports to all countries. The 5 acceding countries with which the United States concluded negotiations accounted for slightly more than 10 percent of the total value of United States exports to all countries in 1949, and for somewhat more than 7 percent of the total in 1950. United States exports to the 12 contracting parties with which the United States concluded negotiations accounted for more than 38 percent of the total value of United States exports to all countries in 1949, and for 42 percent in 1950. Based on the value of trade in 1950, Canada, the Benelux Customs Union, Germany, and France were the most important of the 17 Torquay countries as markets for United States products.

The 16 contracting parties with which the United States did not conclude negotiations at Torquay accounted for 19 percent of the total value of United States exports to all countries in 1949, and for 18 percent in 1950. The 11 countries not party to the General Agreement, but with which the United States has bilateral trade agreements, accounted for 9 percent of total exports in each of the years 1949 and 1950. In both 1949 and 1950 the share of United States exports destined for all trade-agreement

TABLE 4.—*United States domestic exports in 1949 and 1950 to countries (including their possessions) with which the United States had trade agreements after the Torquay Conference, and to non-trade-agreement countries*

[Value in millions of dollars]

Destination	1949		1950 [1]	
	Value	Percent of total	Value	Percent of total
Agreement countries:				
Countries with which the United States concluded agreements at Torquay:				
Acceding countries (5):				
Austria	149.2	1.3	105.4	1.1
Federal Republic of Germany	808.5	7.2	423.2	4.5
Republic of Korea	49.6	.4	22.4	.3
Peru	81.5	.7	70.7	.7
Turkey	82.6	.7	59.1	.6
Total, acceding countries	1,171.4	10.3	680.8	7.2
Contracting parties to the General Agreement (12):				
Benelux Customs Union	693.4	6.1	591.9	6.2
Brazil	363.7	3.2	342.5	3.6
Canada [2]	1,868.1	16.4	1,946.5	20.5
Denmark	90.8	.8	54.3	.6
Dominican Republic	36.7	.3	40.8	.4
France	587.1	5.1	419.1	4.4
Indonesia	119.4	1.0	78.3	.8
Italy	446.9	3.9	337.2	3.6
Norway	87.6	.8	70.7	.7
Sweden	80.3	.7	96.5	1.0
Total, contracting parties	4,374.0	38.3	3,977.8	41.8
Total, countries (17) with which the United States concluded agreements at Torquay	5,545.4	48.6	4,658.6	49.0
Countries (16) with which the United States has trade-agreement obligations under the General Agreement but with which it concluded no agreements at Torquay	2,165.3	19.0	1,707.1	17.9
Countries (11) not party to the General Agreement but with which the United States has bilateral trade agreements [3]	1,014.7	8.9	862.4	9.1
Total, agreement countries	8,725.4	76.5	7,228.1	76.0
Nonagreement countries	2,680.9	23.5	2,282.3	24.0
Total, all countries	11,406.3	100.0	9,510.4	100.0

[1] Preliminary.
[2] Includes Newfoundland and Labrador in 1950.
[3] Includes Uruguay, with which the United States concluded an agreement at Annecy, and with which it concluded art. XXVIII negotiations at Torquay. Uruguay has not yet (June 30, 1952) signed either the Annecy or the Torquay Protocols. For the purposes of this report it is considered to be a country not party to the General Agreement.

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

countries amounted to about 76 percent of the total value of exports to all countries.

CONCESSIONS GRANTED AND OBTAINED BY THE UNITED STATES AT TORQUAY, BY COUNTRY

This section of the report discusses the concessions that the United States granted to and obtained from each of the 17 countries with which it concluded negotiations at Torquay. The country sections also include, where pertinent, a discussion of the modification or withdrawal of scheduled commitments by the countries that took action at Torquay under article XXVIII of the General Agreement.

Austria

Austria, which negotiated at Torquay for accession to the General Agreement, had not previously concluded a trade agreement with the United States.

Concessions granted by the United States

Imports into the United States from Austria in 1949 were valued at 9.6 million dollars, of which 8.1 million dollars represented dutiable imports, and 1.5 million, duty-free imports (see table 1). At Torquay, the United States granted concessions to Austria on products the imports of which were valued at 6.5 million dollars in 1949—68 percent of the total value of United States imports from that country. Virtually all the concessions that the United States granted to Austria consisted of commitments to bind existing rates of duty; such commitments apply to United States imports from Austria valued at 6.4 million dollars in 1949. Imports from Austria of products on which the United States reduced rates of duty amounted to $51,000 in that year.

The principal products on which the United States granted concessions to Austria were imitation precious and imitation semiprecious stones, dead-burned magnesite and periclase, and wool knit outerwear and other articles, n. s. p. f.,[13] valued at over $5 per pound.

Concessions obtained by the United States

Total imports into Austria from the United States were valued at 181 million dollars in 1949. In return for the concessions it granted to Austria at Torquay, the United States obtained concessions on 66 items in the Austrian tariff. These concessions apply to imports into Austria from the United States valued at 29.2 million dollars in 1949—16 percent of its total imports from the United States (see table 3). The concessions that the United States obtained consist chiefly of reductions in rates of duty; such commitments apply to imports into Austria from the United

[13] Not specially provided for.

States valued at 14.0 million dollars in 1949—48 percent of Austria's total imports of concession items from the United States. Austria also bound against increase the existing rates of duty on products accounting for imports from the United States valued at 2.9 million dollars in 1949—10 percent of total imports of concession items; and it bound the existing duty-free treatment of products the imports of which amounted to 12.3 million dollars in 1949, or 42 percent of total imports of concession items.

In order to safeguard these concessions, the United States obtained from Austria a commitment to bind against increase, in the event of a currency devaluation of less than 20 percent, the ratio Austria employs to convert the gold crown (in which rates of duty are expressed) into schillings (the monetary unit employed for commercial transactions and for collecting duties).[14]

The principal products on which Austria granted concessions to the United States were certain fresh, dried, and canned fruit, seed corn, soybeans, cottonseed and soybean oil, margarine, tomato juice, grapefruit and pineapple juice and mixtures thereof, dried eggs, aromatic essences not containing alcohol or ether, artificial abrasives, crude borax, alcohol (amyl, butyl, and propyl), liquid resin, prepared medicines, soapless detergents, raw cotton, mohair wool and yarn, viscose rayon for use in the production of automobile tires, automobile tires and tubes, common resin and colophony, lubricating oil, refined or crude paraffin wax, refined petroleum jelly, motion-picture film, specified office machines and parts, and certain machinery and electrical equipment (including gas compressors, refrigerating machinery and parts, various metalworking machines, and miscellaneous electrical carbons).

Benelux Customs Union

The concessions that the United States and the Benelux Customs Union (Belgium, Luxembourg, and the Netherlands) exchanged at Torquay supplement those that they negotiated at Geneva in 1947. Besides the new concessions they negotiated at Torquay the Benelux countries took action there under article XXVIII of the General Agreement to modify certain concessions they had granted to the United States and other countries at Geneva.

Concessions granted by the United States

In 1949 total imports into the United States from the Benelux Customs Union were valued at 155 million dollars, of which 92.2 million dollars represented dutiable products, and 62.5 million, duty-free products (see table 1). At Torquay, the United States granted tariff concessions to the Benelux Customs Union on products accounting for United States

[14] At the time of the Torquay Conference, the rate Austria employed to convert gold crowns to schillings was 6.96 schillings per gold crown.

imports from the Benelux countries valued at 29.9 million dollars in 1949—19 percent of its total imports from them. Virtually all the concessions that the United States granted consist of reductions in rates of duty. Such reductions, which apply to imports from the Benelux countries valued at 29.8 million dollars in 1949, were chiefly of less than 25 percent. Imports from the Benelux countries of products on which the United States bound the existing rates of duty amounted to $1,000 in 1949; imports from these countries of products on which the United States bound the duty-free status were valued at $150,000 in that year.

The principal commodities on which the United States granted concessions to the Benelux Customs Union are cobalt oxide, sheet glass (colored and not colored), structural shapes of iron and steel (not assembled), radio and television apparatus and parts, Edam and Gouda cheese, miscellaneous bulbs and roots (tulip, narcissus, and lily bulbs, and "other" bulbs, and roots, n. s. p. f.), cocoa and chocolate, rayon staple fiber, wool mill wastes (carbonized noils, thread or yarn waste, garnetted waste, card or burr waste not carbonized, and wastes, n. s. p. f.), tops of wool and other hair, and wool carpets, rugs, and mats.

Concessions obtained by the United States

In 1948 total imports into the Benelux countries from the United States were valued at 663 million dollars (see table 3). At Torquay, the United States obtained concessions on 62 items in the Benelux tariff, which items accounted for imports into these countries from the United States valued at 34.8 million dollars in 1948—5 percent of their total imports from the United States.

The commitments that the United States obtained from the Benelux Customs Union consist chiefly of bindings of existing duties. Such concessions apply to imports into the Benelux countries from the United States valued at 17.9 million dollars in 1948—51 percent of total imports of concession items. Imports into those countries from the United States of products on which reductions in rates of duty apply were valued at 5.9 million dollars in 1948—17 percent of total imports of concession items. Imports from the United States in 1948 of products on which the Benelux countries bound the duty-free status amounted to 1.7 million dollars, or 5 percent of total imports of concession items.

Imports into the Benelux countries of products on which the United States obtained "Other commitments" were valued at 9.3 million dollars in 1948—27 percent of the value of imports of concession items. For four tariff items subject to such commitments (which applied to certain machines for dressing and finishing thread and textile fabrics; to certain bottling and packaging equipment; and to apparatus for heating, cooling, boiling, distilling, refining, evaporating, vaporizing, condensing, sterilizing, filtering, and rectifying) the Benelux Customs Union agreed to retain the existing specific duties, but reserved the right to substitute for them ad valorem rates of duty not exceeding 10 percent. The Benelux Customs Union also agreed to increase from 50,000 to 65,000 metric tons the annual quota on duty-free imports of wheat flour into the Netherlands. For dutiable imports of wheat flour (that is, "overquota" imports) it bound the existing rate of duty.

For 16 of the 62 tariff classifications on which it granted concessions to the United States, the Benelux Customs Union also bound imports free of the Netherlands monopoly duty or corresponding Belgium-Luxembourg charges, or it established ceilings for such charges if and when they are reimposed. The Benelux Customs Union also removed from its schedule the special reservations which apply to its Geneva concession on nylon hosiery; these reservations permitted the Benelux countries to increase the rate of duty on this product in the event that reasonably adequate supplies of nylon yarn should not be available to Benelux producers of nylon hosiery. In addition, Benelux modified the reservation attached to its Geneva concession on automobile, truck, and agricultural tractor motors. This modification will make the Geneva concession applicable to imports of motors with clutch or parts of clutch.

The concessions that the United States obtained from the Benelux Customs Union apply to a wide variety of agricultural and industrial products. The more important of the concessions are those on wheat flour, corn flour, corn meal, and corn grits; grapefruit; dried raisins, except sultanas; prunes; millet and other cereals; canned apricots, pineapples, peaches, pears, and mixed fruit; crude and refined soya, sunflower, and maize oils; certain prepared soups; meat extracts; grindstones, whetstones, and polishing stones of natural or artificial abrasives; chemical products (boric acid (including boric anhydride), crude tall oil, chrome oxygreen, and potassium zinc chromate); tanned sheepskins and goatskins; automobile tires; stockings and socks of artificial silk; industrial machinery; electromedical and radiological apparatus; lighting apparatus; and fountain and stylographic pens.

On behalf of Surinam, the Netherlands also granted the United States a reduction in the rate of duty on refined soya oil and a binding of the rate of duty on yarns for fish nets.

Article XXVIII negotiations

Before the Torquay Conference, the Benelux Customs Union announced its intention to modify or withdraw certain concessions it had granted to the United States and to other countries at Geneva in 1947. The products on which it conducted negotiations under article XXVIII were wine and grape must, wine prepared with aromatic plants, potassium manganate and permanganate, charcoal, and copper wire. The concession on copper wire had been originally negotiated with the United States and Canada. The United States also had an interest in the concession on potassium manganate and permanganate, which had been initially negotiated with Czechoslovakia.

As a result of its article XXVIII negotiations, the Benelux Customs Union increased the rate of duty on copper wire from 4 percent to 6 percent ad valorem, at which level it bound the duty against increase. As compensation for this modification, the Benelux countries agreed to maintain a duty of 2 percent ad valorem on copper machine wire (rolled wire of circular section having a diameter of 6 mm. or more). They reserved the right, however, to increase this duty to 4 percent ad valorem at a future date. Previously, at Geneva, the Benelux Customs Union had reserved the right to increase the duty on this product to 8 percent ad valorem. Data on imports of these products from the United States into the Benelux Customs Union are not available; the trade in them, however, is probably small.

In its article XXVIII negotiations with Czechoslovakia, the Benelux Customs Union withdrew the concessions it had granted to that country at Geneva on potassium manganate and permanganate. As compensation for this withdrawal, Benelux agreed to reduce the rate of duty on automatic pencils and parts from 18 percent to 15 percent ad valorem. Imports of potassium manganate and permanganate into the Benelux countries from the United States in 1949 were valued at $11,000. In that year their imports of automatic pencils and parts from the United States amounted to $376,000.

Acting on behalf of Surinam, the Netherlands announced at Torquay that it intended to withdraw the concessions it had originally granted at Geneva on the following products: Odoriferous essential oils, preserved and fresh fruit, hosiery of silk and artificial silk, pepper, cloves, nutmeg, ginger, vanilla, and cinnamon. Of these concessions, only those on fresh fruit and canned fruit had been initially negotiated with the United States; those on the other commodities had been initially negotiated with France and Canada. Imports of fresh and canned fruit into Surinam from the United States in 1949 were valued at $4,600.

As compensation to the United States for the withdrawal of its concessions on fresh and canned fruit, the Netherlands bound the duty-free status of cotton mosquito netting and agricultural seeds. Imports of these products into Surinam from the United States were valued at $19,000 in 1949.

The total value of imports from the United States into Surinam of all products on which the Netherlands withdrew concessions amounted to $30,200 in 1949. In that year the total value of imports from the United States of products on which the Netherlands granted compensatory concessions to all countries amounted to $32,000.

Under the provisions of article XXVIII, Belgium also modified or withdrew certain concessions it had granted at Geneva on behalf of the

Belgian Congo. The concessions were those on margarine and edible fats (except butter), candles, rubber shoes (including footwear with canvas uppers and rubber soles), empty bottles and glass jars, and colors, paints, and varnishes of all kinds. Although the United States had an interest in most of these concessions, all of them had been initially negotiated with other countries. In 1949, imports into the Belgian Congo from the United States of the products on which Belgium withdrew or modified concessions were valued at approximately $576,000.

As compensation for permission to modify or withdraw the concessions on the products mentioned above, Belgium granted concessions on the following commodities that are of interest to the United States: Metal furniture, textile dyes, tractors, and hosiery not containing silk. In 1949, imports of these products into the Belgian Congo from the United States were valued at $942,000.

Brazil

At Geneva, Brazil conducted extensive negotiations with the United States and other contracting parties to the General Agreement. At Annecy it negotiated with a number of the acceding countries. In view of the extensive concessions it granted at these two Conferences, Brazil negotiated only two limited agreements at Torquay—those with the United States and Austria.

Concessions granted by the United States

Total imports into the United States from Brazil in 1949 amounted to 551 million dollars, of which 38.7 million dollars represented dutiable products, and 512 million, duty-free products (see table 1). Concessions that the United States granted to Brazil at Torquay apply to imports from that country valued at $107,000 in 1949—less than 1 percent of total United States imports from Brazil. Reductions in rates of duty, ranging from 36 percent to 50 percent, apply to imports from Brazil valued at $65,000 in 1949. Imports from Brazil of products on which the United States bound the duty-free status amounted to $42,000 in that year.

The concessions that the United States granted to Brazil include a reduction from 40 percent to 25 percent ad valorem in the rate of duty on plywood of Parana pine; a reduction from 35 percent to 30 percent ad valorem in the rate of duty on gas-mantle scrap, cerium compounds, thorium nitrate, thorium oxide (thoria), and other salts, n. s. p. f.; and a reduction from 5 percent to 2½ percent ad valorem in the rate of duty on copaiba balsam. The United States also bound tucum nuts on the free list.

Concessions obtained by the United States

Total exports from the United States to Brazil in 1949 amounted to 364 million dollars (see table 3). In return for the concessions it granted to Brazil at Torquay, the United States obtained concessions on three items in the Brazilian tariff. These concessions apply to exports from the United States to Brazil valued at $154,000 in 1949—less than 1 percent of total United States exports to Brazil. Reductions in rates of duty apply to exports valued at $83,000 in 1949; bindings of duties apply to exports valued at $71,000 in that year.

The concessions that Brazil granted to the United States included reductions in the rates of duty on prepared asparagus and on electric generators, motors, and certain other electrical equipment, and a binding of the duty on leaf wrapper tobacco.

Article XXVIII negotiations

As a result of its negotiations under article XXVIII at Torquay, Brazil modified or withdrew a number of concessions that it had granted to the United States and other countries at Geneva and Annecy.

In its article XXVIII negotiations with the United States, Brazil withdrew its Geneva concessions on powdered milk, amylaceous or gelatinous medical capsules, and medicinal injections or injectable solutions. It also modified its concessions on palm-beach fabrics, preserved peaches, certain types of paper, and transformers weighing up to 500 kilograms. It bound the higher rates of duty on the latter items against further increase. Exports from the United States to Brazil of the commodities on which Brazil modified or withdrew its concessions in its negotiations with the United States were valued at about 2.6 million dollars in 1949.

The compensatory concessions that Brazil granted to the United States included reductions in the rates of duty on accelerators and antioxidants for the vulcanization of rubber, and on certain other chemical products. In addition, it bound against increase the present moderate rates of duty on driers and siccatives (calcium, lead, cobalt, etc.), on chromium-base preparations for tanning, and on sodium borates for industrial and other uses. These were all new concessions. Brazil also further reduced the rates of duty on certain products subject to concessions it had previously granted under the General Agreement. These include cameras, sulfanilic acid, and electrosurgical, electromedical, electrodental, and X-ray apparatus. United States exports to Brazil of the products to which the above-mentioned compensatory concessions apply were valued at about 2.6 million dollars in 1949.

In its article XXVIII negotiations with other countries, Brazil withdrew the concessions it had granted on the following products in which the United States had an interest: Glue other than fish glue, condensed and concentrated milk, titanium white, and alarm clocks. It modified its concessions on wool, glace fruits, fish glue, and acetyl cellulose. Exports of all these products from the United States to Brazil amounted to about 1.5 million dollars annually in the period 1947–49. Products in which the

United States had an interest and on which Brazil granted compensatory concessions to other countries include fish-liver oils (raw), oats, millet, kraft paper, zinc in bars and ingots, specified chemicals, and extracts for coloring or tanning purposes. United States exports to Brazil of commodities on which Brazil granted compensatory concessions to other countries likewise amounted to about 1.5 million dollars annually during 1947–49.

Canada

The concessions that the United States and Canada exchanged at Torquay supplement the extensive concessions that the two countries negotiated at Geneva in 1947.

Concessions granted by the United States

Total imports into the United States from Canada in 1949 amounted to 1,552 million dollars, of which 568 million dollars represented dutiable products, and 984 million dollars, products that are free of duty. Imports from Canada of products on which the United States granted concessions to Canada at Torquay amounted to 126 million dollars in 1949, or 8 percent of total United States imports from Canada in that year (see table 1). The concessions granted to Canada consisted chiefly of reductions in rates of duty. Such concessions (principally reductions of less than 25 percent) apply to imports into the United States from Canada valued at 121 million dollars in 1949. Bindings of duty-free treatment apply to products the imports of which amounted to about 4.5 million dollars in that year.

The principal concessions that the United States granted to Canada include reductions in the rates of duty on acetic or pyroligneous acid; crude, ground, or manufactured barytes ore; ferromanganese containing not less than 4 percent carbon; miscellaneous machinery dutiable under tariff paragraphs 353 and 372; aluminum metal and aluminum alloys in crude form; lead and zinc in various forms (negotiated jointly with Peru); plywood of birch, Douglas fir, and certain other woods; Cheddar cheese; canned salmon, not in oil; frozen blueberries; grapes, other than hothouse grapes, when entered during the period July 1 in any one year to the following February 14, inclusive; mustard seed; certain types of whisky; and certain chemical elements and compounds (chiefly dicyandiamide and guanidine nitrate). Bindings on the free list apply to antitoxins; serums; vaccines; bacterins for therapeutic purposes; shoe machines and parts; fish oils, n. e. s.; [15] eggs of birds, fish, and insects; limestone, when imported for use in the manufacture of fertilizer; horses and mules for immediate slaughter; dross or residuum from burnt pyrites; denatured rapeseed (colza oil) for mechanical or manufacturing purposes; typewriters; and evergreen Christmas trees. The concession on mustard

[15] Not elsewhere specified.

seed was negotiated jointly with Denmark and Canada; the concessions on certain of the chemicals and on certain miscellaneous machinery items were negotiated jointly with Canada and Germany.

Concessions obtained by the United States

Total imports into Canada from the United States in 1949 were valued at 1,952 million dollars (see table 3). In return for the concessions that it granted to Canada at Torquay, the United States obtained concessions on 223 items in the Canadian tariff. These concessions apply to imports into Canada from the United States valued at 290 million dollars in 1949—15 percent of total Canadian imports from the United States.

The concessions that the United States obtained from Canada consist chiefly of reductions in rates of duty. Canadian imports from the United States of products to which such commitments apply were valued at 202 million dollars in 1949—70 percent of Canada's imports of concession items from the United States. Imports of products on which Canada bound the existing duties against increase amounted to 13.7 million dollars, or 5 percent of the total value of imports of concession items; bindings of duty-free status apply to imports valued at 74.4 million dollars in 1949—26 percent of the total.

The concessions that the United States obtained from Canada apply to a wide range of agricultural, industrial, and textile products. Among the more important of the concessions are those on synthetic woven fabrics, trucks, automobile and truck parts, machinery, specified iron and steel manufactures, apples, grapefruit juice, dairy products, prepared foods, tobacco, fish and fish products, electric motors for agricultural equipment, lumber, certain types of paper, paraffin wax, lubricating oils and greases, salt beef and salt pork, medicinal preparations, and insecticides.

The concessions that Canada granted to the United States generally reflect a reduction in the margin between the preferential duties accorded imports into Canada from British Commonwealth nations and the most-favored-nation rates of duty that apply to imports from the United States and other non-Commonwealth countries with which Canada has trade agreements. For 32 of the 223 tariff items on which it granted concessions to the United States, Canada eliminated the margin of preference. For 91 items it reduced the existing margin of preference, and for 46 items, it maintained the existing margin. For 54 of the items, no preference existed at the time of the Torquay Conference.

Chile

At Torquay, the United States and Chile did not exchange new or additional tariff concessions. Chile did, however, negotiate under article XXVIII of the General Agreement to modify or withdraw certain concessions it had granted to the United States and the Benelux Customs Union at Geneva in 1947.

In its article XXVIII negotiations with the United States, Chile withdrew its concessions on fuses, wicks, and igniters (for use in mines) and on trucks, vans, and buses, if equipped with bodies. At Geneva, Chile had bound the rates of duty on these products against increase; United States exports of them to Chile in 1948 amounted to $492,000. Exports of trucks, vans, and buses alone accounted for $411,000. Chile's withdrawal of its concession on trucks, vans, and buses does not affect its import duties on the chassis for such vehicles or the chassis for such vehicles imported with cabs, which are bound at the rate of 0.075 gold peso per gross kilogram.

As compensation to the United States, Chile reduced its import duties on cash and sales registers, automatic sales vending machines, certain pharmaceutical products, and unrectified turpentine. It also established a special tariff classification for trucks with special dump bodies and for trucks with reinforced steel cabs and bodies, for use in the transportation of ores and minerals; for these products, Chile established favorable rates of duty and bound them against increase. Exports to Chile in 1948 of products on which Chile granted compensatory concessions to the United States amounted to $255,600, not including the trade involved in the important new classification for trucks with special bodies, for which data are not available.

As a result of its article XXVIII negotiations with the Benelux Customs Union, Chile withdrew its concessions on butyric and sulfuric acid. United States exports of these products to Chile were valued at about $4,000 in each of the years 1938, 1947, and 1948. As compensation to the Benelux Customs Union, Chile reduced its import duty on zinc bars by one-third. United States exports of this commodity to Chile were valued at about $15,000 in both 1948 and 1949.

Cuba

The United States and Cuba did not exchange new or additional tariff concessions at Torquay. Cuba did, however, negotiate under article XXVIII of the General Agreement to modify certain concessions it had granted to the United States at Geneva in 1947. The principal articles involved in these negotiations comprised a long list of cotton and rayon textile items, renegotiation on which had begun in Washington several months before the Torquay Conference.[16]

Pursuant to its article XXVIII negotiations, Cuba increased its import duties on cotton fabrics and manufactures; fabrics and manufactures of rayon, nylon, and similar synthetic fibers; women's and children's foot-

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[16] See *Operation of the Trade Agreements Program* (fourth report), pp. 100 and 101.

wear; crackers and biscuits; whisky; printed or lithographed sheets of cellulose or its derivatives; and miscellaneous manufactured plastic products. Imports of all these products into Cuba from the United States were valued at 29.7 million dollars in 1949; the textile items alone accounted for imports valued at 26.8 million dollars.

The compensatory concessions that Cuba granted to the United States apply to products which in 1949 accounted for imports into Cuba from the United States valued at approximately 30.7 million dollars. These concessions consist of reductions in the rates of duty on a variety of products, including lubricating oils, radio and television apparatus, refrigerating and air-conditioning equipment, electric washing machines, automobiles, raisins, canned baby foods, cutlery, electric light bulbs, special steel (in bars), coal-tar colors, sulfur, specified chemical salts, natural and synthetic essential oils, explosives, cigarette paper, phonographs, and specified musical wind instruments.

At Torquay, the United States and Cuba also agreed on the tariff treatment to be accorded Cuban imports of cotton waste and cotton felt or batting. The two specified articles (if products of the United States) were dutiable at the rate of approximately 46 cents per kilogram (surtaxes included). Cuba agreed to reduce the duty on batting to approximately 14 cents per kilogram, and to reduce the duty on wiping waste to approximately 12 cents per kilogram (surtaxes included in both cases).

Denmark

The concessions that the United States and Denmark exchanged at Torquay supplement those that the two countries negotiated at Annecy in 1949. At Torquay, Denmark also negotiated under the provisions of article XXVIII to modify or withdraw certain concessions it had granted to the United States and other countries at Annecy.

Concessions granted by the United States

Total imports into the United States from Denmark in 1949 amounted to about 6.4 million dollars. Of this total, 4.3 million dollars represented dutiable products, and 2.1 million dollars, products that are duty-free (see table 1). The concessions that the United States granted to Denmark at Torquay apply to imports from Denmark valued at $263,000 in 1949—4 percent of total United States imports from that country. United States commitments to bind existing rates of duty apply to imports from Denmark valued at $147,000 in 1949. Reductions from previously existing rates of duty (ranging chiefly from 36 to 50 percent) apply to products that accounted for imports valued at $116,000.

The concessions that the United States granted to Denmark include binding of the existing rates of duty on certain still wines, and reductions in the rates of duty on collodion and pyroxylin solutions; certain table and kitchen articles and utensils of china and porcelain; slide rules wholly or in chief value of synthetic resin; lily-of-the-valley pips (negotiated jointly with Germany); orchids; Kentucky bluegrass seed, cabbage seed, rutabaga seed, cauliflower seed, kohlrabi seed, and flower seeds (all of which were negotiated jointly with the Benelux Customs Union); and mustard seed (negotiated jointly with Canada).

Concessions obtained by the United States

Total imports into Denmark from the United States in 1949 were valued at 125 million dollars. In return for the concessions it granted to Denmark at Torquay, the United States obtained concessions on 14 items in the Danish tariff. These concessions apply to imports into Denmark from the United States valued at 15.4 million dollars in 1949—12 percent of Denmark's total imports from the United States (see table 3). The concessions that Denmark granted to the United States consist predominantly of bindings of duty-free status. Commitments of this type apply to 3 tariff items, covering imports from the United States valued at 14.9 million dollars in 1949—97 percent of total imports of concession items. Imports from the United States of products covered by the 5 tariff items on which Denmark reduced the rates of duty were valued at $301,000—about 2 percent of total imports of concession items; for 4 of these 5 tariff classifications Denmark removed the import duties. Denmark also bound the existing rates of duty on 2 tariff items, which accounted for imports from the United States valued at $21,000 in 1949.

Concessions that the United States obtained from Denmark in the "Other commitments" category apply to 4 tariff classifications that cover imports from the United States valued at $207,000 in 1949—about 1 percent of total imports of concession items. For 2 of these classifications (X-ray tubes, and files and rasps), Denmark bound the existing specific duties but reserved the right to substitute low ad valorem rates of duty for them. For the other 2 tariff items (parts of certain machines) Denmark did not bind the existing rates of duty, but it agreed to levy the rates applicable to their component materials, if those rates are lower than the rates on machine parts as such.

The principal products on which the United States obtained concessions from Denmark are tomato juice, fuel oil, chemicals, tin plate, gas refrigerants, carbon black, X-ray apparatus, files and rasps, and parts of drilling and boring machines, and of metalworking machines.

Article XXVIII negotiations

In addition to the regular tariff negotiations it concluded at Torquay, Denmark negotiated with the United States, under the provisions of article XXVIII of the General Agreement, to modify certain concessions it had granted at Annecy in 1949.

As a result of these negotiations Denmark withdrew its commitment to bind the duty-free treatment of cornstarch. It agreed to continue in effect the existing specific duty on stockings and socks of nylon, subject to the right to substitute an ad valorem rate of duty of 20 percent. When established, the 20-percent rate will also apply to hosiery of rayon and similar fabrics. Denmark also agreed to continue in effect the existing moderate specific rate of duty on miscellaneous articles of pulp or paper. For this tariff classification Denmark reserved the right to substitute an ad valorem rate of duty not exceeding 10 percent.

As compensation for the withdrawal or modification of the concessions on these 3 tariff classifications, Denmark granted the United States concessions on 7 items in the textile schedule of its tariff. These concessions include commitments to bind the existing duty-free treatment of nylon and similar staple fiber; commitments to continue in effect the existing moderate specific rates of duty on certain undyed yarn (subject to the right to substitute for them ad valorem rates of duty of 3 percent); and commitments to bind existing specific rates of duty (ranging from 1.50 crowns to 1.85 crowns per kilogram) on piece goods of staple fibers (figured, printed, or dyed), subject to the right to substitute for them ad valorem rates of duty not exceeding 12½ percent. Denmark also agreed to reduce from 20 percent to 10 percent ad valorem the rate of duty on fire hose containing nylon and rubber. United States exports to Denmark of the items on which Denmark granted compensatory concessions to the United States were valued at about $5,000 in 1949. In that year exports from the United States to Denmark of products on which Denmark had initially granted concessions to the United States and on which it modified or withdrew concessions at Torquay, amounted to about $357,000.

At Torquay, Denmark also negotiated to modify several of the concessions it had initially granted at Annecy to countries other than the United States. As a result of these negotiations, Denmark reserved the right to replace certain existing specific rates of duty with moderate ad valorem rates. United States exports to Denmark of products to which these modifications apply have been negligible in most years since the war.

Dominican Republic

The concessions that the United States and the Dominican Republic exchanged at Annecy in 1949 apply to a substantial portion of the trade between the two countries. In view of the extensive scope of the Annecy negotiations, the two countries concluded only a limited agreement at Torquay.

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Concessions granted by the United States

Total United States imports from the Dominican Republic in 1949 were valued at 24.7 million dollars. Of this total, 9.3 million dollars represented dutiable commodities, and 15.4 million dollars, duty-free products (see table 1). The concessions that the United States granted to the Dominican Republic at Torquay apply to United States imports valued at 2.8 million dollars in 1949—about 12 percent of total imports from the Dominican Republic. The United States agreed to reduce by less than 25 percent the rates of duty on products accounting for 1.2 million dollars of trade in 1949, and to reduce the duties by 25 to 35 percent on products accounting for trade valued at 1.6 million dollars. United States imports from the Dominican Republic of products on which the United States agreed to bind the duty-free treatment amounted to $41,000 in 1949.

Principal products on which the United States granted concessions to the Dominican Republic were dry sugar (concession negotiated jointly with Peru), liquid sugar (molasses and sugar sirups, n. s. p. f., containing soluble nonsugar solids equal to 6 percent or less of the total soluble solids),[17] various tropical fruit products, unsweetened chocolate, certain hardwood flooring, and divi-divi pods.

The duty reductions that the United States granted on dry and liquid sugar will be effective only so long as the quota provision of the Sugar Act of 1948, or substantially equivalent legislation, continues in force. The same reservation applied to the concessions on these products that the United States granted to the Dominican Republic at Annecy in 1949. For dry sugar, however, the Torquay agreement also provides that should the Sugar Act of 1948 expire, and should the United States not enact substantially equivalent legislation, the United States may establish a higher rate of duty than that specified by the Torquay concession, and an import quota. Should the United States subsequently enact legislation substantially equivalent to the Sugar Act of 1948, the Torquay concession would be restored.

Concessions obtained by the United States

In 1949, total imports into the Dominican Republic from the United States were valued at 34.4 million dollars. The concessions that the United States obtained from the Dominican Republic at Torquay apply to imports into that country from the United States valued at 5.4 million dollars in 1949—16 percent of total imports into the Dominican Republic from the United States.

Duty reductions that the United States obtained from the Dominican Republic apply to 13 items in the Dominican tariff. Imports into the

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[17] The concessions on dry and liquid sugar reduced the margin of preference on imports from Cuba.

Dominican Republic from the United States of products covered by these tariff classifications were valued at 2.8 million dollars in 1949—52 percent of total imports of concession items. The Dominican Republic also bound against increase the existing rates of duty on 7 tariff items; these concessions apply to imports valued at 2.6 million dollars in 1949—48 percent of total imports of concession items.

The more important of the concessions that the Dominican Republic granted to the United States include those on canned fruits and vegetables, truck tires and tubes, spare parts and motors for trucks and vans, radio and television equipment, photographic apparatus, cotton fabrics, knitted silk and nylon hosiery, and pharmaceuticals.

Finland

Finland and the United States did not exchange new or additional concessions at Torquay. Before the Torquay Conference opened, however, Finland announced its intention of modifying, under the provisions of article XXVIII of the General Agreement, certain concessions it had originally granted to the United States and other countries at Annecy in 1949. Finland's desire to modify these concessions resulted in large part from its decision to change its tariff from a specific to an ad valorem basis.

As a result of its article XXVIII negotiations with the United States, Finland established a duty of 30 percent ad valorem on nylon hosiery, and a duty of 35 percent ad valorem on hosiery of mixed fibers. The new rate of duty on nylon hosiery is about the same as the ad valorem equivalent of the former specific rate of duty (based on 1948 prices); the new rate of duty on hosiery of mixed fibers is about half of the ad valorem equivalent of the former specific duty. Imports of these products into Finland from the United States in 1948 were valued at about $78,000. In 1949, imports of nylon hosiery into Finland from the United States amounted to $150,000; in that year there were no recorded imports from the United States of hosiery of mixed fibers.

In its article XXVIII negotiations with other countries at Torquay, Finland took similar action with respect to a number of concessions it had negotiated with them under the General Agreement. The ad valorem rates of duty that Finland established as a result of its negotiations with these countries, like the rates it negotiated with the United States, were generally lower than the ad valorem equivalent of the specific duties they replaced. Finland, therefore, was not required to grant compensatory concessions.

France

The concessions that the United States and France exchanged at Torquay supplement the extensive concessions that the two countries granted to each other at Geneva in 1947. In addition to carrying on its regular negotiations with the United States and other countries at Torquay, France negotiated under the provisions of article XXVIII to modify certain concessions it had granted at Geneva in 1947.

Concessions granted by the United States

United States imports from France in 1949 were valued at 62.2 million dollars, of which 45.2 million dollars represented dutiable products, and 17.0 million dollars, products which are free of duty (see table 1). At Torquay, the United States granted concessions to France on commodities that accounted for imports valued at 13.4 million dollars in 1949—22 percent of the total value of its imports from France in that year. By far the greater part of these concessions consisted of reductions in rates of duty. Such concessions (chiefly reductions of less than 25 percent) apply to imports from France valued at 12.9 million dollars in 1949. Products on which the United States agreed to bind the rates of duty against increase apply to imports from France valued at $441,000 in 1949. In that year imports of items on which the United States bound the duty-free status amounted to $58,000.

Some of the concessions that the United States granted to France at Torquay apply to products that are supplied chiefly by the various French overseas territories. Total United States imports from these territories amounted to 20.2 million dollars in 1949, of which 5.9 million dollars represented dutiable commodities, and 14.3 million dollars, commodities that are free of duty. Concessions that the United States granted to France apply to imports from the overseas territories amounting to 2.7 million dollars in 1949, or 13 percent of total imports from those areas. Virtually all the concessions (those applicable to imports valued at 2.6 million dollars) are reductions in rates of duty. Most of the reductions range from 36 percent to 50 percent.

The concessions that the United States initially granted to France at Torquay cover a wide variety of products. The principal concessions are those on perfume and perfume materials, toilet preparations and cosmetics, champagne and other sparkling wines valued at not over $6 per gallon, table wines (still wine produced from grapes, except vermouth, containing 14 percent or less of alcohol), certain Levers-lace-machine products, silk and rayon bobbinets, and woodwind musical instruments.

Concessions obtained by the United States

The tariff concessions that France granted to the United States on products specified in the French "metropolitan" tariff apply not only to imports into continental France, but also to imports into Algeria and the four French overseas departments—Martinique, Guadeloupe, French Guiana, and Réunion. At Torquay, France also granted concessions to the United States on products specified in the tariff schedules of four dependent overseas territories—French Oceania, French West Africa, Madagascar, and Tunisia.

Total imports from the United States into continental France in 1949 were valued at 490 million dollars (see table 3). Imports into continental France of commodities on which the United States obtained tariff concessions from that country at Torquay amounted to 14.5 million dollars, or 3 percent of the total value of imports into France from the United States. Imports into France of United States products on which France granted reductions in rates of duty amounted to 13.9 million dollars, or 96 percent of its total imports of concession items from the United States. Bindings of existing duty-free status apply to imports into France valued at $524,000—about 4 percent of total imports of concession items. Imports of products on which France bound existing rates of duty were valued at $10,000 in 1949.

Total imports into the French overseas areas from the United States amounted to 75.4 million dollars in 1949. The concessions that France granted to the United States apply to imports from the United States into those areas valued at 10.9 million dollars in that year—14 percent of their imports from the United States. Imports into the overseas areas of products on which France bound the existing duties amounted to 5.5 million dollars in 1949, or 50 percent of total imports of concession items. Reductions in rates of duty apply to imports amounting to approximately 3.9 million dollars, or 35 percent of total imports of concession items. Imports from the United States of products on which France bound the duty-free status amounted to $3,000, or less than 1 percent of total imports of concession items.[18]

The more important concessions that the United States obtained from France on products listed in the French "metropolitan" tariff schedule are those on refined lard, corn sirup, frozen pork (except bacon), raisins, canned fruit and vegetable juices, prunes and mixed dried fruit containing prunes, lubricating oils, specified chemicals, miscellaneous rubber products (aircraft tires, rubber coats, aprons, etc.), men's work clothing, knitted hosiery of pure or mixed synthetic fibers, soap, natural corundum, aircraft and aircraft engines and instruments, air-conditioning equipment, paper-manufacturing machinery and other industrial machinery, electrical and electronic apparatus, truck trailers, sound-recording apparatus, and office machines and equipment.

[18] The data for the French overseas areas are based partly on United States export statistics for 1949. For Algeria, Martinique, Guadeloupe, French Oceania, and Tunisia, the data on trade in concession items (partly estimated) are based on United States export statistics; for these areas trade in the concession items has not been classified as to kind of commitment (see table 3). For this reason, import data for the overseas areas, classified by kind of commitment, are not equal to total imports of concession items from the United States into the French overseas areas. Data for French Guiana and Réunion are not available. For French West Africa and Madagascar the data are based on French import statistics in 1949.

The principal products on which France granted the United States concessions on behalf of its overseas territories are mining, drilling, and ore-processing equipment, central-heating equipment, air-conditioning and refrigerating apparatus, conveying equipment, food-processing and industrial machinery, automobiles, buses, trucks, automotive engines and parts, aircraft and aircraft parts, office machines, hand tools, machine tools, agricultural implements, and generators, transformers, and similar electrical equipment and parts.

Article XXVIII negotiations

As a result of the negotiations it concluded at Torquay under the provisions of article XXVIII, France modified 83 concessions that it had initially granted to the United States at Geneva. This action increased the average ad valorem equivalent of the specific rates of duty on the products involved (based on imports from the United States in 1949) from 11.3 percent to 18.4 percent.

As compensation, France granted the United States concessions on 81 tariff items; on these items the average ad valorem equivalent of the rates of duty was reduced from 26.9 to 19.4 percent. The actions of the United States in withdrawing its concessions on women's fur felt hat bodies and in withdrawing certain of the concessions it had initially granted to China at Geneva were taken into account in negotiating this compensation. Imports into France from the United States of all products on which France modified concessions in negotiations concluded with the United States and other countries at Torquay were valued at about 22.2 million dollars in 1949. Imports from the United States of all products on which France granted compensatory concessions amounted to 20.7 million dollars.

The principal commodities on which France increased the duty pursuant to its article XXVIII negotiations were specified machine tools and metalworking equipment; certain types of hoisting and conveying equipment; typewriters; accounting machines; certain parts for automobile and motorcycle engines; specified pumps and compressors and their parts; soybean, sunflower, and corn oil; and specified tractors of certain weight classifications. Some of the more important of the products on which France granted the United States compensatory concessions were complete passenger cars and specified parts; trucks, buses, and chassis (with motor); certain tractors; certain metalworking and woodworking machines; textile machinery; soybeans; and plastics.

Federal Republic of Germany

At Torquay, the Federal Republic of Germany (Western Germany) negotiated for accession to the General Agreement. The negotiations were based on a draft tariff for the Federal Republic which had been approved by the Allied High Commission for Germany but not by the German legislature.[19] The new tariff schedule, which employs the nomenclature prepared by the European Customs Union Study Group, consists almost entirely of ad valorem rates of duty, in contrast with the specific rates of duty provided for in the German tariff of 1902. For most raw materials, the new tariff provides for free entry or for low rates of duty. For semimanufactured articles, the duties generally range from 10 percent to 20 percent ad valorem, and for finished manufactures, from 20 percent to 30 percent ad valorem. With few exceptions, the highest rate of duty in the schedule is 35 percent ad valorem.

Concessions granted by the United States

Total imports into the United States from the Federal Republic of Germany in 1949 were valued at 43.7 million dollars, of which 23.9 million dollars represented dutiable products, and 19.8 million dollars, duty-free products (see table 1). Imports in 1949 of products on which the United States granted concessions to Western Germany were valued at 6.9 million dollars—16 percent of the total value of United States imports from that country.

The concessions that the United States granted to Western Germany consist chiefly of reductions in rates of duty. Such commitments apply to imports from Germany valued at 6.7 million dollars in 1949. The United States bound existing rates of duty on imports valued at $3,000 in 1949, and bound the duty-free status on products valued at $124,000.

The principal products on which the United States granted Western Germany reductions in duty at Torquay are certain yarns of wool and other hair; cameras valued at more than $10 each (other than box-type and motion-picture cameras of which the lens is not the component part of chief value); metal drawing instruments; printing machinery and parts (negotiated jointly with Italy); miscellaneous machinery and parts (other than agricultural machinery); certain coal-tar intermediates and finished coal-tar products; dental burs; mouth organs and harmonicas; certain clocks and clock movements and other time mechanisms; upholsterers' nails and tacks; certain mechanical and other toys; lead bars and pigs; decorated feldspar china of specified sizes and values; and synthetic gem stones. Bindings of existing duties apply to fatty alcohols and fatty acids, sulfated; barium hydroxide and certain other chemicals; lead rivets, nuts, and similar articles; and specified clocks, clock movements, and parts. Products on which the United States bound the duty-free status include parts of shoe machines; ozocerite and other mineral wax, n. s. p. f.; urea; sugar-beet seed; and potassium cyanide and cyanide salts.

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[19] The law promulgating the new German tariff was signed August 16, 1951. Germany signed the Torquay Protocol on September 1, 1952; it placed the provisions of the protocol and the provisions of its new tariff in effect on October 1, 1952.

Concessions obtained by the United States

In 1949 total imports into the Federal Republic of Germany from the United States were valued at 754 million dollars. At Torquay, the United States obtained concessions on products covered in 100 items of Western Germany's tariff. Imports into Western Germany of the products to which these concessions apply were valued at 560 million dollars in 1949—74 percent of the total value of its imports from the United States.

Most of the concessions that the United States obtained from Western Germany consist of bindings of existing duties against increase. Such concessions apply to imports from the United States valued at 276 million dollars in 1949—49 percent of total imports of concession items. Bindings of duty-free status apply to imports from the United States valued at 236 million dollars—42 percent of total imports of concession items. Commitments by Western Germany to reduce rates of duty apply to imports from the United States valued at 47.9 million dollars in 1949—about 9 percent of total imports of concession items.

The more important concessions that the United States obtained from Western Germany are those on motor vehicles, motion-picture film, automobile tires, industrial equipment, business machines, machine tools, naval stores, lard, concentrated milk and cream, corn, cotton, and processed fruits and vegetables. In terms of the value of trade in 1949, the most important single concession was that on wheat, on which Western Germany bound the rate of duty at 20 percent ad valorem.

Haiti

At Torquay, Haiti and the United States did not negotiate new or additional tariff concessions to supplement those the two countries exchanged at Annecy in 1949. Before the Torquay Conference, however, Haiti notified the Contracting Parties that it intended to withdraw or modify, under the provisions of article XXVIII, certain concessions it had initially granted to France at Annecy in 1949. In September 1949, after the Annecy Conference, Haiti increased the specific rates of duty applicable to nine items on which it had initially negotiated with France. It did not, however, increase the minimum ad valorem rates on these items. Because the United States has a substantial interest in most of the products, Haiti agreed to negotiate on them with both France and the United States.

As a result of its article XXVIII negotiations with the United States, Haiti agreed to reduce the specific rates of duty on 3 of the 9 items on which it had increased the rates of duty in 1949. These 3 classifications apply to artificial silk fabrics of 3 weight specifications. On 3 other tariff items (clothing and other made-up articles of artificial silk), Haiti agreed to bind the specific rates of duty against further increase. For these 6 tariff items, Haiti agreed to reduce the minimum ad valorem rates of duty from 40 percent to 38 percent. The United States agreed to Haiti's withdrawal of the concessions on the other 3 tariff items (fabrics of artificial silk and vegetable fibers), since the trade in them was small. Total imports into Haiti from the United States of the 6 products on which Haiti modified the rates of duty were valued at $895,000 in the fiscal year 1948–49; artificial silk fabrics weighing more than 50 grams per square meter accounted for $868,000 of this trade. Imports from the United States of the 3 products on which Haiti withdrew its Annecy concessions were valued at $644.

In its article XXVIII negotiations with the United States, Haiti also agreed to bind the duty-free treatment of tractors and bulldozers and parts therefor, and to remove the import duty on kits for repair of automobile tires and tubes, and kits for repair of automobile bodies. The duty on such kits had formerly been 20 percent or 30 percent ad valorem, depending on their content. Data on Haitian imports of these products are not available. United States exports of tractors of all types to Haiti were valued at $208,000 in 1948. No data are available to show United States exports of repair kits to Haiti.

In its article XXVIII negotiations with France, Haiti granted compensatory concessions to France on 17 tariff items embracing certain products of natural silk. These concessions, which are of only limited interest to the United States, apply to imports into Haiti from the United States valued at $1,400 in the fiscal year 1948–49.

Indonesia

At Torquay, Indonesia participated in negotiations under the General Agreement for the first time as an independent contracting party.[20] The concessions that it granted to the United States at Torquay supplement those that the Netherlands negotiated at Geneva in 1947 on behalf of Indonesia (then the Netherlands Indies).

Concessions granted by the United States

In 1949 total United States imports from Indonesia were valued at slightly more than 120 million dollars, of which 3.3 million dollars represented dutiable products, and 117 million dollars, duty-free products. Concessions that the United States granted to Indonesia at Torquay apply to imports valued at $42,000 in 1949—less than 1 percent of total imports from that country (see table 1). The United States reduced the rate of duty on patchouli oil and crumb rubber by 50 percent, and that on cajeput oil (negotiated partly with France) from 7½ percent to 6¼ percent ad valorem. It also bound the existing duty-free treatment of

[20] Indonesia became an independent contracting party to the General Agreement at the Fourth Session of the Contracting Parties in 1950.

kapok seed, and reduced the import-excise tax on it from 2 cents to 1 cent per pound.

Concessions obtained by the United States

Imports into Indonesia from the United States in 1949 were valued at 134 million dollars (see table 3). At Torquay, the United States obtained concessions on five items in the Indonesian tariff. These concessions apply to imports into Indonesia from the United States valued at $751,000 in 1949—less than 1 percent of that country's total imports from the United States.

The concessions that the United States obtained from Indonesia consist of bindings of the existing rates of duty on a variety of hand and machine tools, pumps, and parts for specified machinery. For most of these articles, the rate of duty is bound at 9 percent ad valorem; for a few, it is bound at 18 percent ad valorem.

Italy

Because the United States and Italy concluded a comprehensive agreement at Annecy in 1949, the two countries engaged in only limited negotiations at Torquay.

Concessions granted by the United States

In 1949 total United States imports from Italy amounted to 70.6 million dollars, of which 52.8 million dollars represented dutiable products, and 17.8 million, duty-free products (see table 1). The concessions that the United States granted to Italy consist of reductions in rates of duty (chiefly of less than 25 percent) on products that accounted for imports into the United States from Italy valued at 5.1 million dollars in 1949—7 percent of total United States imports from that country.

The principal United States concessions to Italy were those on Italian-type cheese in original loaves (Romano, Pecorino, Reggiano, Parmesano, Provoloni, and Provolette), certain earthenware art pottery and tableware (part of which was negotiated jointly with the Benelux Customs Union), straw hats and straw hat bodies and related products, cotton twill-back velveteen, and Marsala wine.

Concessions obtained by the United States [21]

United States exports to Italy in 1949 were valued at 454 million dollars (see table 3). The concessions that Italy granted to the United States at Torquay apply to 37 items in the Italian tariff. United States exports of the products subject to these concessions amounted to 9.3 million dollars in 1949, or about 2 percent of total exports to Italy in that year.

[21] In the absence of comparable Italian trade data, United States export statistics have been used in the analysis of the concessions that the United States obtained from Italy at Torquay.

The commitments that the United States obtained from Italy consist chiefly of reductions in rates of duty. United States exports to Italy of products to which such commitments apply were valued at 7.2 million dollars in 1949—77 percent of total United States exports of concession items. Bindings of existing duties against increase apply to United States exports valued at 2.1 million dollars in 1949—23 percent of total exports of concession items. Italy also bound the duty-free status of one tariff item, for which no exports were reported in 1949.

The principal concessions that the United States obtained from Italy were on agricultural products, including prepared and canned meats, dried eggs, soya flour, soybeans, and raw cotton. Other important concessions that Italy granted to the United States include those on lift trucks, carbons and graphites for electrical or electrotechnical uses, specified crawler tractors, patent upper leather, office and business machines, and specified industrial machinery.

Article XXVIII negotiations

Before the Torquay Conference began, Italy announced its intention of modifying the concessions that it had initially granted to the United States at Annecy on automatic lathes, semiautomatic lathes, planers, slotters, and boring machines. In its article XXVIII negotiations, Italy increased the rates of duty on certain of these products, and reduced the rates on others.

Total United States exports to Italy in 1949 of products on which Italy modified concessions at Torquay were valued at approximately 4.4 million dollars. Of this total, Italy increased the rates of duty on products that accounted for United States exports to Italy valued at $276,000 in 1949. It reduced the duty on products which accounted for exports to Italy valued at about 1.8 million dollars, and it bound the existing rates of duty against increase on products accounting for exports to Italy in 1949 valued at 2.3 million dollars. Based on the value of trade in 1949, the negotiations that Italy conducted under article XXVIII resulted in a net reduction in the effective rate of duty for this group of commodities as a whole. For this reason the United States did not ask Italy for compensatory concessions.

At Torquay, Italy also modified or withdrew certain concessions that it had granted at Annecy to countries other than the United States. The products to which these actions apply are newsprint, impregnated coniferous posts, crude zinc, zinc sheets, palm oil, and porcelain utensils. In return, Italy granted compensatory concessions to other countries on chicory (for coffee mixtures), beer, liquid propane, butane, glass containers, and certain types of paper. The United States had only a limited interest in these concessions.

Republic of Korea

At the Torquay Conference, the Republic of Korea negotiated for accession to the General Agreement. Because of the nature of the trade between the United States and Korea, the concessions that the two countries exchanged at Torquay were necessarily limited.

Concessions granted by the United States

Total imports into the United States from the Republic of Korea in 1949 were valued at 1.6 million dollars. Of this total, slightly more than 1.0 million dollars represented dutiable products, and about $600,000, duty-free products (see table 1). At Torquay, the United States granted concessions on products that accounted in 1949 for imports from Korea valued at $141,000—9 percent of total imports into the United States from that country. The concessions included reductions in the rates of duty on agar-agar and resublimed iodine, imports of which from Korea were valued at $91,000 in 1949. The United States bound the rate of duty on manufactured moss and sea grass, which accounted for imports amounting to $2,000 in 1949. It also bound the duty-free status of silk waste, ginseng, unmanufactured moss and seaweed, and wild or tussah silk, which together accounted for imports valued at $48,000.

Concessions obtained by the United States [22]

United States exports to the Republic of Korea in 1949 were valued at 52.1 million dollars (see table 3). At Torquay, the United States obtained concessions on eight items in the Korean tariff. These concessions apply to products the exports of which to Korea were valued at 6.9 million dollars in 1949—13 percent of total exports to that country from the United States.

Exports to Korea of commodities on which the United States obtained reductions in rates of duty were valued at 2.3 million dollars in 1949—34 percent of total exports of concession items. Exports of products on which Korea bound the duty-free status amounted to 4.6 million dollars in 1949, or 66 percent of total exports of concession items.

The products on which Korea granted the United States reductions in rates of duty are wheat flour, nicotine sulfate, motion-picture film, and black carbon-steel sheets having a thickness of more than 0.9 millimeter. Korea bound the duty-free status of ginned cotton, salt, printed matter, and black carbon-steel sheets having a thickness of less than 0.9 millimeter.

New Zealand

New Zealand and the United States did not exchange new or additional tariff concessions at Torquay. Under article XXVIII of the General

[22] In the absence of comparable Korean trade data, United States export statistics are used in the analysis of the concessions that the United States obtained from Korea at Torquay.

Agreement, however, New Zealand withdrew a number of concessions that it had granted to the United States and to other countries at Geneva in 1947. United States exports to New Zealand of all products on which New Zealand took such action amounted to $112,000 in 1949. In that year, exports from the United States to New Zealand of all the commodities on which New Zealand granted compensatory concessions were valued at about 1.3 million dollars.

At Torquay, New Zealand withdrew the concessions it had initially granted to the United States on caramel, ear tubes and audiophones, and elastics and webbing. These particular products have been of little importance in the United States export trade with New Zealand.

Of major interest to the United States was the action New Zealand took in its article XXVIII negotiations with countries other than the United States. New Zealand withdrew the concessions it had granted to other countries at Geneva on cocoa, braids and bindings, fancy goods and sporting equipment, blowers and fans, toilet preparations and perfumery, stationery and other paper manufactures, metal office furniture, lawn mowers, agricultural implements, and electrical heating and cooking appliances. The United States had a substantial interest in all these concessions. In addition, New Zealand withdrew a number of concessions on products in which the United States had a lesser interest. These products were fruit juices, stearine, flavoring essences, leather gloves, certain china and earthenware products, malt extract, specified articles of wearing apparel, electric irons, carpets, tin manufactures, electrodes for electric welding, emery and similar grinding machines, metal cordage, cast-iron pipe, metal woven wire, and metal poles and towers for electric transmission lines.

New Zealand granted compensatory concessions to the United States on ball and roller bearings; asphalt and bitumen; umbrella materials; cordials, bitters, and liqueurs; fabric gloves; glass jars; cigarette paper; stones for grinding; and perforated metal sheets. Exports of these products from the United States to New Zealand in 1949 were valued at $169,000. Products on which New Zealand granted compensatory concessions to third countries include pickup hay balers; engine packing; felted textiles; yarns of cotton, silk, and artificial silk; and photographic cameras. In 1949 these products accounted for United States exports to New Zealand valued at 1.1 million dollars.

Norway

The concessions that the United States and Norway exchanged at Torquay supplement the extensive concessions that the two countries exchanged at Geneva in 1947.

Concessions granted by the United States

In 1949 total United States imports from Norway were valued at 29.9 million dollars, of which 17.8 million dollars represented dutiable products, and 12.1 million dollars, duty-free products (see table 1). The concessions that the United States granted to Norway at Torquay apply to United States imports valued at 2.0 million dollars in 1949—7 percent of the total value of United States imports from that country. Virtually all these concessions consist of reductions in rates of duty (chiefly reductions of less than 25 percent). Imports from Norway of commodities on which the United States agreed to bind the duty-free treatment were valued at $22,000 in that year.

The principal products on which the United States granted Norway reductions in rates of duty are fish hooks, n. s. p. f. (except snelled hooks); "other" herring and certain canned sardines, not in oil (including snacks, titbits, rollmops, and sprats); specified canned sardines, in oil; canned fish cakes, fish balls, fish pudding, and smoked or kippered herring, not in oil; and the cheeses in one of the several statistical classifications that comprise the "basket" tariff class designated as "other cheese." The principal cheeses in this classification that are imported from Norway are those known as Primula, goat cheese, Noekkelost, Karvi, Gammelost, Mysost, and Floteost.

Concessions obtained by the United States

Total imports into Norway from the United States in 1948 were valued at 99.9 million dollars (see table 3). At Torquay the United States obtained concessions on 31 items in the Norwegian tariff. These concessions apply to imports into Norway from the United States valued at 5.6 million dollars in 1948—6 percent of the total value of Norway's imports from the United States.

The concessions that the United States obtained from Norway consist chiefly of bindings of existing rates of duty. Concessions in this category apply to imports valued at 3.4 million dollars in 1948—60 percent of total imports of concession items. Norway bound the duty-free status of products that accounted for imports from the United States valued at 1.1 million dollars in 1948—19 percent of total imports of concession items. It also granted reductions in rates of duty on products that accounted for imports valued at $669,000—12 percent of total imports of concession items. For one product, imports of which amounted to $530,000 in 1948 (or 9 percent of total imports of concession items), Norway bound the existing specific rate of duty. It reserved the right, however, to substitute for it an ad valorem rate not exceeding 10 percent.

Based on the Norwegian import data for 1948, the principal products on which the United States obtained concessions are acetone, cotton sailcloth, white lead, soybeans, grinding machines for metals and parts therefor, boring or drilling machines for wood or metal, electric hand tools, power pumps, certain air compressors, caustic soda, lubricating oils, petrolatum, pulp-grinding stones, unmanufactured ash, aircraft engines and aircraft parts, and ethylene glycol.

Peru

Before the Annecy Conference in 1949, Peru announced that it would undertake an upward revision of its tariff in order to offset the effect of price increases on its specific import duties. Peru did not, however, complete this tariff revision in time to participate in the Annecy Conference. Subsequently it notified the United States that, because of the proposed revision, it would be unable to maintain the rates of duty specified in schedule I of the 1942 trade agreement between Peru and the United States. The United States agreed in principle to an upward revision of these rates, provided that Peru would negotiate for accession to the General Agreement, and provided that the rates specified in the 1942 agreement were continued in force until Peru acceded to it. At Torquay, the United States and the other countries that negotiated with Peru agreed to base their negotiations on the general rates specified in the revised Peruvian tariff of 1949.

Concessions granted by the United States

Total United States imports from Peru in 1949 were valued at 40.7 million dollars. Of this total, 16.7 million dollars represented products that are dutiable, and 24.0 million dollars, products that are duty-free (see table 1). Imports from Peru of commodities on which the United States initially granted concessions to that country at Torquay amounted to 25.8 million dollars in 1949, or 63 percent of total United States imports from Peru.

Most of the concessions that the United States granted to Peru consist of reductions in rates of duty. Such concessions, chiefly reductions of from 36 to 50 percent, apply to imports from Peru valued at 24.3 million dollars in 1949. Imports from Peru of products on which the United States bound the duty-free status were valued at $902,000 in 1949. Imports of products on which the United States bound the rates of duty were valued at $567,000.

The concessions that the United States granted to Peru include reductions in the rates of duty on lead and zinc in various forms (negotiated jointly with Canada); canned bonito and yellowtail, in oil or in oil and other substances;[23] sugar (negotiated jointly with the Dominican Republic);[24] hair of the alpaca, llama, and vicuña; bismuth; pyrethrum and cube and

[23] The United States concession to Peru on canned bonito and yellowtail eliminated the margin of preference in the rate of duty on imports from Cuba.

[24] The concession on sugar reduces the margin of preference on imports of sugar from Cuba.

derris root in advanced form; coca leaves; manufactured dutiable articles, n. e. s., including ficin powder; certain handwoven blankets; carriage and automobile robes; steamer rugs; handwoven rugs and certain floor coverings, if wholly or in chief value of hair of the alpaca, llama, and certain other animals; and one part of its dutiable classification of raw cotton. The United States also bound the rates of duty on the remaining part of its dutiable tariff classification of raw cotton, and bound the duty-free status of crude cube root, vanadium ore or concentrates, tara, and cochineal.

The class of unmanufactured cotton on which the United States reduced the rate of duty is that having a staple length of 1$^{11}/_{16}$ inches or more. For this product it reduced the duty from 3½ cents per pound to 1¾ cents per pound. For raw cotton having a staple length of 1⅛ inches or more but less than 1$^{11}/_{16}$ inches the United States bound the existing duty of 3½ cents per pound. For this latter item, however, the United States reserves the right to modify or suspend the provisions of the concession during any period when there is no limitation on the quantity of such cotton that may be imported into the United States. Similarly, the United States concession on sugar will be effective only so long as the quota provision of the Sugar Act of 1948, or substantially equivalent legislation, continues in force.[25]

Concessions obtained by the United States

Total imports into Peru from the United States in 1948 were valued at 90.8 million dollars. The concessions that Peru granted to the United States at Torquay apply to imports valued at 45.1 million dollars in 1948—50 percent of total Peruvian imports from the United States (see table 3).

Because the ad valorem equivalents of Peru's specific import duties are generally low, the concessions that Peru granted to the United States consist chiefly of bindings of existing duties. Such concessions apply to imports into Peru from the United States valued at 34.1 million dollars in 1948—76 percent of total imports of concession items. Reductions in rates of duty apply to imports valued at 7.1 million dollars in 1948—16 percent of total imports of concession items. Bindings of duty-free status apply to imports from the United States valued at 2.4 million dollars—5 percent of the total. Peru also bound against increase the existing specific rates of duty on certain types of lumber, subject to the right to increase them moderately. Imports into Peru from the United States of products that are covered by this commitment were valued at 1.5 million dollars in 1948—3 percent of total imports of concession items.

At Torquay, Peru bound against increase its additional duties (the so-called unified tax) on those concession items that are subject to such duties. For four items (nitroglycerin, other explosives, miners' fuses

[25] See the section of this chapter on the Dominican Republic.

and cords, and primers and detonators for mines), which it bound on the free list, Peru reduced the unified tax from 15.5 percent to 12.5 percent ad valorem.

The principal commodities on which the United States obtained concessions from Peru are fresh apples, prepared fruits, corn flour, prepared cereals and soups, leaf tobacco, hops, insecticides, powdered milk, wooden railway ties, lumber, naval stores, cotton outerwear, textile fabrics and wearing apparel of artificial fibers, electrical and industrial machinery and equipment, office equipment and business machines, refrigerating equipment, radio and television apparatus, trucks, automobiles and parts, lubricants, aircraft parts, agricultural implements and tractors, leather, metals and certain metal manufactures, medicinals and pharmaceuticals, plastics, paints, chemicals and dyestuffs, explosives, and motion-picture film.

The concessions that Peru granted to the United States at Torquay were much broader than those it granted in the bilateral agreement of 1942. At Torquay, the United States obtained concessions on 221 items of the Peruvian tariff, compared with 118 items in the bilateral agreement. In the new agreement the United States obtained concessions on 67 items that were specified in the 1942 agreement. The rates established pursuant to the trade agreement of 1942 were retained for 17 of these items. For 19 of them, the duties negotiated at Torquay are higher than those in the 1942 agreement, but are substantially lower (by an average of 31 percent) than those specified in the Peruvian general tariff of 1949. For 30 items specified in the 1942 trade agreement, Peru bound against increase the 1949 rates of duty, most of which are low. For 1 item (embracing certain types of lumber) Peru will continue to apply the rates of duty specified in the 1949 tariff, but reserves the right to impose slightly higher rates of duty at a future date.

Sweden

The concessions that the United States and Sweden exchanged at Torquay supplement those that the two countries exchanged at Annecy in 1949. In the negotiations it conducted with the United Kingdom under article XXVIII at Torquay, Sweden modified one of its Annecy concessions—a concession that was of some interest to the United States.

Concessions granted by the United States

In 1949, imports into the United States from Sweden were valued at 54.4 million dollars (see table 1). Of this amount, 8.2 million dollars represented dutiable commodities, and 46.2 million dollars, duty-free products. The concessions that the United States granted to Sweden apply to imports from that country amounting to $403,000 in 1949, or less than 1 percent of total imports from Sweden in that year.

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All the concessions that the United States granted to Sweden were reductions in rates of duty—chiefly reductions of less than 25 percent. The principal products to which these concessions apply are X-ray apparatus and parts (other than tubes); tobacco machinery and parts; steel ingots, blooms, slabs, billets, bars, etc., valued at more than 16 cents per pound; electric and mechanical calculating machines and parts; cash registers and parts (negotiated jointly with Canada); and blown-glass articles for table and kitchen use, valued at $3 or more each.

Concessions obtained by the United States

Total imports into Sweden from the United States in 1949 amounted to 103 million dollars. The concessions that the United States obtained from Sweden at Torquay apply to products covered in 17 items of the Swedish tariff. Sweden's imports of these products from the United States in 1949 were valued at 1.4 million dollars—1 percent of its imports from the United States in that year (see table 3).

At Torquay, Sweden bound the duty-free status of products accounting for imports from the United States valued at $436,000 in 1949—30 percent of the total value of imports of concession items. Bindings of existing duties apply to imports valued at $173,000—12 percent of total imports of concession items. Reductions in rates of duty apply to imports amounting to $84,000, or 6 percent of total imports of concession items. On products covered in 5 tariff items, Sweden also bound the existing specific rates of duty against increase, but because of the low incidence of these duties, reserved the right to replace them with ad valorem rates ranging from 8 percent to 10 percent. Such concessions apply to imports valued at $742,000—52 percent of the total value of Sweden's imports of concession items from the United States in 1949.

The most important of the concessions that Sweden granted to the United States are those on cold-drawn steel tube, Ewart's chains and link-bolt chains, gas refrigerants, vehicle and spiral springs, parts for agricultural machinery, and folding and stitching machines for bookbinderies. Other products on which Sweden granted concessions to the United States include boric acid, equipment for spraying metals, newspapers and periodicals, flavoring preparations, optical lenses, spiral and armored rubber hose, hearing aids, noncarburetor combustion motors, and mowing machines.

Article XXVIII negotiations

Under the provisions of article XXVIII, Sweden modified the concession on one tariff item that it had initially negotiated with the United Kingdom at Annecy. The modification consisted of an increase from 5 percent to 10 percent in the minimum ad valorem rates of duty on certain types of steel boilers, preheaters, and similar equipment, not pressed or welded or galvanized. Swedish statistics record no imports of these products from the United States in 1949. As compensation to the United Kingdom, Sweden reduced from 15 percent to 10 percent the minimum ad valorem rates of duty on steel boilers, preheaters, and similar equipment, if pressed, welded, or galvanized. Imports of these products into Sweden from the United States amounted to $66,000 in 1949. The specific rates of duty on products to which both the modified concession and the compensatory concession apply were not affected by the Swedish action.

Turkey

Turkey, which negotiated for accession to the General Agreement at Torquay, acceded to the agreement in October 1951. The bilateral trade agreement that Turkey and the United States negotiated in 1939 was terminated by joint agreement on August 4, 1952.

Turkey's tariff schedule consists almost entirely of specific duties. In September 1946, after it devalued the Turkish lira from $0.756 to $0.357, Turkey revised its tariff schedule upward—an action that was mandatory under the country's basic customs code. In accordance with the provisions of the code, Turkey applied to most of the rates of duty in its tariff a maximum "coefficient of increase" of slightly more than 150 percent. For some of the items, however, it increased the rates less than this maximum, and for a few items it did not increase the rates at all. Notwithstanding this adjustment, price increases in the past few years have reduced the ad valorem equivalents of most of these rates of duty to levels lower than those that prevailed before the war.

Concessions granted by the United States

United States imports from Turkey in 1949 were valued at 50.0 million dollars (see table 1). Of this total, 36.4 million dollars represented dutiable products, and 13.6 million dollars, duty-free products. Imports of products on which the United States granted concessions to Turkey at Torquay were valued at 44.6 million dollars in 1949—89 percent of total imports from Turkey in that year.

The concessions that the United States granted to Turkey consist chiefly of reductions in duties. Such concessions—principally reductions ranging from 25 to 35 percent—apply to imports from Turkey valued at 33.4 million dollars in 1949. Bindings of existing rates of duty apply to imports valued at 1.5 million dollars in 1949, and bindings of duty-free status apply to imports amounting to approximately 9.7 million dollars.

The principal concessions that the United States granted to Turkey were reductions in the rates of duty on cigarette leaf tobacco, opium containing 8.5 percent morphine or more, and licorice extract. The United States also bound the existing rate of duty on shelled filberts (hazelnuts), and bound the duty-free status of licorice root and chrome ore.

Concessions obtained by the United States

Imports into Turkey from the United States in 1949 were valued at 58.7 million dollars (see table 3). Concessions that the United States obtained from Turkey at Torquay apply to imports into Turkey from the United States valued at 28.0 million dollars in 1949—48 percent of the total value of Turkey's imports from the United States.

Most of the concessions that Turkey granted to the United States consist of bindings of existing rates of duty. Such concessions apply to imports from the United States valued at 17.1 million dollars in 1949—61 percent of total imports of concession items. Reductions in rates of duty apply to imports from the United States valued at 2.8 million dollars in 1949 (10 percent of total imports of concession items), and bindings of duty-free status, to imports valued at $38,000.

Besides granting the concessions mentioned above, Turkey agreed to bind the duty-free status of 7 classifications of agricultural machinery. It reserved the right, however, to levy moderate rates of duty on all or a part of such machinery at a future date. Turkey also reduced the rate of duty on paraffin and petroleum jelly, but reserved the right to convert the present specific rate of duty to a moderate ad valorem rate. Imports into Turkey from the United States of the products to which these 8 tariff classifications apply were valued at 8.1 million dollars in 1949—29 percent of the total value of concession items.

The principal products on which the United States obtained concessions from Turkey are plastic materials, automotive vehicles, tires and tubes, electrical apparatus, textile machinery, lubricating oils, tin plate, tractors, agricultural implements, refrigerating equipment, machine tools, office machines, and food-processing machinery.

The scope of the concessions that Turkey granted to the United States at Torquay was considerably broader than that of the 1939 trade agreement between the two countries. The concessions that Turkey granted to the United States at Torquay apply to 103 items in the Turkish tariff, compared with 44 items specified in the bilateral trade agreement. Of the 44 items in the 1939 trade agreement, 32 are included in the Torquay agreement. For 18 of the 32 items, the rates of duty negotiated at Torquay are higher than those specified in the 1939 trade agreement; for 14 items, the Torquay rates are lower.

Union of South Africa

At Torquay, the United States and the Union of South Africa did not exchange new or additional tariff concessions. Under the provisions of article XXVIII, however, South Africa negotiated to modify certain concessions it had granted to the United States and other countries at Geneva in 1947.

In its article XXVIII negotiations with the United States, South Africa withdrew the concessions it had granted at Geneva on stockings of artificial silk. At Torquay, South Africa also increased from 10 percent to 20 percent ad valorem the British preferential rate of duty on this item. As a result of the withdrawal of the Geneva concession, South Africa has the right to increase its import duty on stockings of artificial silk. By reason of the margin-of-preference rule of article I of the General Agreement, however, the duty cannot be increased to more than 25 percent ad valorem.

In its article XXVIII negotiations with the United States, South Africa also withdrew its concession on agricultural machinery and implements and modified its concessions on tractors. The withdrawal of the concession on agricultural machinery and implements will permit the Union of South Africa to levy import duties on these products, which it had bound on the free list at Geneva. South Africa's modification of its concessions on tractors will permit it to increase the existing rate of duty on "mechanical horse-type tractors" (tractors for trailer trucks), which it had bound at 5 percent ad valorem at Geneva, and to levy import duties on wheel-type and crawler-type tractors (and parts thereof), which it had there bound free of duty. The Geneva concession on trailer tractors resulted in a reduction in the British margin of preference from 10 percent to 5 percent. The Geneva concessions on wheel-type and crawler-type tractors and on tractor parts eliminated the possibility of establishing preferential duties for them. Complete withdrawal at Torquay of the concessions on these products would have permitted the reestablishment of the pre-Geneva preferences on trailer tractors, and the establishment of preferential rates of duty on wheel-type and crawler-type tractors and on tractor parts.

Imports into South Africa from the United States of products affected by the foregoing withdrawals and modifications amounted to 27.2 million dollars in 1948. As compensation to the United States, South Africa bound the existing low rates of duty on parts and equipment for motor vehicles, imports of which from the United States were valued at 35.1 million dollars in 1948.

In its article XXVIII negotiations with countries other than the United States, South Africa withdrew or modified the concessions it had granted at Geneva on 10 items in its tariff. The products of particular interest to the United States were rayon fabrics, waxed paper, sensitized paper, china and porcelain ware, and ladies' trimmed hats. Imports of these items from the United States were valued at 13.3 million dollars in 1948. As compensation for withdrawal of the concessions on the 10 tariff items, South Africa granted concessions on 20 other tariff items; these new concessions apply to imports from the United States valued at 4.2 million dollars in 1948. The compensatory concessions of substantial interest to the United States are those on barley malt, laces, rifles and other guns, lawn mowers, sanitary earthenware, wooden casks, handkerchiefs, industrial boilers, hinges, steel filing cabinets, ceiling and flooring boards, cement, and wooden boxes for citrus fruits.

In 1948 total imports into South Africa from the United States of all products on which South Africa modified or withdrew its concessions in negotiations with the United States and other countries amounted to 40.5 million dollars. Total imports from the United States of all products on which South Africa granted compensatory concessions amounted to 39.3 million dollars.

Uruguay

Uruguay negotiated for accession to the General Agreement at Annecy in 1949, but had not signed the Annecy Protocol by the time the Torquay Conference began. The Contracting Parties, however, agreed to permit Uruguay to negotiate under article XXVIII with respect to certain concessions it had granted at Annecy, even though those concessions had not yet become effective.

In its article XXVIII negotiations with the United States, Uruguay increased the rate of duty on fresh apples imported during the period October 1 through February 15, from 6.24 pesos per 100 gross kilograms (the rate specified in the Annecy agreement) to 7.22 pesos per 100 gross kilograms. The rate of duty specified in the 1942 trade agreement between the two countries—8.20 pesos—will continue in effect, however, until Uruguay accedes to the General Agreement. United States exports of fresh apples to Uruguay in 1948 were valued at $18,000. As compensation to the United States, Uruguay agreed to reduce by 54 percent its specific rate of duty on truck cabs, imported with chassis. Data on United States exports of this product to Uruguay are not available.

In its article XXVIII negotiations with countries other than the United States, Uruguay modified or withdrew the concessions it had granted at Annecy on potato starch (fecula), certain kinds of cardboard, cotton lace, certain glass lighting fixtures, glass lusterdrops for chandeliers, crude and bleached chemical pulp for the manufacture of paper, bleached chemical pulp for the manufacture of textile fibers, and certain paper for printing or lithography. United States exports of these products to Uruguay in 1948 amounted to about $260,000. Uruguay granted compensatory concessions to third countries on straw covers for packing bottles, certain kinds of cigarette paper, paper-pulp construction board, unmounted hacksaw blades over 18 centimeters in length, iron plows, and sulky plows. United States exports of these products to Uruguay in 1948 were valued at $991,000.

United States exports to Uruguay of all products on which that country modified or withdrew concessions at Torquay were valued at $278,000 in 1948. In that year United States exports to Uruguay of all products on which Uruguay granted compensatory concessions (excluding the important concession on truck cabs with chassis, for which data are not available) amounted to $991,000.

Chapter 4

Effect of Trade-Agreement Concessions on the United States Tariff

This chapter supplements earlier Tariff Commission reports on the effect of trade-agreement concessions on the level of the United States tariff. For the purpose of measuring the effect of the concessions that the United States granted at Torquay, it is assumed that all such concessions became effective on January 1, 1952.[1]

BASIS FOR ANALYSIS

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

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

In the Commission's first report of this type, *Operation of the Trade Agreements Program, June 1934 to April 1948*, the statistical analysis of concessions that the United States had granted in trade agreements (including those granted at Geneva) was based on import statistics for the year 1939. In May 1949 the Commission issued a special report, *Effect of Trade Agreement Concessions on United States Tariff Levels Based on Imports in 1947;* it covered all trade-agreement concessions in effect on January 1, 1949, including those granted at Geneva.

In April 1951 the Commission issued another special report, entitled *Effect of Trade Agreement Concessions on United States Tariff Levels Based on Imports in 1949.* This report, which took into account the termination

[1] As of January 1, 1952, all the concessions that the United States granted at Torquay were in effect except those negotiated with Denmark, Brazil, and Korea. The concessions negotiated with Denmark became effective on January 20, 1952; those negotiated with Brazil became effective March 21, 1953. The concessions negotiated with Korea are not yet in effect.

of the bilateral trade agreement with Mexico and the withdrawal of certain of the concessions initially negotiated with China at Geneva, covered all concessions in effect on January 1, 1951, including those granted at Annecy. A revision of this report, issued in October 1951, incorporated the tariff changes resulting from the multilateral negotiations at Torquay.

The analysis which follows, like that in the Commission's 1951 report, is based on import data for 1949. It shows the effects of trade-agreement concessions on the United States tariff as of January 1, 1945, as of January 1, 1951 (pre-Torquay), and as of January 1, 1952 (post-Torquay). The significance of the 1945 date is that, under existing trade-agreement legislation, rates of duty in effect on January 1 of that year may be reduced by as much as 50 percent, notwithstanding that a particular rate may have been previously reduced by as much as 50 percent pursuant to trade agreements.

Between 1939, the base year employed in the Commission's first report on the operation of the trade agreements program, and 1949, the base year used in this report, the great increase in prices sharply reduced the average ad valorem equivalents [2] of specific and compound duties. For example, table 6 of this report shows that the average ad valorem equivalent of the rates of duty on total dutiable imports before any trade agreements was 25.8 percent when based on and weighted by the value of 1949 imports, whereas *Operation of the Trade Agreements Program* (first report) showed the corresponding figure to have been 48.2 percent when based on and weighted by the value of imports in 1939.[3]

In the Commission's third report on the operation of the trade agreements program, as well as in the special reports issued in 1951, the analysis of the effect of trade-agreement concessions on the level of the tariff included tables showing the following data: Average ad valorem equivalents of rates of duty, by tariff schedules, on imports subject to reduced rates, on imports on which the preagreement rates were bound, and on imports not subject to any concession; the value of imports of agricultural and nonagricultural products with corresponding average ad valorem equivalents; the value of imports (with corresponding average ad valorem equivalents) arranged by frequency groups according to the height of the preagreement rates; and the principal commodities imported in 1949, together with the applicable average ad valorem equivalents at various dates and the percentages by which the rates of duty on them have been reduced.

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

[3] *Operation of the Trade Agreements Program* (first report), pt. 3, pp. 10–12, contains a discussion of the combined effect that price increases and reductions of duties in trade agreements had on the average rate of duty on dutiable imports.

Since the incorporation of the Torquay concessions would not have resulted in any major changes in the tables mentioned above, those tables have not been recalculated for this report. On the basis of volume of trade, the concessions granted by the United States at Torquay were small compared with the total of all trade-agreement concessions granted to date. Moreover, the concessions granted at Torquay resulted in only a slight decline in the average ad valorem equivalent of the rates of duty on dutiable imports (from 13.9 percent to 13.3 percent).

The statistics for 1949, given in the tables that follow, are preliminary, and corrections in the basic data are still being made. For this reason, the figures for total dutiable imports differ slightly in some of the tables. The individual tables were prepared at different times, and it was not practicable to incorporate in the tables that were completed earlier the subsequent minor corrections in the basic data.

EFFECT OF THE TORQUAY CONCESSIONS

Table 5 shows, on the basis of 1949 statistics, the amount and proportion of United States dutiable imports on which the United States granted concessions at Torquay, as well as the average ad valorem equivalents of the rates of duty in effect before any agreements, and those in effect on January 1, 1945, January 1, 1951 (pre-Torquay), and January 1, 1952 (post-Torquay). The table distinguishes between imports on which reductions in duty were granted at Torquay and those on which the rates of duty were bound against increase. Each of these groups is further divided on the basis of the treatment that had been given to those rates of duty in pre-Torquay trade agreements.

The table indicates that concessions granted by the United States at Torquay apply to articles of the kinds which accounted for 12.6 percent of the value of total United States dutiable imports in 1949. The average ad valorem equivalent of the rates of duty on the dutiable imports so covered was as follows: 36.4 percent before any trade agreement went into effect; 25.2 percent on January 1, 1945; 19.4 percent on January 1, 1951, after termination of the concessions to Mexico and China and before Torquay; and 14.5 percent on January 1, 1952, when all the Torquay concessions are assumed to have become effective. For dutiable imports covered by the concessions made at Torquay, those concessions resulted in an average rate about 25 percent lower than that in effect on January 1, 1951, and about 60 percent lower than the average rate in effect before any trade agreements were concluded.

Imports of commodities on which the rates of duty were reduced at Torquay accounted for 11.7 percent of total dutiable imports in 1949. The average ad valorem equivalent of the rates of duty on these commodities was 37.4 percent before any agreements; 25.8 percent on January 1,

TABLE 5.—*United States dutiable imports (for consumption) in 1949: Average ad valorem equivalents of rates of duty in effect on specified dates, by treatment accorded rates at Torquay*

Treatment under Torquay Protocol[1]	United States dutiable imports, 1949[2]		Average ad valorem equivalent based on rates in effect—				Reduction in rates from—	
	Foreign value	Percent of total dutiable imports	Before any agreements	On Jan. 1, 1945	On Jan. 1, 1951 (pre-Torquay)	On Jan. 1, 1952 (post-Torquay)	Preagreement to Jan. 1, 1952	Jan. 1, 1945, to Jan. 1, 1952
	1,000 dollars		*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Duty reduced at Torquay:								
Previously reduced	261,400	9.7	40.2	27.4	19.2	15.0	63	45
Previously bound at preagreement rates	124	----------	(3)	(3)	(3)	(3)	----------	----------
Previously not in any agreement[4]	53,133	2.0	23.7	18.1	23.7	12.9	46	29
Total or average, duty reduced	314,657	11.7	37.4	25.8	19.9	14.6	61	43
Duty bound at Torquay:								
Previously reduced	24,504	.9	24.8	18.5	12.5	12.5	49	32
Previously not in any agreement	686	----------	10.3	10.3	10.3	10.3	----------	----------
Total or average, duty bound	25,190	.9	24.4	18.3	12.5	12.5	49	32
Total or average, covered at Torquay	339,847	12.6	36.4	25.2	19.4	14.5	60	43
Not covered by Torquay Protocol	2,355,499	87.4	24.3	17.3	13.1	13.1	46	24
Total or average, dutiable imports[5]	2,695,346	100.0	25.8	18.3	13.9	13.3	49	27

[1] Assuming that all concessions negotiated at Torquay were in effect on Jan. 1, 1952.

[2] Preliminary.

[3] The small amount of imports in this category makes the computation of ad valorem equivalents of no significance.

[4] The rates on some of the items included here had been subject to concessions at one time (notably under the agreements with Mexico and China) but were subject to no concessions on Jan. 1, 1951.

[5] The figure for total dutiable imports as used in these tables (2,695,346 thousand dollars) is based on a tabulation by the U. S. Tariff Commission of official import statistics for individual items. It is about one-half of 1 percent smaller than the latest available (preliminary) total (2,708,000 thousand dollars) of the U. S. Department of Commerce.

Source: Compiled from official statistics of the U. S. Department of Commerce, except as noted.

1945; 19.9 percent on January 1, 1951 (pre-Torquay); and 14.6 percent on January 1, 1952 (post-Torquay). The average reduction in the rates of duty on these commodities from the preagreement level to January 1, 1951, was 47 percent; the concessions granted at Torquay resulted in an average reduction of 26 percent from the rates in effect on January 1, 1951.

At Torquay existing duties were bound on commodities accounting for 0.9 percent of total dutiable imports in 1949. The average ad valorem equivalent of the rates of duty applicable to the dutiable commodities thus bound was 24.4 percent before any trade agreement went into effect, 18.3 percent on January 1, 1945, and 12.5 percent on both January 1, 1951, and January 1, 1952; hence the average reduction over the entire period was 49 percent. Almost all the imports in this category consist of commodities on which the rates of duty were bound at levels to which they had previously been reduced in trade agreements. The remaining imports in this category—commodities on which duties were bound at the preagreement rates, not having previously been bound or reduced in any trade agreement—were subject to duties on which the ad valorem equivalent averaged 10.3 percent.

COMBINED EFFECT OF ALL TRADE AGREEMENTS

Table 6 summarizes the effects on United States tariff levels of all trade-agreement concessions granted by the United States in the General Agreement on Tariffs and Trade or in bilateral trade agreements still in force.

Concessions made in all trade agreements, including those made at Torquay, apply to commodities which accounted for 94.5 percent [4] of total dutiable imports in 1949. This share includes the group (11.8 percent) on which the preagreement rates of duty have been bound against increase, and the larger and more significant group (82.7 percent) on which the rates of duty have been reduced in greater or less degree by trade agreements. On some of the commodities (notably crude petroleum, residual fuel oil, and certified seed potatoes), the duty reductions have been limited by tariff quotas, imports in excess of the quotas being dutiable at preagreement rates bound against increase. Imports of these commodities in excess of the established quotas amounted to about two-thirds of all imports on which the preagreement rates were bound, or 8.0 of the 11.8 percent shown in table 6.

[4] This figure is smaller than the 95.7 percent of total dutiable imports in 1947 that were covered by agreements in effect on January 1, 1950 (assuming that all the Annecy concessions were in effect), principally because of the termination of the bilateral trade agreement with Mexico and the withdrawal of certain of the concessions initially negotiated with China at Geneva.

TABLE 6.—*United States imports (for consumption) in 1949: Average ad valorem equivalents of rates of duty in effect on specified dates, by trade-agreement status on Jan. 1, 1952*

Item	United States imports, 1949 [1]		Average ad valorem equivalent based on rates in effect—				Reduction in rates from—	
	Foreign value	Percent of total dutiable imports	Before any agreements	On Jan. 1, 1945	On Jan. 1, 1951 (pre-Torquay)	On Jan. 1, 1952 (post-Torquay)	Preagreement to Jan. 1, 1952	Jan. 1, 1945, to Jan. 1, 1952
	Million dollars		*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Dutiable imports:								
Duty reduced up to Jan. 1, 1952	2,229	82.7	27.7	18.6	13.3	12.5	55	33
Duty bound at preagreement rate	319	11.8	12.3	[2] 12.3	12.3	12.3		
Not in any trade agreement as of Jan. 1, 1952	147	5.5	26.1	[2] 26.1	26.1	26.1		
Total or average, dutiable [3]	2,695	100.0	25.8	18.3	13.9	13.3	[4] 49	[5] 27
Duty-free imports	3,886							
Total or average, dutiable [3] and duty-free imports	6,581		10.6	7.5	5.7	5.4	[4] 49	[5] 27

[1] Preliminary.

[2] Throughout these tables, items not in any agreement, or bound at preagreement rates, have been considered as subject to the same rate of duty in all periods shown. This was contrary to fact for items subject to reductions in the agreement with Mexico when the preagreement rates or quotas were restored by termination of that agreement on Jan. 1, 1951. The procedure followed does not affect the preagreement, Jan. 1, 1951, or Jan. 1, 1952, figures in any way. The principal items coming within these categories are lead, certain cattle, crude petroleum, and residual fuel oil. If the rates actually in effect in 1945 on the items above referred to had been used, these figures would be slightly lower; the average of 18.3 percent for all dutiable imports would not change significantly.

[3] The figure for total dutiable imports as used in these tables (2,695 million dollars) is based on a tabulation by the U. S. Tariff Commission of official import statistics for individual items. It is about one-half of 1 percent smaller than the latest available (preliminary) total (2,708 million) of the U. S. Department of Commerce.

[4] If imports of sugar, which are regulated by quota, were excluded from this calculation, the percentage of reduction would be 46 rather than 49.

[5] If imports of sugar (322 million dollars) were excluded from this calculation, the percentage of reduction would remain unchanged.

Source: Compiled from official statistics of the U. S. Department of Commerce, except as noted.

The average ad valorem equivalent of the duties on total dutiable imports, based on and weighted by the value of 1949 imports, was 25.8 percent before any trade agreements were concluded. The average on January 1, 1945, was 18.3 percent, and on January 1, 1951 (pre-Torquay), it was 13.9 percent. On January 1, 1952, when all Torquay concessions are assumed to have become effective, it was 13.3 percent. During the entire period, therefore, the average ad valorem equivalent declined 49 percent. On those commodities on which the duties have actually been reduced—as distinguished from those on which the rates have been bound or have not been subject to any concession—the figures were 27.7 percent, 18.6 percent, 13.3 percent, and 12.5 percent, respectively, the total reduction being 55 percent. The ad valorem equivalent of the rates of duty on those commodities on which the preagreement rates have been bound against increase averaged 12.3 percent, almost exactly the same as the present average rate (12.5 percent) for articles on which the duties have been reduced. The ad valorem equivalent of the duty on dutiable imports that have not been the subject of concessions in any trade agreement averages 26.1 percent.

CONCESSIONS BY TARIFF SCHEDULES

Table 7 shows, by tariff schedules, the amount and proportion of United States dutiable imports (for consumption) in 1949 that were subject to trade-agreement concessions in effect on January 1, 1952. The proportion of dutiable imports subject to reduced rates in the various schedules ranges from 51 to 100 percent, but it falls below 90 percent in only four schedules (earths, earthenware, and glassware, 87.0 percent; agricultural products and provisions, 80.0 percent; sundries, 51.2 percent; and the free-list taxable group, 54.3 percent). In each of the last two groups mentioned, a large proportion of the imports (22.6 percent and 45.6 percent, respectively) were subject to rates of duty bound against increase. The commodities principally concerned were diamonds in the sundries schedule and crude petroleum and residual fuel oil in excess of quota in the free-list taxable group.

Table 8 shows, by tariff schedules, the value of United States dutiable imports (for consumption) in 1949, the average ad valorem equivalents of the rates of duty in effect on various dates, and the percentages of reduction from preagreement rates and from January 1, 1945. Like table 7, this table covers all commodities in the several schedules, whether or not any particular rate of duty has been reduced by a trade agreement. It thus includes commodities on which the rates have been bound against increase and those on which no concessions have been made.

TABLE 7.—*United States dutiable imports (for consumption) in 1949: Amount and proportions subject to trade-agreement concessions in effect on Jan. 1, 1952,*[1] *by tariff schedules*

Tariff schedule	United States dutiable imports, 1949 [2]				Percent of total dutiable imports subject to—		
	Total	Concession items: Rate reduced	Concession items: Preagreement rate bound	No concession	Reduced rates	Bound rates	No concession
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*			
1. Chemicals, oils, and paints	78,451	75,070	13	3,368	95.7	(3)	4.3
2. Earths, earthenware, and glassware	59,461	51,746	1,637	6,078	87.0	2.8	10.2
3. Metals and manufactures of	338,414	312,927	10,701	14,786	92.5	3.1	4.4
4. Wood and manufactures of	97,551	95,540		2,011	97.9		2.1
5. Sugar, molasses, and manufactures of	[4] 345,179	[4] 345,179			100.0		
6. Tobacco and manufactures of	75,337	75,337			100.0		
7. Agricultural products and provisions:							
Fishery products	72,615	60,340	4,823	7,452	83.1	6.6	10.3
Other	412,278	327,355	37,432	47,491	79.4	9.1	11.5
Total or average	484,893	387,695	42,255	54,943	80.0	8.7	11.3
8. Spirits, wines, and other beverages	89,560	87,172	1	2,387	97.3	(3)	2.7
9. Cotton manufactures	22,649	20,818	8	1,823	91.9	(3)	8.1
10. Flax, hemp, jute, and manufactures of	141,755	134,021	5,781	1,953	94.5	4.1	1.4
11. Wool and manufactures of	234,209	233,147	701	361	99.5	.3	.2
12. Silk manufactures	21,477	21,043		434	98.0		2.0
13. Manufactures of rayon or other synthetic textile	7,233	7,233			100.0		
14. Papers and books	21,399	21,134	18	247	98.8	.1	1.1
15. Sundries	223,359	114,265	50,471	58,623	51.2	22.6	26.2
Free-list taxable	454,419	246,948	207,196	275	54.3	45.6	.1
Total or average	2,695,346	2,229,275	318,782	147,289	82.7	11.8	5.5

[1] Assuming that all concessions negotiated at Torquay were in effect on Jan. 1, 1952.

[2] Preliminary.

[3] Less than 0.05 percent.

[4] Chiefly cane sugar (322,000 thousand dollars), imports of which are regulated by quota.

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

TABLE 8.—*United States dutiable imports (for consumption) in 1949: Average ad valorem equivalents of rates of duty in effect on specified dates, by tariff schedules*

Tariff schedule	United States dutiable imports, 1949 [1]	Average ad valorem equivalent based on rates in effect—				Reduction in rates from—	
		Before any agreements	On Jan. 1, 1945	On Jan. 1, 1951 (pre-Torquay)	On Jan. 1, 1952 (post-Torquay [2])	Preagreement to Jan. 1, 1952	Jan. 1, 1945, to Jan. 1, 1952
	1,000 dollars	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1. Chemicals, oils, and paints	78,451	22.4	16.7	12.9	10.9	51	34
2. Earths, earthenware, and glassware	59,461	42.7	38.8	27.8	26.6	38	32
3. Metals and manufactures of	338,414	27.1	18.6	14.9	13.4	50	28
4. Wood and manufactures of	97,551	10.9	7.2	4.9	4.5	59	38
5. Sugar, molasses, and manufactures of	[3] 345,179	29.9	15.5	10.8	10.8	64	31
6. Tobacco and manufactures of	75,337	43.0	32.4	23.2	19.2	55	41
7. Agricultural products and provisions:							
Fishery products	72,615	14.5	11.8	9.4	9.0	38	24
Other	412,278	19.3	14.3	11.4	11.2	42	22
Total or average	484,893	18.6	13.9	11.1	10.8	42	22
8. Spirits, wines, and other beverages	89,560	85.2	43.4	25.9	24.4	71	44
9. Cotton manufactures	22,649	35.6	28.7	22.7	22.4	37	22
10. Flax, hemp, jute, and manufactures of	141,755	11.4	8.6	5.0	5.0	56	42
11. Wool and manufactures of	234,209	39.1	32.7	24.8	24.4	38	25
12. Silk manufactures	21,477	55.7	46.1	26.4	25.9	54	44
13. Manufactures of rayon or other synthetic textile	7,233	37.0	34.2	23.6	19.2	48	44
14. Papers and books	21,399	20.1	13.5	9.0	8.7	57	35
15. Sundries	223,359	30.7	26.0	21.3	20.6	33	21
Free-list taxable	454,419	9.8	7.3	7.2	7.2	26	1
Total or average	2,695,346	25.8	18.3	13.9	13.3	[4] 49	[5] 27

[1] Preliminary.

[2] Assuming that all concessions negotiated at Torquay were in effect on Jan. 1, 1952.

[3] Chiefly cane sugar (322,000 thousand dollars), imports of which are regulated by quota.

[4] If imports of cane sugar (see footnote 3) were excluded from this calculation, the percentage of reduction would be 46 instead of 49.

[5] If imports of cane sugar were excluded from this calculation, the percentage of reduction would remain unchanged.

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

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Before any trade agreements were concluded, the height of the duties applicable to the various tariff schedules varied widely. Based on and weighted by 1949 import values, the highest average ad valorem equivalent—85.2 percent—applied to spirits, wines, and other beverages. The next highest averages were 55.7 percent for manufactures of silk, 43.0 percent for tobacco and its products, and 42.7 percent for earths, earthenware, and glassware. The averages for all other dutiable schedules were less than 40 percent, the lowest being the 10.9 percent applicable to wood and manufactures thereof.

The extent of reduction in rates of duty under trade agreements varies widely from schedule to schedule. Under the provisions of law the maximum reduction that can have been made in the original duty on any commodity is 75 percent, provided the duty on the particular commodity had already been reduced by 50 percent before January 1, 1945. The maximum reduction has been approached in only one schedule—spirits, wines, and beverages, on which the average reduction is 71 percent. In the sugar schedule the reduction from the preagreement level is 64 percent. In seven other schedules the reduction is between 50 percent and 59 percent. The lowest reduction for any group—26 percent—is that for the items on the free list subject to import-excise taxes.

For comparison with the maximum permissible reduction since January 1, 1945, of 50 percent, the last column of table 8 shows for each schedule the percent of reduction made since that date. The average reduction for all schedules over this period is 27 percent. The nearest approach to the maximum permissible reduction is the average reduction of 44 percent applicable to each of three schedules—beverages, manufactures of silk, and manufactures of synthetic textiles. Rates of duty on flax, hemp, and jute, and manufactures thereof have been reduced an average of 42 percent since January 1, 1945, and those on tobacco and manufactures thereof, 41 percent. The rates on all other schedules (except the free-list taxable group) have been reduced between 21 and 38 percent. The average of the import-excise taxes on free-list items, already low, has been reduced only a negligible amount since 1945.

The variation in the average rates of duty applicable to the different tariff schedules as of January 1, 1952, is smaller than that before any agreements were concluded. Before any agreements, the range (based on 1949 values) was from an average of 9.8 percent for the free-list taxable group to 85.2 percent for beverages. On January 1, 1952 (post-Torquay), the range was from 4.5 percent for wood and manufactures thereof to 26.6 percent for earths, earthenware, and glassware. The greatest changes resulting from the Torquay concessions were in the following schedules: Manufactures of synthetic textiles, on which the average pre-Torquay rate of 23.6 percent was reduced to 19.2 percent; tobacco and manufactures, on which the average pre-Torquay rate of 23.2 percent was reduced to 19.2 percent; and chemicals, oils, and paints, on which the average pre-Torquay rate of 12.9 percent was reduced to 10.9 percent.

RELATION OF TYPE OF DUTY TO HEIGHT OF DUTY

Table 9 classifies dutiable imports into the United States in 1949 according to the type of duty (specific, ad valorem, or compound) applicable as of January 1, 1952, and according to the height of the duties as measured by their average ad valorem equivalents.

On the basis of value, 76 percent of total dutiable imports in 1949 were subject to specific rates of duty. In 1939 only about 62 percent of such imports were subject to specific rates. Ad valorem rates of duty applied to 20 percent of total dutiable imports in 1949, compared with 32 percent in 1939. The remaining 4 percent of total dutiable imports in 1949 was subject to compound rates—that is, rates having both specific and ad valorem elements; in 1939 the proportion was 6 percent.

On the basis of 1949 statistics the average ad valorem equivalent of the rates of duty on imports subject to specific rates was 11.1 percent, compared with 18.2 percent for imports subject to ad valorem rates and 30.4 percent for the relatively small volume of imports subject to compound rates. Based on 1939 statistics, the relationship of the height of the specific and ad valorem averages was reversed; the average ad valorem equivalent of the specific rates was 40.8 percent and of the ad valorem rates, 27.6 percent. The marked decline in the average ad valorem equivalent of the specific rates of duty between 1939 and 1949 is attributable principally to the great increase in prices between those two years.

TABLE 9.—*United States dutiable imports (for consumption) in 1949, classified according to type and height of duty*

[The rates used in the preparation of this table are those in effect on Jan. 1, 1952, including those provided for in the Torquay negotiations, whether or not in effect or proclaimed on that date]

Item	Total dutiable imports, 1949[1]		Imports subject to—					
			Specific rates		Ad valorem rates		Compound rates	
	Foreign value	Average ad valorem equivalent of rates	Foreign value	Average ad valorem equivalent of rates	Foreign value	Average rate	Foreign value	Average ad valorem equivalent of rates
Rate of duty or ad valorem equivalent (percent):	*1,000 dollars*	*Percent*	*1,000 dollars*	*Percent*	*1,000 dollars*	*Percent*	*1,000 dollars*	*Percent*
10.0 or less	1,333,511	5.7	1,098,213	5.1	220,240	8.5	15,058	7.0
10.1 to 20.0	792,312	13.6	608,156	12.7	171,302	16.6	12,854	15.3
20.1 to 30.0	365,891	23.7	254,973	23.0	79,177	25.7	31,741	25.1
30.1 to 40.0	130,701	35.4	73,202	35.4	27,834	36.4	29,665	34.5
40.1 to 50.0	32,367	45.7	13,263	44.8	17,258	46.6	1,846	44.3
50.1 to 60.0	24,645	55.4	6,137	53.3	7,135	57.0	11,373	55.5
60.1 to 70.0	4,719	66.4	610	62.6	3,284	67.8	825	63.5
70.1 to 80.0	5,014	75.0	5	([2])	22	([2])	4,987	75.0
80.1 to 90.0	5,688	89.8	------------	------------	5,361	90.0	327	85.6
90.1 or more	507	101.0	317	105.0	1	([2])	189	94.2
Total or average	2,695,355	13.3	2,054,876	11.1	531,614	18.2	108,865	30.4
Percentage distribution of totals	100.0	------------	76.2	------------	19.7	------------	4.1	------------

[1] Preliminary.
[2] Imports too small to make computation of ad valorem equivalent significant.

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

EXTENT TO WHICH RATES OF DUTY HAVE BEEN REDUCED BY TRADE AGREEMENTS

Table 10 is designed to show, in a broad way, the extent to which the rates of duty in effect on January 1, 1945, have been reduced by trade agreements. It classifies dutiable imports in 1949 according to the total extent of reduction in their rates of duty under trade agreements and according to the extent of reduction since January 1, 1945. The table shows that imports valued at 825 million dollars, or 30.6 percent of total dutiable imports in 1949, were subject to rates of duty that have been reduced by the maximum permissible amount (50 percent). On the other hand, imports valued at 1,014 million dollars, or 37.6 percent of total dutiable imports, were subject to rates of duty that have undergone no reduction since January 1, 1945. On almost half of this group (consisting of imports valued at 466 million dollars) the rates have not been reduced at any time, but on nearly as large a group (valued at 451 million dollars) the rates had been reduced before January 1, 1945, by the maximum then permissible (50 percent). The remaining dutiable imports in 1949—valued at 856 million dollars, or 31.8 percent of the total—were subject to rates of duty that have been reduced since January 1, 1945, but by less than the maximum permissible. On the bulk of this group the rates have been reduced by 20 to 39 percent.

In the Commission's report entitled *Effect of Trade Agreement Concessions on United States Tariff Levels Based on Imports in 1949*, as revised in October 1951, table 10 shows, for 67 commodities each having imports valued at 5 million dollars or more in 1949, the ad valorem equivalents of the rates of duty in effect on various dates and the percent of reduction. This table indicates the status of the individual commodities as of January 1, 1951, and, although it does not take into account the changes made at Torquay, it gives a general picture of the major concessions that have been made in trade agreements. The principal items in the table on which rates were reduced or further reduced at Torquay are as follows: Ferromanganese; iron and steel beams, etc., not assembled; aluminum metal and alloys, crude; lead in pigs and bars; zinc-bearing ores; zinc in blocks, etc.; full-duty sugar; cigarette leaf tobacco other than Latakia; long-staple cotton; and whisky other than Scotch and Irish.

TABLE 10.—*United States dutiable imports (for consumption) in 1949, classified according to the percent of reduction in their rates of duty by trade agreements*

[**In thousands of dollars.** The rates used in the preparation of this table are those in effect on Jan. 1, 1952, including those provided for in the Torquay negotiations, whether or not in effect or proclaimed on that date]

Total reduction under trade agreements (percent)	Total dutiable imports, 1949 [1]	Imports by percent of reduction in rates of duty since Jan. 1, 1945						
		0	1–9	10–19	20–29	30–39	40–49	50
Total	2,695,298	1,013,822	3,153	25,148	285,826	420,420	122,173	824,756
0	466,071	466,071	----------	----------	----------	----------	----------	----------
1–9	1,081	180	901	----------	----------	----------	----------	----------
10–19	10,638	4,880	----------	5,758	----------	----------	----------	----------
20–29	209,765	20,003	206	810	188,746	----------	----------	----------
30–39	57,704	25,369	1,960	6,179	1,659	22,537	----------	----------
40–49	109,138	46,774	69	3,164	20,723	5,392	33,016	----------
50–59	994,356	[2] 450,545	17	9,237	27,608	33,156	27,831	445,962
60–69	512,403	----------	----------	----------	47,090	[3] 359,335	17,598	88,380
70–75	334,142	----------	----------	----------	----------	----------	43,728	[4] 290,414

[1] Preliminary.

[2] The rates on these imports were reduced exactly 50 percent, the maximum permissible before Jan. 1, 1945.

[3] Imports of cane sugar account for 321,510 thousand dollars of this figure.

[4] Includes imports valued at 271,843 thousand dollars on which the rates of duty have been reduced 75 percent.

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

Chapter 5

United States Measures Relating to Imports of Trade-Agreement Items

STATUS OF UNITED STATES TRADE AGREEMENTS ON JUNE 30, 1952

On June 30, 1952, the United States was a party to trade agreements with 43 countries, negotiated under the authority of the Trade Agreements Act, as amended and extended. These countries fall into two groups.

1. The first group consists of 32 countries that were contracting parties to the General Agreement on Tariffs and Trade.[1] These countries, together with the dates on which they gave provisional effect to the General Agreement, are listed below:

(a) Countries (19) that acceded as a result of the negotiations at Geneva:

Country	Date	Country	Date
Australia	Jan. 1, 1948	Indonesia [2]	Mar. 11, 1948
Belgium [1]	Do.	Luxembourg [1]	Jan. 1, 1948
Brazil [1]	July 30, 1948	Netherlands [1]	Do.
Burma	July 29, 1948	New Zealand	July 30, 1948
Canada [1]	Jan. 1, 1948	Norway	July 10, 1948
Ceylon	July 29, 1948	Pakistan	July 30, 1948
Chile	Mar. 16, 1949	Southern Rhodesia	July 11, 1948
Cuba [1]	Jan. 1, 1948	Union of South Africa	June 13, 1948
France [1]	Do.	United Kingdom [1]	Jan. 1, 1948
India	July 8, 1948		

(b) Countries (9) that acceded as a result of the negotiations at Annecy:

Country	Date	Country	Date
Denmark	May 28, 1950	Italy	May 30, 1950
Dominican Republic	May 19, 1950	Liberia	May 20, 1950
Finland [1]	May 25, 1950	Nicaragua	May 28, 1950
Greece	Mar. 9, 1950	Sweden [1]	Apr. 30, 1950
Haiti [1]	Jan. 1, 1950		

(c) Countries (4) that acceded as a result of the negotiations at Torquay:

Country	Date	Country	Date
Austria	Oct. 19, 1951	Peru [1]	Oct. 7, 1951
Federal Republic of Germany	Oct. 1, 1951	Turkey [1]	Oct. 17, 1951

[1] Had previously concluded a bilateral trade agreement with the United States.

[2] The Netherlands negotiated concessions on behalf of the Netherlands Indies at Geneva in 1947. On Feb. 24, 1950, the United States of Indonesia (now the Republic of Indonesia) was recognized as a contracting party to the General Agreement in its own right.

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[1] Three countries—the Republic of China, Lebanon, and Syria—have withdrawn from the General Agreement.

2. The second group consists of those 11 countries that had trade agreements with the United States but were not contracting parties to the General Agreement on Tariffs and Trade.[2] These countries, together with the effective dates of the respective bilateral trade agreements, were as follows:

Country	Date	Country	Date
Argentina	Nov. 15, 1941	Iran	June 28, 1944
Ecuador	Oct. 23, 1938	Paraguay	Apr. 9, 1947
El Salvador	May 31, 1937	Switzerland	Feb. 15, 1936
Guatemala	June 15, 1936	Uruguay [1]	Jan. 1, 1943
Honduras	Mar. 2, 1936	Venezuela	Dec. 16, 1939
Iceland	Nov. 19, 1943		

[1] Uruguay negotiated for accession to the General Agreement at Annecy, and also negotiated at Torquay, but had not by June 30, 1952, signed either the Annecy or the Torquay Protocols.

ENTRY INTO FORCE OF TRADE-AGREEMENT CONCESSIONS

During the last half of 1951 and the first half of 1952 the United States placed in effect the concessions it granted to 9 of the 17 countries with which it concluded negotiations at Torquay. These countries were Austria, Denmark, the Federal Republic of Germany, Indonesia, Italy, Norway, Peru, Sweden, and Turkey.[3] In June 1951 the United States had given effect to the concessions it granted at Torquay to the Benelux Customs Union (Belgium, the Netherlands, and Luxembourg), Canada, the Dominican Republic, and France. Brazil and Korea—the two remaining countries with which the United States concluded negotiations at Torquay—did not sign the Torquay Protocol by June 30, 1952; the concessions that the United States negotiated initially with them therefore did not become effective during the period covered by this report.[4]

RENEGOTIATION OF TRADE AGREEMENT WITH VENEZUELA

On August 29, 1951, the Interdepartmental Committee on Trade Agreements issued formal notice of the intention of the United States to nego-

[2] The trade agreement between the United States and Colombia, which became effective May 20, 1936, was terminated by joint agreement, effective December 1, 1949. The trade agreement between the United States and Mexico, which became effective January 30, 1943, was terminated by joint agreement, effective December 31, 1950. The trade agreement between the United States and Costa Rica, which became effective August 2, 1937, was terminated by joint agreement, effective June 1, 1951. On September 29, 1951, the United States suspended all obligations between it and Czechoslovakia under the General Agreement.

[3] The dates on which the concessions became effective were as follows: Austria, October 19, 1951; Denmark, January 20, 1952; the Federal Republic of Germany, October 1, 1951; Indonesia, November 18, 1951; Italy, November 17, 1951; Norway, August 2, 1951; Peru, October 7, 1951; Sweden, July 7, 1951; and Turkey, October 17, 1951.

[4] See ch. 2.

tiate with Venezuela to supplement and amend the 1939 trade agreement between the two countries.[5] At that time, the Trade Agreements Committee listed the import commodities that the United States would consider for possible concessions in those negotiations. It also announced that the negotiations would encompass changes in the present schedule of concessions granted by Venezuela, as well as changes in the general provisions of the agreement, including insertion of an escape clause pursuant to section 6 of the Trade Agreements Extension Act of 1951. From October 9 to 13, 1951, the Committee for Reciprocity Information held public hearings to receive oral statements from interested persons on all phases of the proposed negotiations.

In accordance with section 3 of the Trade Agreements Extension Act of 1951 the President on August 29, 1951, transmitted to the Tariff Commission the list of imported articles to be considered in the negotiations with Venezuela, and requested the Commission to conduct the required "peril point" investigation. The Commission instituted its investigation the same day. From October 2 through October 4, 1951, it held a public hearing to give interested parties an opportunity to present their views on the concessions that might be granted by the United States. The Commission submitted its peril-point report to the President on December 27, 1951.

In preparing for the negotiations with Venezuela, the United States interdepartmental trade agreements organization followed its usual procedures. At the request of that organization and for the use of the Trade Agreements Committee and its country committee, the Tariff Commission submitted tariff, trade, and other data on articles imported into the United States from Venezuela. The Department of Commerce submitted corresponding information on products exported from the United States to Venezuela. On the basis of these and other data, including information presented to the Committee for Reciprocity Information, the Trade Agreements Committee made its recommendations to the President as to the concessions to be offered and requested in the negotiations.[6] The negotiations with Venezuela began at Caracas on April 18, 1952.

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[5] The Governments of the United States and Venezuela on June 18, 1951, announced their intention to renegotiate the trade agreement between the two countries.

[6] For a detailed discussion of the procedures followed by the trade agreements organization in preparing for negotiations, see *Operation of the Trade Agreements Program* (fourth report), pp. 51–53.

WITHDRAWAL OR MODIFICATION OF TRADE-AGREEMENT CONCESSIONS

Suspension of Application of Trade-Agreement Concessions to Imports From Communist-Controlled Countries

Section 5 of the Trade Agreements Extension Act of 1951 requires the President, as soon as practicable, to suspend, withdraw, or prevent the application of any trade-agreement concession to imports from the Soviet Union and from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement.

At the time the extension act of 1951 became law the United States, under the provisions of bilateral agreements or treaties, accorded certain Communist-controlled countries most-favored-nation treatment with respect to import duties. Another such country—Czechoslovakia—received most-favored-nation treatment from the United States by virtue of its membership in the General Agreement on Tariffs and Trade. To permit action under section 5 of the extension act of 1951 without violating its international obligations, the United States in June and July 1951 notified Bulgaria, Hungary, Poland, Rumania, and the Soviet Union that it was terminating, in whole or in part, its bilateral agreements or treaties with those countries.

At the Sixth Session of the Contracting Parties to the General Agreement, held at Geneva in September–October 1951, the United States requested and obtained from the Contracting Parties permission to suspend all obligations between it and Czechoslovakia under the General Agreement, including both the specific tariff concessions it had granted to Czechoslovakia and the most-favored-nation commitment contained in the general provisions. This suspension of General Agreement obligations became effective September 29, 1951.

On September 1, 1951, the President suspended the application to imports from the following Communist-controlled countries or areas of reduced rates of duty and import tax established pursuant to any trade agreement:

Albania
Any part of China which may be under Communist domination or control
Estonia
The Soviet Zone of Germany and the Soviet Sector of Berlin
Associated States of Indochina: Any part of Cambodia, Laos, or Vietnam which may be under Communist domination or control
Any part of Korea which may be under Communist domination or control
The Kuril Islands
Latvia
Lithuania
Outer Mongolia

Rumania
Southern Sakhalin
Tannu Tuva

Subsequently, as the United States terminated the respective most-favored-nation commitments, the President suspended the application of trade-agreement concessions to imports from Bulgaria (October 17, 1951), Czechoslovakia (November 2, 1951), Poland and areas under Polish administration and control (January 5, 1952), and the Soviet Union (January 5, 1952). On June 5, 1952, the President made such suspension applicable, effective July 5, 1952, to imports from Hungary; on June 13, 1952, he made such suspension applicable, effective July 13, 1952, to imports from Tibet.[7]

Prohibition of Imports of Certain Furs From the Soviet Union and Communist China

Section 11 of the Trade Agreements Extension Act of 1951 requires the President, as soon as practicable, to prevent the importation of ermine, fox, kolinsky, marten, mink, muskrat, and weasel furs and skins, dressed or undressed, that are the product of the Soviet Union or of Communist China. Pursuant to that section the President prohibited, effective September 1, 1951, the entry (or withdrawal from warehouse) for consumption of such furs that are the product of Communist China, and, effective January 5, 1952, the entry of those that are the product of the Soviet Union. The prohibition of the entry of such furs from the Soviet Union was delayed until the United States had terminated the most-favored-nation commitment contained in the 1937 commercial agreement with that country.

Further Withdrawal of Concessions Granted to China at Geneva

On November 26, 1951, the President issued a proclamation withdrawing from the General Agreement on Tariffs and Trade a second group of tariff concessions that the United States had negotiated initially with the Republic of China at Geneva. The new rates of duty resulting from these withdrawals became effective after the close of business on January 25, 1952. This action presumably completes United States termination of concessions under article XXVII of the General Agreement as a result of China's withdrawal from the agreement in May 1950.[8]

This second group of concessions that the United States withdrew included items in nine paragraphs and subparagraphs of the Tariff Act of 1930. As a result of the withdrawals, the rates of duty on all but one

[7] The United States has no most-favored-nation agreement or treaty with Tibet.

[8] For an analysis of the concessions that were withdrawn earlier, see *Operation of the Trade Agreements Program* (fourth report), pp. 135 and 136.

of the items reverted to those specified in the Tariff Act of 1930. On that one item the rate remained unchanged because of a United States commitment in a bilateral trade agreement.[9]

Modification of Concession on Hatters' Fur

On January 5, 1952, the President signed a proclamation, effective February 9, 1952, modifying the concession that the United States had granted at Geneva on hatters' fur, or furs not on the skin, prepared for hatters' use, including fur skins carroted. The concession was modified under article XIX (the escape clause) of the General Agreement, after an escape-clause investigation by the Tariff Commission under section 7 of the Trade Agreements Extension Act of 1951.[10] As a result of the modification, the duty on hatters' fur became 47½ cents per pound, but not less than 15 percent or more than 35 percent ad valorem. The rate that had been in effect pursuant to the General Agreement was 15 percent ad valorem.

ACTIVITIES UNDER THE ESCAPE CLAUSE IN TRADE AGREEMENTS

Since 1943 all trade agreements that the United States has concluded have contained a safeguarding clause, commonly known as the standard escape clause. This clause provides, in substance, that either party to the agreement may withdraw or modify any concession made therein if, as a result of the concession, imports of the particular commodity enter in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles.

The Trade Agreements Extension Act of 1951 made mandatory the inclusion of an escape clause in all trade agreements the United States may conclude in the future, and, as soon as practicable, in all trade agreements currently in force. The clause must conform to the policy set forth in section 6 (a) of the act. That section provides that no trade-agreement concession made by the United States shall be permitted to continue in effect when the product involved is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. Section 6 (b) of the act directs the President to report to the Congress at specified intervals on

[9] The proclamation announcing the withdrawals also reinstituted a concession, originally negotiated with China, that had been withdrawn by error in December 1950.

[10] See ch. 2. For a discussion of the Tariff Commission's investigation and recommendations, see the section of this chapter on activities under the escape clause in trade agreements.

the action he has taken to include such escape clauses in existing trade agreements.

The procedure for administering the escape clause originally was established by Executive order.[11] Since June 1951 it has been prescribed by section 7 of the Trade Agreements Extension Act of 1951. Both the Executive order and the extension act of 1951 designated the Tariff Commission as the agency to make investigations to determine whether there is cause for invoking the escape clause. Under the act of 1951, the Commission must complete its investigation and make its report within 1 year after the application for investigation has been filed. Section 8 of the extension act of 1951 provides that when the Secretary of Agriculture reports that emergency treatment is required because of the perishability of an agricultural commodity, the report of the Commission to the President and his decision must be made not more than 25 calendar days after the case is submitted to the Tariff Commission.[12] Under those circumstances, the President also may take immediate action if he deems it necessary, without awaiting the report and recommendations of the Commission.

Report by the President to the Congress on Escape Clauses in Trade Agreements

On January 10, 1952, as required by section 6 (b) of the Trade Agreements Extension Act of 1951, the President submitted to the Congress his first report on the status of trade-agreement escape clauses.

In his report the President stated that all but six of the country's existing trade agreements conform to the escape-clause policy set forth in section 6 (a) of the extension act of 1951. These six are the bilateral agreements with Ecuador, El Salvador, Guatemala, Honduras, Turkey, and Venezuela. As to the status of these six "nonconforming" agreements, the President reported as follows: (1) Steps were under way to terminate the agreement with Turkey after that country's accession to the General Agreement on Tariffs and Trade in October 1951.[13] (2) On August 29, 1951, the United States gave formal public notice of its intention to renegotiate its 1939 trade agreement with Venezuela, at which time the United States would seek to include an escape clause in that agreement. (3) The Trade Agreements Committee had established subcommittees

[11] Executive Orders 9832, 10004, and 10082.

[12] Sec. 8 provides for investigation by the Commission (and decision by the President) under either the escape clause or sec. 22 of the Agricultural Adjustment Act, whichever is applicable.

[13] By an exchange of notes on July 5, 1952, the United States and Turkey terminated their bilateral trade agreement, effective August 4, 1952.

to examine the agreements with Ecuador, El Salvador, Guatemala, and Honduras, and to formulate proposals thereon.

Since this was the President's first report to the Congress under section 6 (b), it discussed the pertinent safeguarding provisions in those agreements that he reported as conforming to the policy set forth in section 6 (a). According to the report, the General Agreement on Tariffs and Trade and the bilateral trade agreements with Paraguay and Switzerland all contain standard escape clauses which permit carrying out the policy set forth in section 6 (a). The remaining five bilateral agreements—those with Argentina, Iceland, Iran, Peru,[14] and Uruguay—contain safeguarding provisions which, although not as specifically worded as the standard escape clause, are sufficiently broad to permit the action envisaged by section 6 (a).

Applications for Investigations

On July 1, 1951, 4 escape-clause investigations were pending before the Tariff Commission and the Commission had deferred action on one application to study future developments. During the ensuing 12 months, the Commission received and instituted investigations on 14 escape-clause applications. Thus, a total of 19 escape-clause investigations were pending before the Commission during the period, or some portion of the period, covered by this report.[15] As of June 30, 1952, the Commission had completed investigations relating to 4 of these applications [16] and had accepted the withdrawal of the deferred application; investigations relating to the remaining applications were in process. The nature and status of the individual escape-clause applications that were pending before the Commission within the period July 1, 1951, to June 30, 1952, are shown in the accompanying list.

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[14] After Peru's accession to the General Agreement on Tariffs and Trade in October 1951, the United States and Peru terminated their bilateral trade agreement.

[15] Between April 20, 1948, when the first application for escape-clause investigation was made, and June 30, 1952, the Tariff Commission received a total of 37 applications. A complete list of the applications received up to June 30, 1951, and their status on that date, is given in *Operation of the Trade Agreements Program* (fourth report), ch. 7.

[16] See the section of this chapter on investigations completed.

Applications for escape-clause investigations pending before the Tariff Commission during the period July 1, 1951–June 30, 1952

Commodity	Name and address of applicant	Date received	Status
1. Knit gloves and knit mittens, finished or unfinished, wholly or in chief value of wool. Gloves and mittens, embroidered in any manner, wholly or in chief value of wool. Gloves and mittens, knit or crocheted, finished or unfinished, wholly or in chief value of cotton.	Association of Knitted Glove and Mitten Manufacturers, Gloversville, N. Y.	Aug. 5, 1949	Action deferred to study further developments Nov. 22, 1949. Application withdrawn July 5, 1951; withdrawal accepted, without prejudice, by the Commission July 11, 1951.
2. Hatters' furs, or furs not on the skin, prepared for hatters' use, including fur skins carroted.	Hatters' Fur Cutters Association of the U. S. A., New York, N. Y.	June 22, 1950	Investigation instituted Jan. 5, 1951. Hearing held Feb. 6, 1951. Investigation completed Nov. 9, 1951. Concession modified by Presidential proclamation of Jan. 5, 1952.
3. Jeweled watches and watch movements containing 7 but not more than 17 jewels, and parts therefor.	Elgin National Watch Co., Elgin, Ill. Hamilton Watch Co., Lancaster, Pa.	Feb. 13, 1951	Investigation instituted on all watches and watch movements and parts therefor, Mar. 22, 1951. Hearing held May 15–24, 1951. Investigation completed June 14, 1952. Modification in concession recommended to the President. Recommendation rejected by the President Aug. 14, 1952.
4. Motorcycles and parts.	Harley-Davidson Motor Co., Milwaukee, Wis.	May 21, 1951	Investigation instituted June 29, 1951. Investigation extended to include parts July 19, 1951. Hearing held Sept. 18–27, 1951. Investigation completed June 16, 1952. No modification in concession recommended.

Applications for escape-clause investigations pending before the Tariff Commission during the period July 1, 1951–June 30, 1952—Continued

Commodity	Name and address of applicant	Date received	Status
5. Blue-mold cheese	National Cheese Institute, Inc., Chicago, Ill.	June 11, 1951	Investigation instituted June 29, 1951. Hearing held Apr. 14, 1952. Investigation completed June 12, 1952. No modification in concession recommended.
6. Screws, commonly called wood screws, of iron or steel.	United States Wood Screw Service Bureau, New York, N. Y.	Aug. 15, 1951	Investigation instituted Aug. 22, 1951. Investigation completed Dec. 29, 1951. No modification in concession recommended.
7. Spring clothespins (second application).	Clothespin Manufacturers of America, Washington, D. C.	Aug. 22, 1951	Investigation instituted Sept. 10, 1951. Hearing held Nov. 13, 1951.
8. Fresh or frozen groundfish fillets.	Massachusetts Fisheries Association, Inc., Boston, Mass.; and others.	Sept. 10, 1951	Investigation instituted Sept. 17, 1951. Hearing held Nov. 26–29, 1951.
9. Garlic	Robert S. Stapleton, Gilroy, Calif.	Oct. 8, 1951	Investigation instituted Oct. 15, 1951. Hearings held Feb. 13 and 26, 1952. Investigation completed June 6, 1952. Modification in concession recommended to the President. Recommendation rejected by the President July 21, 1952.
10. Bicycles and parts	Bicycle Manufacturers Association of America, New York, N. Y. Cycle Parts and Accessories Manufacturers Association, New York, N. Y.	Oct. 11, 1951	Investigation instituted Oct. 15, 1951. Hearing held Mar. 3–6, 1952.
11. Cherries, candied, crystallized, or glace.	Maraschino Cherry and Glace Fruit Association, New York, N. Y.	Oct. 26, 1951	Investigation instituted Oct. 31, 1951. Hearing held Mar. 10 and 11, 1952.
12. Bonito canned in oil, and tuna and bonito, canned, not in oil.	California Fish Canners Association, Inc., Terminal Island, Calif.; and others.[1]	Nov. 28, 1951	Investigation instituted Dec. 28, 1951. Hearing held Jan. 29–Feb. 4, 1952.

[1] Applications were received from the Columbia River Salmon and Tuna Packers Association, Astoria, Oreg., on Dec. 12, 1951; the Pacific Coast Fish Producers Institute, Westport, Wash., on Dec. 19, 1951; the American Tunaboat Association and the Lower California Fishermen's Association, San Diego, Calif., on Dec. 20, 1951; and the International Association of Machinists, Lodge 389, San Diego, Calif., on Jan. 4, 1952.

Applications for escape-clause investigations pending before the Tariff Commission during the period July 1, 1951–June 30, 1952—Continued

Commodity	Name and address of applicant	Date received	Status
13. Tobacco pipes and tobacco-pipe bowls of wood or root.	American Smoking Pipe Manufacturers Association, New York, N. Y.	Dec. 29, 1951	Investigation instituted Jan. 10, 1952. Hearing held Mar. 24 and 25, 1952.
14. Specified household china tableware, kitchenware, and table and kitchen utensils.	Vitrified China Association, Inc., Washington, D. C. National Brotherhood of Operative Potters, East Liverpool, Ohio.	Feb. 11, 1952	Investigation instituted Feb. 15, 1952. Hearing held June 23–26, 1952.
15. Dried figs	California Fig Institute, Fresno, Calif.	Mar. 17, 1952	Investigation instituted Mar. 19, 1952. Hearing held Apr. 22–25, 1952.
16. Screws, commonly called wood screws, of iron or steel (second application).	United States Wood Screw Service Bureau, New York, N. Y.	Apr. 1, 1952	Investigation instituted Apr. 4, 1952. Hearing held June 30 and July 1, 1952.
17. Pregnant mares' urine.	National P. M. U. Producers Association, Farmer City, Ill.	Apr. 8, 1952	Investigation instituted Apr. 16, 1952.
18. Chalk or whiting or Paris white, dry, ground, or bolted.	Southwark Manufacturing Co., Camden, N. J.	Apr. 10, 1952	Investigation instituted Apr. 16, 1952. Hearing held July 8, 1952.
19. Woodwind musical instruments and parts.	Penzel, Mueller and Co., Inc., New York, N. Y.	Apr. 29, 1952	Investigation instituted May 6, 1952. Hearing held Aug. 5–7, 1952.

Investigations Completed

Hatters' fur

In response to an application filed by the Hatters' Fur Cutters Association of the United States of America, the Tariff Commission on January 5, 1951, instituted an escape-clause investigation of hatters' furs, or furs not on the skin, prepared for hatters' use, including fur skins carroted.[17] A public hearing was held on February 6, 1951. The duty on hatters' fur, which was 35 percent ad valorem under the Tariff Act of 1930, had been reduced to 27½ percent ad valorem on May 1, 1935, pursuant to a bilateral trade agreement with the Belgo-Luxembourg Economic Union, and to 15 percent ad valorem on January 1, 1948, pursuant to the General Agreement on Tariffs and Trade.

[17] The Commission originally ordered the investigation under par. 13 of Executive Order 10082. On June 15, 1951, it ordered the investigation continued under sec. 7 of the Trade Agreements Extension Act of 1951.

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In its report, submitted to the President on November 9, 1951,[18] the Commission found that, as a result in part of the duty of 15 percent ad valorem reflecting the concession granted in the General Agreement, hatters' fur was being imported into the United States in such increased quantities as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such serious injury. The Commission also found that application to imports of hatters' fur of a rate of duty of 47½ cents per pound, but not less than 15 percent or more than 35 percent ad valorem, was necessary to prevent the continuance of serious injury. In its statement of facts bearing on the findings, the Commission pointed out, among other things, that the injury which the domestic industry had suffered from imports had resulted largely from increased imports of low-grade hatters' fur, and from increased imports at times when the prices of hatters' fur were low. Consequently the least restrictive, and yet effective, remedy would be a change in the form of duty that would take into account the differences in grades and changes in prices of hatters' fur.

In view of its findings the Commission recommended to the President that he modify the concession on hatters' fur to permit application of the above-mentioned rates of duty to imports of that product for an indefinite period. The Commission stated that it would keep developments with respect to hatters' fur under constant review for the purpose of making whatever recommendation might thereafter be warranted by changed conditions. By a proclamation of January 5, 1952 (effective February 9, 1952), the President modified the concession on imports of hatters' fur in accordance with the Commission's recommendations.

The modification of the rate of duty on hatters' fur had the following effects: It restored the rate of 35 percent ad valorem specified in the Tariff Act of 1930 on imports in the low-value range ($1.36 or less per pound); continued the concession rate of 15 percent ad valorem granted in the General Agreement on imports in the high-value range ($3.16⅔ or more per pound); and imposed a specific rate of 47½ cents per pound (equivalent to between 35 and 15 percent ad valorem, depending on the unit value) on imports in the middle-value range (between $1.36 and $3.16⅔ per pound).

Wood screws of iron or steel

In response to an application filed by the United States Wood Screw Service Bureau, the Tariff Commission on August 22, 1951, instituted an escape-clause investigation of screws, commonly called wood screws, of iron or steel. The Commission did not hold a public hearing in this investigation, since, in the opinion of the majority of the Commission, no

[18] Later printed under the title *Hatters' Fur: Report to the President on the Escape-Clause Investigation*, Rept. No. 178, 2d ser., 1953.

evidence of injury was apparent in the premises, and, hence, no hearing was required. Under the Tariff Act of 1930, the rate of duty on wood screws was 25 percent ad valorem. As a result of negotiations under the General Agreement at Geneva, the duty was reduced to 15 percent ad valorem, effective January 1, 1948. Pursuant to negotiations under the General Agreement at Torquay, it was further reduced to 12½ percent ad valorem, effective June 6, 1951.

In its report released on December 29, 1951,[19] the Commission found (Commissioners Brossard and Gregg dissenting) that, notwithstanding the recent substantial increase in imports of wood screws of iron or steel, such imports were not causing or threatening serious injury to the domestic industry producing like or directly competitive products. Accordingly, the Commission made no recommendation to the President for action under the escape clause.[20]

In their dissenting statement, Commissioners Brossard and Gregg stated that, in their belief, sufficient evidence of threat of serious injury was present to have required a public hearing under the provisions of section 7 of the Trade Agreements Extension Act of 1951. Without an opportunity to examine witnesses and to develop factual information from interested parties who might have appeared at a hearing, they were unwilling to concur in the finding that threat of serious injury did not exist.

Blue-mold cheese

On June 29, 1951, as the result of an application filed by the National Cheese Institute, Inc., the Tariff Commission instituted an escape-clause investigation of blue-mold cheese (not including Roquefort cheese). A public hearing was held April 14, 1952. Under the Tariff Act of 1930, the rate of duty on blue-mold cheese was 7 cents per pound but not less than 35 percent ad valorem. Pursuant to the bilateral trade agreement with France, the United States in June 1936 reduced the rate to 5 cents per pound but not less than 25 percent ad valorem. As a result of the negotiations under the General Agreement at Geneva in 1947, the United States bound against increase the rate specified in the trade agreement with France. Pursuant to the negotiations under the General Agreement at Annecy, the United States, effective May 1950, further reduced the rate to 3 cents per pound but not less than 15 percent ad valorem.

In its report released on June 12, 1952,[21] the Commission found (Com-

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[19] U. S. Tariff Commission, *Wood Screws of Iron or Steel: Report on Escape-Clause Investigation Under Section 7 of the Trade Agreements Extension Act of 1951*, 1951 [processed].

[20] On April 4, 1952, the Commission instituted a second escape-clause investigation of wood screws in response to a second application filed by the United States Wood Screw Service Bureau.

[21] Later printed under the title *Blue-Mold Cheese: Report on the Escape-Clause Investigation*, Rept. No. 179, 2d ser., 1953.

missioner Gregg dissenting) that blue-mold cheese was not being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. Accordingly, the Commission made no recommendation to the President for action under the escape clause. In dissenting, Commissioner Gregg was of the opinion that the appropriate finding would have been that there was serious injury, or the threat thereof, to the domestic industry producing blue-mold cheese.

On July 31, 1951, shortly after the investigation was instituted, the Defense Production Act of 1950 was amended by the addition thereto of section 104.[22] Pursuant to that section the United States Department of Agriculture on August 9, 1951, imposed certain restrictions on imports of cheese, including blue-mold cheese. The Commission made its finding in the light of these restrictions. In its report, however, the Commission indicated that, should import restrictions under section 104 be terminated, a situation might develop which would require prompt action to prevent increased imports of blue-mold cheese from causing or threatening serious injury to the domestic industry. Such action might be taken either under section 7 of the Trade Agreements Extension Act of 1951 (the escape-clause procedure), or under section 22 of the Agricultural Adjustment Act, as amended.

Motorcycles and parts

In response to an application filed by the Harley-Davidson Motor Co., the Commission on June 29, 1951, instituted an escape-clause investigation of motorcycles. On July 19, 1951, it extended the investigation to include parts for motorcycles. A public hearing was held September 18–27, 1951. Under the Tariff Act of 1930, the rate of duty on motorcycles was 10 percent ad valorem, and that on motorcycle parts, 25 percent ad valorem. Pursuant to the General Agreement on Tariffs and Trade, effective January 1, 1948, the rates of duty on these products have been 10 percent and 15 percent ad valorem, respectively.

On June 16, 1952, the Commission released a report of its findings and conclusions.[23] The Commission found (Commissioners Brossard and Gregg dissenting) that motorcycles and motorcycle parts were not being imported into the United States in such increased quantities, actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. Accordingly, the Commission made no recommendation to the President for action under the escape clause.

[22] See the section of this chapter on restrictions under the Defense Production Act of 1950.

[23] Later printed under the title *Motorcycles and Parts: Report on the Escape-Clause Investigation*, Rept. No. 180, 2d ser., 1953.

In their dissenting statement, Commissioners Brossard and Gregg stated that in their view motorcycles and motorcycle parts were, in part as the result of the customs treatment reflecting the trade-agreement concessions on those products, being imported in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

QUANTITATIVE RESTRICTIONS ON IMPORTS INTO THE UNITED STATES

During the last half of 1951 and the first half of 1952 quantitative restrictions on imports into the United States were in effect with respect to the following commodities: (1) Cotton and wheat and wheat flour, under section 22 of the Agricultural Adjustment Act, to prevent imports from interfering with domestic programs affecting the production or marketing of those commodities; (2) sugar, under the sugar act, to control the quantity of sugar supplied from both foreign and domestic sources; (3) certain fats and oils and rice and rice products, under the Second War Powers Act, to facilitate the acquisition or distribution of products in world short supply or to permit the orderly liquidation of temporary surpluses of stocks owned or controlled by the Government; (4) certain dairy products, fats and oils, and rice and rice products, under section 104 of the Defense Production Act of 1950, for various purposes; and (5) sugar, cordage, rice, cigars, scrap tobacco, coconut oil, and buttons of pearl or shell imported from the Republic of the Philippines, under the Philippine Trade Act of 1946, to assist in gradually eliminating tariff preferences in the United States for Philippine products. These restrictions are discussed in detail in the following sections of this chapter.

The United States also prohibits or restricts imports of a wide range of other articles under various legislative acts, to protect public morals; to protect human, animal, or plant life or health; to control the importation of gold or silver; to facilitate customs enforcement; to protect patents, trademarks, and copyrights; to prevent deceptive practices, misrepresentations, and unfair competition; and to prevent importation of the products of forced labor. These prohibitions and restrictions were discussed in some detail in chapter 7 of the Commission's fourth report on the operation of the trade agreements program.

For convenience, the following section on restrictions under section 22 of the Agricultural Adjustment Act includes a discussion of the Tariff Commission's investigation of tree nuts under section 22 and the imposition by Presidential proclamation of a fee on imports of shelled and blanched almonds, as recommended by the Commission. The tree-nut investigation by the Tariff Commission covered not only shelled and blanched almonds, on which no trade-agreement concession had been made, but also other kinds of nuts on which the United States has made such concessions.

Restrictions Under Section 22 of the Agricultural Adjustment Act

During the period July 1, 1951, to June 30, 1952, the United States continued to apply quantitative restrictions (quotas [24]) on the importation of cotton and wheat and wheat flour, and, during part of that period, imposed a fee on imports of shelled and blanched almonds, under the provisions of section 22 of the Agricultural Adjustment Act, as amended. Section 22 authorizes the President to restrict imports of any commodity, by imposing either import fees or quota limitations, whenever such imports render or tend to render ineffective, or materially interfere with, programs of the United States Department of Agriculture relating to agricultural commodities. Before the President takes any action under section 22 he is required in ordinary circumstances to await an investigation (including a public hearing) and recommendations by the Tariff Commission. The Trade Agreements Extension Act of 1951 (sec. 8) provides that, upon report by the Secretary of Agriculture that emergency treatment is required because of the perishability of an agricultural commodity, the Commission's report to the President and the President's decision must be made not more than 25 calendar days after the case is submitted to the Tariff Commission.[25] Under those circumstances, the President also may take immediate action if he deems it necessary, without awaiting the Commission's recommendations.

Cotton

To prevent interference with programs of the Department of Agriculture affecting the production or marketing of domestic cotton, the United States in 1939 established import quotas for cotton having a staple of less than 1⅛ inches (except harsh or rough cotton having a staple of less than ¾ inch); for long-staple cotton 1⅛ inches and longer; and for certain wastes, consisting of card strips and of comber, lap, sliver, and roving waste. In 1940 the restrictions on imports of cotton having a staple of 1$^{11}/_{16}$ inches or more were removed; in 1942, those on imports

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[24] This discussion, as well as the following discussions on restrictions under the sugar act and under the Philippine Trade Act of 1946, relates only to quotas that limit the total quantity of imports. Such "absolute" quotas are to be distinguished from "tariff" quotas, established for a number of individual articles in various trade agreements. Under tariff quotas specified quantities of the articles may enter the United States at reduced rates of duty; imports in excess of the quota are subject to higher rates of duty, but they may be entered in unlimited quantities.

[25] Sec. 8 provides for investigation by the Commission (and decision by the President) under either the escape clause or sec. 22 of the Agricultural Adjustment Act, whichever is applicable.

of card strips made from cotton having a staple of 1 3/16 inches or more were also removed. In 1946, quotas were imposed on imports of harsh or rough cotton having a staple of less than 3/4 inch. Since their adoption, the quotas have not been changed, although supplemental quotas have been granted from time to time for certain long-staple cottons. Both the basic and supplemental quotas on cotton have been established by Presidential proclamation upon the recommendation of the Tariff Commission.

During the period covered by this report the Commission made no investigations relating to cotton under section 22. As the Commission had recommended in June 1951 after such an investigation, however, the President proclaimed a supplemental import quota, effective in July 1951, which permitted entry of 1,500,000 pounds of harsh or rough cotton (except cotton of perished staple, grabbots, and cotton pickings), white in color and having a staple of 1 3/16 inches or more but less than 1 3/8 inches in length, during the remainder of the quota year (to January 31, 1952).[26]

The quotas on short-staple cotton (cotton having a staple of less than 1 1/8 inches) and on cotton wastes have regularly not been filled, although some countries have supplied their full allocations.[27] Similarly, the global quota on harsh or rough cotton having a staple of less than 3/4 inch has regularly not been filled. In most recent years (although not in earlier years) the quota on long-staple cotton has been filled, and in some of those years additional quantities have been imported under supplemental quota. In contrast, the current quota on long-staple cotton (for the 12 months ending January 31, 1953) has not yet (June 30, 1952) been filled.

Wheat and wheat flour

Since May 1941, under the provisions of section 22 of the Agricultural Adjustment Act, the United States has restricted imports of wheat and wheat flour, semolina, crushed or cracked wheat, and similar wheat products in order to prevent interference with programs of the Department of Agriculture to control the production or marketing of domestic wheat. Imports in any quota year are limited to 800,000 bushels of wheat and to 4 million pounds of wheat flour, semolina, and similar products. Virtually all of both quotas has been allocated to Canada. Since their adoption in 1941, the quotas have not been changed, but exceptions have at times been made for distress shipments, for seed wheat, for wheat to be used for experimental purposes, and for wheat imported

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[26] For a discussion of this investigation, as well as three others made by the Commission in 1950 and the first half of 1951, see *Operation of the Trade Agreements Program* (fourth report), pp. 147–149.

[27] The quotas on cotton having a staple of less than 1 1/8 inches (except harsh or rough cotton having a staple of less than 3/4 inch) and on cotton wastes are allocated by country of origin. The quotas on other cottons are global; they are not allocated by country of origin.

during the war by the War Food Administrator (virtually all of which was for animal feed).

The annual quota on imports of wheat from Canada has regularly been filled. That on imports of flour from Canada has been filled in recent years, although it was not in most earlier years. Quotas on imports from countries other than Canada generally have not been filled, partly because these quotas are for less than commercial quantities.

Edible tree nuts

At the request of the President, the Tariff Commission on April 13, 1950, instituted an investigation of almonds, filberts, walnuts, brazil nuts, and cashews under section 22 of the Agricultural Adjustment Act, as amended. The investigation was ordered to determine whether any of these tree nuts were being, or were practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, any programs undertaken by the Department of Agriculture with respect to domestic walnuts, filberts, almonds, or pecans, or to reduce substantially the amount of any product processed in the United States from those domestic nuts. After investigation, including a public hearing, the Commission reported to the President on November 24, 1950, that there was at that time no basis for imposing restrictions under section 22 on imports of the tree nuts involved. The Commission, however, advised the President that it was continuing the investigation.

On July 12, 1951, on the basis of information regarding the outlook for the 1951–52 crop year, the Commission ordered a second public hearing. The hearing was held September 12–14, 1951, and the Commission made its second report to the President on November 28, 1951. In its report, the Commission found (1) that imports of shelled and blanched almonds during the 12-month period ending September 30, 1952, were practically certain to render ineffective, or materially interfere with, the marketing-agreement-and-order program on almonds undertaken by the Department of Agriculture under the Agricultural Marketing Agreement Act of 1937, as amended; (2) that, to prevent imports of shelled and blanched almonds from rendering ineffective, or materially interfering with, that program, it would be necessary to impose a fee of 10 cents per pound but not more than 50 percent ad valorem (in addition to the existing duties under the Tariff Act of 1930) on imports of shelled and blanched almonds in excess of an aggregate quantity of 4,500,000 pounds during the period October 1, 1951, to September 30, 1952, provided that not more than 500,000 pounds of blanched almonds might be included in the fee-free quota of 4,500,000 pounds; and (3) that restrictions under the provisions of section 22 on imports of the other tree nuts included in the investigation were not warranted at that time.

The Commission recommended to the President that he impose on imports of shelled or blanched almonds the fee specified in its findings. It also recommended that, to avoid any possible retroactive application of the fee, it not be imposed on any almonds entered for consumption between October 1, 1951, and the close of business on the date of the proclamation. On December 10, 1951, the President issued a proclamation imposing the fee recommended by the Commission, effective after the close of business on that date.

In its report to the President, as in its interim report of November 1950, the Commission stated that it would continue its investigation on tree nuts under section 22 in order to determine what restrictions, if any, might be necessary in the future. As part of that investigation, the Commission, on June 19, 1952, ordered a third public hearing, to begin on July 28, 1952.

Restrictions Under the Sugar Act

Beginning with the Sugar Act of 1934 and continuing with the Sugar Acts of 1937 and 1948, all sugar for the United States market, whether domestic or imported, has been limited by absolute quotas, except during periods of emergency when the President has exercised his authority to suspend the restrictions.

Under the system of restrictions employed, the Secretary of Agriculture determines the quantity of sugar needed each year to supply the requirements of consumers in continental United States, taking into account "prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry." The quantity is then allocated, in the manner specified by law, among the producing areas in continental United States, its outlying territories and possessions, the Republic of the Philippines, Cuba, and other foreign countries.

In general, the allocations have been apportioned according to the shares of domestic consumption that were supplied by the respective sources before the controls were imposed. Under current legislation, the quotas for domestic areas (continental United States, Hawaii, Puerto Rico, and the Virgin Islands) and the Philippines are absolute quantities. The remainder of the total amount determined each year by the Secretary of Agriculture is allocated proportionately to Cuba (98.64 percent) and to other foreign countries not including the Philippines (1.36 percent). Hence, any increment resulting from the expansion of consumption is conferred almost entirely on Cuba unless, of course, Cuba is unable to fill it. The sugar act provides for reallocation of deficits from any supplying area, and, for some areas, limits the quantity that may be supplied as refined (direct consumption) sugar. Separate quotas on imports of liquid sugar from foreign countries are also established by law. Imports of liquid sugar are currently permitted, in specified quantities, only from Cuba and the Dominican Republic.[28]

On September 1, 1951, the President approved legislation (Public Law 140, 82d Cong.) to extend and amend the Sugar Act of 1948. The new law, which became effective January 1, 1953, extends the Sugar Act of 1948 for 4 years. Among other things, it increases the fixed quotas for Puerto Rico and the Virgin Islands; decreases (from 98.64 percent to 96 percent) Cuba's share of the amount allocated to foreign countries other than the Philippines and correspondingly increases the share allocated to foreign countries other than Cuba and the Philippines; and establishes a quota for imports of liquid sugar from the British West Indies.[29]

Although the quotas on sugar have been restrictive in most years, they were not generally so during 1951 because the price of free-market sugar was, as a result of "war scare" buying of sugar in foreign countries, materially above the price of sugar in the United States (duty paid). Consequently, after the reallocation of deficits, the quotas in 1951 did not restrict deliveries from any major supplying area except Puerto Rico. In the first half of 1952, chiefly as a result of decreased prices of sugar in the world market, the United States price of sugar was higher than the price of Cuban free-market sugar. The initial quota for 1952—7,700,000 tons—is smaller than that for 1951; the Secretary of Agriculture in his initial determination made a so-called negative allowance of 400,000 tons as a price stimulus. In 1952, therefore, the quotas on sugar are again restrictive.

Restrictions Under the Second War Powers Act

During the first 7 months of 1951 the United States, under the provisions of the Second War Powers Act, continued to control imports of certain fats and oils and rice and rice products by means of licenses for individual shipments issued to importers by the Department of Agriculture. These restrictions were maintained as measures to aid in the distribution of products that were in world short supply or to assist in the orderly liquidation of temporary surpluses of stocks owned or controlled by the Government.

In July 1951, as in the previous months of that year, the specific commodities subject to import licensing were butter; butter oil; flaxseed; flaxseed screenings; linseed oil, and combinations and mixtures in chief value of such oil; peanuts, blanched, roasted, prepared, or preserved;

[28] For a discussion of the principal changes made in the original legislation by the Sugar Acts of 1937 and 1948, see *Operation of the Trade Agreements Program* (fourth report), pp. 150 and 151.

[29] The quota for imports of liquid sugar from the British West Indies was established to permit entry into the United States of a limited quantity of high-grade molasses that falls within the tariff definition of liquid sugar.

peanut butter; peanut oil; peanuts, shelled or not shelled; paddy rice; uncleaned or brown rice; cleaned or milled rice; cleaned Patna rice, for use in canned soups; rice meal, flour, polish, and bran; rice starch; and broken rice.

Those provisions of the Second War Powers Act under which the restrictions were imposed expired on July 31, 1951. However, similar import controls were almost immediately imposed on virtually all the commodities listed above (as well as on other products) under section 104 of the Defense Production Act of 1950.[80]

Restrictions Under the Defense Production Act of 1950

Section 104 of the Defense Production Act of 1950, which became effective on July 31, 1951,[81] provides that no imports of certain specified commodities shall be admitted to the United States until after June 30, 1952, whenever the Secretary of Agriculture determines that such imports would (1) impair or reduce the domestic production of any such commodity below the present production levels, or below such higher levels as the Secretary of Agriculture may deem necessary in view of domestic and international conditions, or (2) interfere with the orderly domestic storing and marketing of any such commodity, or (3) result in any unnecessary burden or expenditures under any Government price-support system. The products specified in section 104 are fats and oils,[82] peanuts, butter, cheese and other dairy products, and rice and rice products.

On August 9, 1951, under the provisions of section 104, the Secretary of Agriculture imposed import controls on the following commodities: Butter; butter oil; casein or lactarene, and mixtures in chief value thereof, n. s. p. f.; cheese; flaxseed (linseed); flaxseed screenings, scalpings, chaff, or scourings; linseed oil and combinations and mixtures in chief value of such oil; skimmed dried milk (nonfat dried milk solids); peanuts, blanched, roasted, prepared, or preserved; peanuts, shelled or not shelled; peanut oil; paddy rice; uncleaned or brown rice; cleaned or milled rice; cleaned Patna rice, for use in canned soups; rice meal, flour, polish, and bran; broken rice; and rice starch. Under the General Agreement on Tariffs and Trade or bilateral trade agreements, the United States has concessions in effect on all these commodities except the following: Linseed oil and

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[80] For some of the commodities subject to import licensing under the Second War Powers Act, similar import controls were already in effect on July 31, 1951, under sec. 101 of the Defense Production Act. These restrictions were replaced on August 9, 1951, by regulations imposed under the provisions of sec. 104 of the Defense Production Act. For a discussion of the restrictions imposed under sec. 104, see the following section of this chapter on restrictions under the Defense Production Act of 1950.

[81] Sec. 104 was added to the Defense Production Act of 1950 (Public Law 774, 81st Cong.) by the Defense Production Act Amendments of 1951 (Public Law 96, 82d Cong.).

[82] Including oil-bearing materials, fatty acids, and soap and soap powder, but excluding petroleum and petroleum products and coconuts and coconut products.

combinations and mixtures in chief value of such oil; peanuts, blanched, roasted, prepared, or preserved; peanut oil; shelled peanuts; paddy rice; uncleaned or brown rice; and cleaned Patna rice, for use in canned soups.

Under section 104, imports of the commodities listed above are controlled by licenses issued by the Department of Agriculture. During the period August 9, 1951–June 30, 1952, licenses were issued for flaxseed, peanuts, and rice, when imported for planting purposes; for flaxseed screenings, scalpings, chaff, or scourings, when imported for stock feed; for imports of brewers' rice, under certain circumstances; for imports of rice starch for industrial use, under certain circumstances, but not in excess of a total of 500 metric tons; for imports of cheese, at the average rate of imports during the 3-year period 1948–50; and for imports of casein or lactarene, and mixtures in chief value thereof, n. s. p. f., at the average rate during the 12-month period July 1950–June 1951. In other instances, import permits in general were not granted.[33]

The effect of the restrictions established on imports under section 104 has varied markedly from one product to another. Under the licensing system, imports of some commodities—such as butter—have been virtually excluded and imports of other commodities—such as cheese—have been sharply curtailed. Imports of other commodities—such as flaxseed—probably have been little affected. For still other commodities—such as broken rice, flaxseed screenings for stock feed, and flaxseed, peanuts, and rice for planting—licenses were issued freely and the controls therefore were not restrictive.

On June 30, 1952, the President signed the Defense Production Act Amendments of 1952 (Public Law 429, 82d Cong.), which, among other things, extended section 104 of the Defense Production Act of 1950, in modified form, through June 30, 1953. In most respects the new law does not change the original provisions of section 104, described above. It provides, however, that the Secretary of Agriculture may impose import restrictions on specific types or varieties of the listed commodities, as on specific kinds of cheese. It also authorizes the Secretary of Agriculture, when he deems it necessary (after considering "the broad effects upon international relationships and trade"), to permit additional imports of each type or variety of the specified commodities, not in excess of 15 percent of the import limitation established thereon under section 104.

Restrictions Under the Philippine Trade Act

As part of extensive provisions for the transition of Philippine products, upon entry into the United States, from their present duty-free status

[33] The Department of Agriculture permits entry of any of the listed commodities if they are owned by the U. S. Government, if they are samples or are for personal use or gifts and are valued at less than $25, and under certain other circumstances.

to full-duty status, the Philippine Trade Act of 1946[34] established absolute quotas on imports from the Philippines of rice, cigars, scrap and filler tobacco, coconut oil, and buttons of pearl or shell. The act continued with some modification the absolute quota on imports of sugar from the Philippines provided for in the Sugar Act of 1937. It also continued without change the absolute quota on imports of hard-fiber cordage provided for in the Philippine Independence Act of 1939. Under the Philippine Trade Act, those commodities that are subject to import quotas, together with all other Philippine products, will become dutiable by gradual steps, beginning July 4, 1954. After July 3, 1974, when the full duties will apply, the quotas will no longer be imposed under the terms of the act.

Besides the quotas specifically provided for, the Philippine Trade Act of 1946 authorizes the President to establish absolute quotas on imports of other Philippine articles which he finds, after investigation by the Tariff Commission, are coming, or are likely to come, into substantial competition with like articles which are the product of the United States. Thus far, no action has been taken under this provision.

Until 1951, none of the quotas provided for in the Philippine Trade Act of 1946 were restrictive. In 1951 the quota on imports of hard-fiber cordage was filled in November; none of the other quotas, however, were filled during that year.

MIXING REGULATIONS FOR RUBBER

During most of the period covered by this report, the United States continued to maintain mixing regulations for a comprehensive list of rubber manufactures.[35] These regulations were part of a broad program of controls, established pursuant to the Rubber Act of 1948[36] and the Defense Production Act of 1950, to conserve the supply of rubber for national defense and to assure its equitable distribution.

The mixing regulations for rubber, which were in the form of so-called manufacturing specifications, fixed the maximum percentage of natural rubber that could be used in the manufacture of each rubber product. Under these regulations, no natural rubber could be used in certain specified products; only a specified maximum percentage could be used in others; and still others could be made entirely of natural rubber. On

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[34] The provisions of the Philippine Trade Act were accepted by the Philippine Government on July 3, 1946; in the following year they were incorporated in an executive agreement between the United States and the Republic of the Philippines.

[35] The United States has maintained some form of mixing regulations for rubber since July 1, 1941. See *Operation of the Trade Agreements Program* (fourth report), pp. 156 and 157.

[36] On June 23, 1952, the President signed legislation (Public Law 404, 82d Cong.) extending the Rubber Act of 1948 from June 30, 1952, to March 31, 1954.

April 21, 1952, the United States revoked the manufacturing specifications as well as most other controls relating to rubber.

During the period July 1, 1951, to April 21, 1952, the United States mixing regulations for rubber apparently had little or no hampering effect on imports of natural rubber. United States imports of rubber during that period, which were for both stockpile and current consumption, were limited primarily by the supply available.

SUBSIDIES

Article XVI of the General Agreement provides that "if any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the Contracting Parties in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary."

On March 11, 1952, pursuant to this article, the United States submitted to the Contracting Parties its third notification on subsidies.[37] In this notification, which contained preliminary data on the subsidies in effect during the fiscal year 1951–52, the United States reported on the export-subsidy programs conducted under section 32 of the Agricultural Adjustment Act, as amended, under section 407 of the Agricultural Act of 1949, and under section 2 of the International Wheat Agreement Act of 1949. In its third notification the United States did not report on price-support operations conducted under the Agricultural Act of 1949; such operations had been discussed in both previous notifications.

Section 32 of the Agricultural Adjustment Act, as amended, provides that certain funds shall be made available annually to the Secretary of Agriculture for a number of purposes, including the encouragement of the exportation of agricultural products by making benefit payments in connection with exports. In its third notification the United States reported that section 32 programs would be in effect during all or part of the fiscal year 1951–52 for fresh apples and pears, dried apples, dried prunes, raisins, honey, and certain citrus fruits and products.

Section 407 of the Agricultural Act of 1949 provides, in effect, that the Commodity Credit Corporation may sell for export, at a loss, any commodity owned or controlled by it. From March through December 1951, export sales under section 407, based on the announced price lists

[37] The United States submitted its first notification on subsidies in April 1950, and its second notification, in April 1951. See *Operation of the Trade Agreements Program* (fourth report), pp. 157–159.

of the Commodity Credit Corporation, included those of dry edible beans, dried whole eggs, nonfat dry milk solids, and white potatoes. As of January 1, 1952, dry edible beans were the only product listed in the Corporation's export price list. From March through December 1951 the Commodity Credit Corporation also sold directly to other governments, at reduced prices, nonfat dry milk solids (to Israel, Japan, the Republic of the Philippines, and Yugoslavia), dried whole eggs (to Israel and the United Kingdom), and dry edible beans (to Israel). In its notification, the United States stated that the bulk of the commodities sold on a government-to-government basis did not enter commercial channels.

In order to adhere to its obligations under the International Wheat Agreement, the Commodity Credit Corporation has paid exporters the difference between the market price for wheat and wheat flour and the wheat-agreement prices. The United States reported that these payments were not the type of subsidy defined in article XVI of the General Agreement.

Chapter 6

Changes in Tariffs, Exchange Controls, and Quantitative Import Restrictions by Countries With Which the United States Has Trade Agreements

INTRODUCTION

As in previous years, this part of the Commission's report on the operation of the trade agreements program deals primarily with important developments in the application of tariffs, exchange-control regulations, and quantitative import restrictions by the various foreign countries with which the United States had trade agreements in force during all or part of the period under review. During 1951–52 there were no outstanding developments in the tariff structure of any of these countries. Certain changes in duties and other charges on imports made as a result of the negotiations at the Torquay Conference of the General Agreement on Tariffs and Trade are discussed in chapter 3 of this report.

During 1951–52 most of the countries with which the United States had trade agreements continued to be in balance-of-payments difficulties, principally concerning trade with the dollar area, but also, in many instances, concerning trade with other areas. The General Agreement permits contracting parties that are experiencing such difficulties to apply quantitative import restrictions as an emergency measure, and such countries tend to rely on these nontariff restrictions rather than on tariffs to limit either imports of certain articles from countries or areas with which they are in balance-of-payments difficulties or total imports of certain articles. The bilateral trade agreements in force between the United States and several foreign countries likewise permit the use of quantitative restrictions on imports for balance-of-payments reasons.

After several years of experience in the use of trade restrictions, the countries that employ them have developed a fairly common pattern of controls. Almost all the countries with which the United States has trade agreements prohibit imports except under license. This means, in practice, that they require traders to obtain import licenses for all or part of the goods that they purchase in the United States and in other hard-currency countries; some countries require licenses for imports from all sources. Most of the countries that require import licenses also require the importer to obtain a permit to purchase the necessary foreign exchange; in virtually all cases the exchange is issued upon presentation of the import permit. In this way countries that employ quantitative restrictions on imports integrate them with their exchange-control measures.

Import licensing generally takes one of two forms—licenses for individual imports, or the open general license. Many countries employ both forms, applying each form to different categories of imports. The system of individual import licensing requires that an individual license be obtained for each import transaction. Under the open general license, the holder of an import permit is granted the right to import any permitted, or listed, commodity. The quantities of a commodity that may be imported are sometimes subject to quota limitations; sometimes the commodity may be imported in unlimited quantities from a particular group of countries for which open general licenses are permitted. A shift from the requirement of an individual license to the use of the open general license usually indicates considerable relaxation of a country's restrictions. A country that is short of dollar exchange, for example, may require individual licenses for imports that are payable in dollars, reserving the open general license for goods from countries with which it is in a more favorable exchange position. As its dollar reserves improve, the country may—temporarily at least—shift some dollar goods to the system of open general licensing.

Import quotas are a type of quantitative restriction widely used, particularly for raw materials. Such quotas are usually established for given periods (commonly 6 months), and may be increased or decreased as the country's exchange position permits, or as policy dictates. Export licensing, export prohibitions, and taxation of exported commodities are practices that have increased in recent years. These practices were particularly prevalent for several months after the outbreak of the Korean conflict, when there was a widespread feeling that strategic materials and other commodities would soon be in short supply. Export licensing also was introduced or intensified to implement the resolution of the United Nations General Assembly (May 18, 1951) which called for the selective embargo of strategic materials to "areas under the control of the Central People's Government of the People's Republic of China and of the North Korean authorities." Many countries applied export duties in order to obtain revenue from commodities for which the foreign demand was strong and for which prices were exceptionally high. Subsequently, as the demand for many commodities slackened and prices declined, the tendency was to relax or remove the restriction on exports, and to reduce or remove export duties.

The use of special measures to stimulate exports, usually in conjunction with import restrictions, as a means of improving a country's balance-of-payments position, has tended to increase in recent years. These measures consist principally of tax rebates, so-called currency-retention plans, and especially favorable terms for the payment of income taxes and other taxes.

The International Monetary Fund seeks to help member countries to eliminate foreign-exchange restrictions that hamper the growth of world trade. With the permission of the Fund, these restrictions may be retained during the postwar transitional period. Although the Fund recognizes exchange restrictions as justifiable in enabling a country to protect its balance-of-payments position, it also provides that exchange restrictions shall be relaxed or removed when countries experience a favorable balance of payments and thus can build up their reserves sufficiently to enable them to maintain the stability of their exchange structure.

A number of countries with which the United States has trade agreements—chiefly in Latin America—employ multiple-exchange (multiple-currency) systems as a principal means of controlling the quantity and composition of their total foreign trade as well as their trade with individual foreign countries or groups of foreign countries. Such practices constitute one of the outstanding forms of exchange control which the International Monetary Fund seeks to eliminate, or at least to simplify as much as possible.

In an effort to increase their trade, many countries enter into bilateral trade agreements and payments agreements with other countries. Some contracting parties to the General Agreement have in force up to 20 or more such agreements. These agreements generally stipulate the quantities or total values of goods that the countries are to import from each other during the period of the agreements.

GENERAL TRADE SITUATION IN 1951–52

For several months after the outbreak of hostilities in Korea in June 1950, world trade expanded rapidly and there was a general relaxation of trade restrictions. Rearmament and the stockpiling of strategic materials by the United States were largely responsible for the initial expansion of trade. In particular, countries that produce raw materials benefited from the increased demand for their products. The prices they received for many of their export commodities increased sharply, with the result that their foreign-exchange earnings, especially of dollars, increased to levels far above those of other postwar years. The industrial countries of Western Europe also generally benefited from an expansion of exports to dollar markets, but these benefits were to a large extent offset by the increased cost of imports of raw materials and foodstuffs. Although their terms of trade showed immediate signs of worsening, the Western European countries nevertheless relaxed their import restrictions in the second half of 1950 and continued to do so during the first half of 1951, in the interest of stockpiling certain materials before they became scarce and before prices became prohibitive. After a few months of intense trade activity the industrial countries—especially the United States—tightened their export controls to prevent the draining off of capital equipment and other products. Many of the countries that produce raw materials took advantage of the strong demand for their products and imposed export duties in order to increase their revenues.

By early 1951 it was apparent that the extent of world raw-material shortages had been generally overestimated; the demand for stockpile materials slackened, and prices of raw materials declined sharply. In the face of these reverses, the countries that produce primary goods continued for a time to import industrial products, and soon found themselves with serious trade deficits. Several Western European countries also experienced renewed balance-of-payments difficulties; in some, the trade deficits were made more unmanageable by internal inflation. The new requirements for rearmament, which began to be felt by early 1952, also intensified the external-payments difficulties of the Western European countries.

Both the industrial countries and the countries producing raw materials responded to the worsening of their balance-of-payments positions in 1951–52 by reimposing and intensifying the quantitative import restrictions that they had relaxed in the months following June 1950. Because of the widening of the dollar gap—which for a time in 1950–51 had shown signs of disappearing—most of these restrictions were aimed at imports from the United States, Canada, and other hard-currency areas. However, many of the countries that were experiencing renewed dollar difficulties—particularly those in Western Europe—were also faced in 1951–52 with currency difficulties among themselves. To a large extent, they sought to alleviate these difficulties by imposing import restrictions. Attempts to stimulate exports, not only to the dollar area but also to other areas with which they were in external-payments difficulties, were also increasingly evident in 1951–52.

THE USE OF QUANTITATIVE IMPORT RESTRICTIONS AND EXCHANGE CONTROLS FOR BALANCE-OF-PAYMENTS REASONS

In 1951–52, as in previous years, a majority of the foreign countries [1] with which the United States had trade agreements continued their efforts to earn more dollars by expanding exports to the United States, and to conserve their dollar reserves by confining their imports of dollar goods to those commodities considered most essential. As already indicated, the efforts of most countries to conserve their dollar reserves resulted in an intensification of their import controls after the collapse of the international trade boom in 1951.

The contracting parties to the General Agreement on Tariffs and Trade are subject to the general rule (laid down in art. XI) that imports from the territories of the contracting parties shall not be prohibited or controlled by restrictions other than import duties, taxes, and other similar charges. The controls thus prohibited include quotas, licenses, and other import restrictions of a quantitative nature. Under the General Agreement, domestic industry in general may be protected by the use of tariffs, taxes, and other charges on imports. The General Agreement, however, permits a contracting party to restrict imports, in terms of either quantity or value, in order to safeguard its balance-of-payments position and its external financial position (art. XII). This provision was inserted in the agreement on the assumption that general convertibility of currencies would be restored within a few years, and that quantitative restrictions for balance-of-payments reasons (restrictions which were intended to be temporary expedients) could then be removed.

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[1] For purposes of convenience in presenting the subject matter of this chapter, the countries with which the United States has trade agreements may be grouped as follows:

As of June 30, 1952, 33 countries (besides the United States) were contracting parties to the General Agreement on Tariffs and Trade: (1) 15 European countries—Austria, Belgium, Czechoslovakia, Denmark, Finland, France, the Federal Republic of Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Sweden, Turkey, and the United Kingdom; (2) 8 British Commonwealth countries (all, except Canada, associated with the United Kingdom in the sterling area)—Australia, Canada, Ceylon, India, New Zealand, Pakistan, Southern Rhodesia, and the Union of South Africa; (3) 7 Latin American countries—Brazil, Chile, Cuba, the Dominican Republic, Haiti, Nicaragua, and Peru; and (4) 3 other countries—Burma, Indonesia, and Liberia. Of these 33 countries, 4—Austria, the Federal Republic of Germany, Peru, and Turkey—acceded to the General Agreement between July 1, 1951, and June 30, 1952; Peru and Turkey had been parties to bilateral trade agreements with the United States before they became contracting parties to the General Agreement.

As of June 30, 1952, the United States still had in effect bilateral trade agreements with 11 countries; these agreements were negotiated before the General Agreement became operative. Eight of these were Latin American countries—Argentina, Ecuador, El Salvador, Guatemala, Honduras, Paraguay, Uruguay, and Venezuela. The others were Iceland, Iran, and Switzerland.

Article XII therefore stipulated that the restrictions still being applied under it should be subject to review by the Contracting Parties beginning in 1951.

Article XIII of the General Agreement provides further that there shall be no discrimination in the application of trade controls, but article XIV permits a contracting party to discriminate in the application of the quantitative restrictions permitted under article XII during the postwar transition period. A contracting party is thus permitted to discriminate between sources of supply if its balance-of-payments position is such as to warrant this action. Article XIV required the Contracting Parties to report each year on the status of the discriminatory application of these restrictions in the territories of the contracting parties.

The Commission's fourth report on the operation of the trade agreements program reviewed the status of the restrictions that the various contracting parties applied in 1950, as reported by the Contracting Parties. In November 1951, the Contracting Parties issued their second report on quantitative restrictions.[2] This report indicated that 23 of the 34 contracting parties to the General Agreement were then resorting to the use of quantitative restrictions for balance-of-payments reasons. These included (1) 8 British Commonwealth countries—Australia, Ceylon, India, New Zealand, Pakistan, Southern Rhodesia, the Union of South Africa, and the United Kingdom; (2) 12 continental European countries—Austria, Czechoslovakia, Denmark, Finland, France, the Federal Republic of Germany, Greece, Italy, the Netherlands, Norway, Sweden, and Turkey; and (3) 3 other countries—Brazil, Chile, and Indonesia. Nine contracting parties—the United States and eight other countries—stated that they were not resorting to quantitative import restrictions for balance-of-payments reasons. The 8 other countries were Belgium, Canada, Cuba, the Dominican Republic, Haiti, Luxembourg, Nicaragua, and Peru.[3]

Almost all the countries that impose quantitative restrictions on imports for balance-of-payments reasons apply them in a discriminatory manner, but the degree of discrimination varies from country to country and from time to time. The Governments of Czechoslovakia and Indonesia state that they do not discriminate against the trade of any other contracting parties. Czechoslovakia is the only contracting party that exercises complete governmental control of imports; state-owned trading companies

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[2] Contracting Parties to the General Agreement on Tariffs and Trade, *The Use of Quantitative Import Restrictions to Safeguard Balances of Payments: Incorporating the Second Report on the Discriminatory Application of Import Restrictions, October 1951*, Sales No.: GATT/1951-2, Geneva, 1951.

[3] Burma and Liberia did not inform the Contracting Parties of their position in relation to the use of quantitative restrictions.

have a monopoly control of imports of various commodities, the import program of each company being integrated with the country's total import plan.

Some of the countries with which the United States has bilateral trade agreements (those negotiated outside the framework of the General Agreement) also have been in balance-of-payments difficulties with respect to hard currencies. The bilateral agreements that the United States has with Argentina, Ecuador, Paraguay, Uruguay, and Iceland provide specifically that either party may impose quantitative restrictions on imports in order to maintain the exchange value of its currency. These and most of the other bilateral agreements to which the United States is a party also permit the use of quantitative restrictions for other reasons, as in conjunction with government measures that operate to regulate or control the production, market supply, or prices of like domestic articles, or that tend to increase the labor costs of such articles. The agreement with Venezuela permits either party to apply quantitative import restrictions on agricultural or fisheries products listed in the agreement if such restrictions should prove necessary because of government programs relating to production, market supply, or prices. In all circumstances, however, the application of such restrictions must be nondiscriminatory.

Of the countries that have bilateral agreements with the United States, those that have applied quantitative import restrictions for balance-of-payments reasons are Argentina, Ecuador, Paraguay, Uruguay, Iceland, and Iran. Because of its strong international financial position, however, Switzerland has long been able to carry on trade with other countries with practically no restrictions and without discrimination. Venezuela employs a few restrictive measures, but not for balance-of-payments reasons, and these measures are nondiscriminatory. The other countries mentioned have discriminated at various times against imports from the United States and other countries with which they were in balance-of-payments difficulties. The restrictive measures employed by Argentina, Ecuador, Paraguay, Uruguay, and Iran were discussed at length in the Commission's fourth report on the operation of the trade agreements program.

The types of trade controls employed by the various countries with which the United States has trade agreements are not determined, however, by whether the countries are parties to the General Agreement or whether they are in the group of countries with which the United States has bilateral agreements. Rather, for most countries, the controls tend to conform to certain patterns, depending on whether the countries fall into one or another of the following groups (with some overlapping):

1. Those countries that balance their mutual trade accounts through the European Payments Union (EPU). This group includes the members

of the Organization for European Economic Cooperation (OEEC):[4] Austria, Belgium, Denmark, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Trieste, Turkey, and the United Kingdom, including the countries associated with it in the sterling area (see below).[5] Since some of the more important developments in the trade controls of the United Kingdom in 1951–52 were in relation to EPU, most of the discussion of the United Kingdom will be found in the section dealing with the EPU countries.

2. The sterling area, which consists of all British Commonwealth countries (except Canada) and a few non-Commonwealth countries associated with the United Kingdom in the area.[6]

3. Those countries that rely on multiple-exchange systems as an important (and, in some instances, as the chief) method of trade control. These include Indonesia, Iran, and 10 Latin American countries—Argentina, Brazil, Chile, Cuba, Ecuador, Nicaragua, Paraguay, Peru, Uruguay, and Venezuela. Brazil, Chile, Cuba, Nicaragua, Peru, and Indonesia are contracting parties to the General Agreement; the others are countries with which the United States has bilateral agreements. Because of the special nature of its trade relations with the United States, Cuba is discussed in a separate section of this chapter. Iceland not only is a member of the sterling area and EPU, but also employs a multiple-currency system.

Nine countries with which the United States has trade agreements do not fall within any of the three categories named above. These countries are Canada, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Czechoslovakia, Finland, and Liberia. All of these countries, except El Salvador, Guatemala, and Honduras, are contracting parties to the General Agreement.

These nine countries did little in 1951–52 to change the trade policies they had established in 1950–51 or earlier years. By early 1951, as pointed out in the Commission's fourth report on the operation of the trade agreements program, Canada had withdrawn practically all the

[4] The United States and Canada, although not members of OEEC, participate in its work.

[5] For the accounting purposes of EPU, Iceland, although a member of the sterling area, has its own separate account as a contracting party to EPU; Ireland (Eire), however, is included in the sterling-area account with EPU, and Trieste is included in Italy's account. Belgium and Luxembourg (the Belgo-Luxembourg Economic Union) constitute a joint contracting party to EPU. Ireland, Portugal, and Trieste are not contracting parties to the General Agreement on Tariffs and Trade, and the United States has no bilateral agreements with these countries.

[6] The non-Commonwealth members of the sterling area in 1951–52 were Burma, Iceland, Ireland, Iraq, Jordan, and Libya. Burma is a contracting party to the General Agreement on Tariffs and Trade; the United States has a bilateral trade agreement with Iceland.

import restrictions it had applied in 1947 in order to conserve exchange. Canada's exchange-control system, however, was not abolished until December 14, 1951. Control had been exercised by requiring that virtually all foreign exchange be bought and sold through the exchange-control authorities, and by granting exchange for imports and nontrade payments only as authorized by licenses. Licenses were also required for specified exports.

The Dominican Republic has in effect a system of exchange control, but imposes no restrictions on payments, and receipts of foreign exchange may be disposed of freely. Licenses are required for imports from all countries, but these are employed to control the distribution within the country of goods in world short supply or which the authorities consider to be produced domestically in sufficient quantities. El Salvador, Guatemala, Haiti, and Honduras required neither import licenses nor exchange permits as of early 1952; Liberia required import licenses only for rice, arms, and ammunition, but required no exchange permits.

As a part of its national economic plan, Czechoslovakia exercises complete control over imports and exports, by means of monopolistic trade organizations for the conduct of foreign trade. Exchange receipts from exports and "invisibles" must be surrendered; authorized imports automatically receive the necessary exchange.

Finland requires the surrender of all foreign-exchange receipts, and requires licenses for all exports and imports. Import licenses are issued freely for imports payable in sterling, in the currencies of Czechoslovakia, Denmark, France, the Netherlands, and Sweden, or in the clearing-account dollars of the Federal Republic of Germany, Poland, and Argentina.

In the last quarter of 1951, as its balance-of-payments position in certain currencies improved, Finland substantially relaxed its import restrictions, particularly on cotton and woolen textiles. In November 1951 it removed import restrictions on a number of industrial raw materials and other essential items, but with the proviso that the permitted purchases be made in sterling and other currencies with which Finland was well supplied. These modifications in import restrictions did not apply to imports payable in dollars; such imports continued to be under stringent control. However, Finland granted importers permission to increase their use of dollar exchange for essential imports unobtainable from nondollar sources, including purchases of cotton from the United States. Exporters continued to use 10 percent of their dollar earnings for purchases of consumers' goods for their own needs and for purchases of machinery and raw materials.

Effective January 1, 1952, Finland further increased (by about 11 percent) its basic rates of duty, which are mainly specific rates. Concession rates that Finland granted under the General Agreement on Tariffs and

Trade were not affected by this increase. It has been estimated that this and other increases in the Finnish tariff since World War II have raised the basic rates of duty by 800 to 900 percent of the 1939 level.

European Payments Union

The European Payments Union represents an attempt to overcome the difficulties that Western European countries experienced under the network of bilateral payments agreements (through which most of the internal trade of Western Europe was conducted before 1950) by providing a multilateral clearing arrangement among the participants. Before EPU was established in 1950, the European countries reduced or eliminated their import restrictions in relation to each other strictly on the basis of their position; each had its own system of exchange control. Under EPU they undertake to relax their restrictions without discrimination. By the OEEC Council's decision of July 7, 1950, all members of EPU were called upon to remove import restrictions against other members, up to 60 percent of the value of their imports on private account, beginning October 4, 1950. A few weeks later a further extension to 75 percent of the value of imports was urgently recommended, but it was decided that the liberalization measure should be consolidated on April 30, 1951, with respect to 60 percent of total imports on private account that originated in other member countries. Except for the application of escape clauses (which are permitted in exceptional cases only, with OEEC approval), the measures thus consolidated cannot be withdrawn and replaced by others. In order to create free common markets for as many commodities as possible, the Council of the OEEC has recommended that member countries simultaneously release identical commodities from import restrictions.

Under the EPU clearing mechanism all credits and debits are established, not between individual countries as formerly, but between individual members and the Payments Union. This system makes automatic and immediate provision of the foreign exchange necessary to pay for imports; it also provides for the periodic offsetting of each member's debits and credits with all other member countries combined, not with each one separately. The EPU thus eliminates the old feature of bilateral trading which obligated a country to curb imports from countries with which it had a trade deficit, while encouraging imports from countries with which it had a trade surplus. It also does away with the old structure of exchange control affecting the mutual trade of the various participating countries.

At the beginning of EPU operations in July 1950, the resources of the Payments Union were fixed by the quotas allocated to each member, the quotas being determined on the basis of about 15 percent of each member's transactions on current account with all other member countries and their associated monetary areas during 1949, except those for Belgium and Switzerland.[7] The resources thus established amounted to 3,950 million "units of account"; each unit is equivalent to the gold content of the United States dollar, and for convenience the units are commonly referred to as "dollars." The United States Congress authorized the Economic Cooperation Administration (ECA) to allot from 350 million to 400 million dollars as a separate working-capital fund of the Payments Union. This fund was established, among other purposes, to provide for the contingency that the Payments Union might, during the course of its clearing operations, receive less in gold and dollars than it is obligated to pay out.

The individual country quotas in the total EPU resources of 3,950 million units of account were, of course, highest for the large trading countries. For example, the United Kingdom received (for the entire sterling area except Iceland) a quota of 1,060 million units (26.9 percent of the total). Some of the other quotas were as follows: France, 520 million units (13.2 percent); Belgium-Luxembourg, 360 million (9.1 percent); the Netherlands, 330 million (8.3 percent); the Federal Republic of Germany, 320 million (8.1 percent); and Italy, 205 million (5.2 percent).[8] The percentages were quite low for the smaller countries—for example, Austria, 1.8 percent, Greece, 1.1 percent, and Iceland, 0.4 percent. For the purpose of settling the cumulative accounting deficits with EPU, the quotas of Austria and Greece are deemed to be zero.

Each member periodically reports its debit and credit balance with other members to the Bank for International Settlements (BIS), which acts as agent for EPU. From these reports, BIS is able to indicate the net debtor or creditor position of each member with EPU. The mechanism set up for settling these debtor and creditor positions was based on the principle that something less than full settlement in gold had to be agreed upon, since the payments positions of the countries involved were not such as to permit an experiment in complete interconvertibility of their currencies. Under the plan finally worked out, each member of EPU was granted a line of credit by the Payments Union equal to 60 percent of its quota, and each in turn stood prepared to grant the same percentage of credit to the Payments Union. The remaining 40 percent

[7] Belgium did not feel that it was in a position to assume a credit burden as great as the 15-percent formula called for, and was given a somewhat smaller quota. Switzerland, on the other hand, desired to assume a larger role as a creditor than the 15-percent formula allowed, and received permission to do so.

[8] In July 1952, the Council of the OEEC agreed to increase Germany's quota from 320 million to 500 million units, and the Netherlands' quota from 330 million to 355 million units, thus increasing the total quotas of the member countries from 3,950 million to 4,155 million units.

of each member's quota was made subject to settlement in gold.[9] Gold thus became EPU's deterrent against accumulating deficits by overimporting, and a stimulus to the building up of surpluses by increasing exports.

The financing of the net deficits or surpluses at any periodic accounting settlement (each month, beginning January 1, 1951) is made on the basis of a sliding scale fixed in the agreement. A country that finds itself in a surplus position with EPU up to 20 percent of its quota is obligated to extend credit to the Payments Union up to this 20 percent; below this point, however, it is not entitled to receive payment in gold. For payments in excess of 20 percent of its quota, it is entitled to receive half of the excess in gold, and extends additional credits to EPU to cover the other 50 percent. In the event that a country has an accounting surplus in excess of its quota, the EPU authorities decide how this surplus shall be settled.

A debtor member is subject to a rising scale of gold payments as it uses an increasing percentage of its quota. During the first 2 years of EPU, the first 20 percent of a deficit country's quota required no gold payments. However, if its debt to EPU exceeded 20 percent of its quota, an increasing percentage of the next four 20-percent segments of its quota became payable in gold.[10]

This rising scale of gold payments is intended to discourage further purchases by the debtor from other members. If a member accumulates deficits in excess of its quota, these have to be settled fully in gold unless the EPU authorities make other arrangements.

Although the scale of gold payments is not the same for deficit members as for those with surpluses, both come out with the same results by the time their quotas have been exhausted. That is, 60 percent of their quotas will have been utilized in credits extended or received, and 40 percent in gold payments extended or received.

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[9] A member's obligation to settle its deficit by a transfer of gold may, under the articles of EPU, be discharged by payment in dollars. During the Payments Union's first year of operation, when the original resources consisted entirely of dollars, the "gold" transfers were actually made in dollars.

[10] That is, 20 percent of the second 20 percent, 40 percent of the third 20 percent, 60 percent of the fourth 20 percent, and 80 percent of the fifth, or last, 20 percent. When EPU was renewed for 1 year from July 1, 1952, a new scale was established. For the first half of the first 20 percent no gold payments were required, but 20 percent of the second half became payable in gold; thereafter the scale became 30 percent of the second 20 percent, 40 percent (as formerly) of the third 20 percent, 50 percent of the fourth 20 percent, and 70 percent of the fifth 20 percent. These changes, which increased the gold or dollar obligations in the lower and reduced them in the higher segments of the quotas, were intended to increase the incentive to deficit countries to correct their deficits in the early stages. Denmark was provisionally exempted from the new requirements on account of its low gold and dollar reserves.

In addition to the reliance on gold transfers as a deterrent against excessive accumulation of deficits or excessive building up of surpluses, EPU provides other measures to correct an unduly one-sided deficit or surplus position. EPU authorities may examine the position of a member that accumulates a surplus in excess of 75 percent of its quota, and recommend appropriate action to correct the situation. In case the surplus exhausts the quota, other members are permitted to discriminate against the trade of the member that has the excess credits. Assistance from a special assistance fund, set up in 1950–51 by ECA, is given to any member in special difficulties.

Most members of EPU that get into a deficit position with the Payments Union to a point where they are required to pay out gold seek to correct their trade imbalance by curtailing imports from other participants. Some countries, however, also seek to accomplish the desired balance by making special efforts to expand their exports to other members. A member that builds up excess credits with EPU has the responsibility of assisting debtor members by increasing its imports from them. Most creditors in this position, however, have concentrated on limiting their exports to other EPU countries rather than on increasing their imports from other participants. Italy and Belgium-Luxembourg, as large creditors, appear to have done more than other creditor members to increase their imports.

By the middle of 1951, in accordance with their original agreement to free specified percentages of their trade from restrictions, virtually all members of EPU had freed 70 percent or more of their private intra-European trade from licensing requirements. The Federal Republic of Germany and Belgium-Luxembourg had freed more than 80 percent, and Italy had freed practically all of its trade from restrictions. Austria, Greece, Iceland, and Turkey had made the least progress in this direction. By the middle of 1952, however, the degree of liberalization of trade among the EPU countries had been greatly reduced. France had reimposed licensing and other restrictions to such an extent that all of its liberalization measures appear to have been wiped out. The United Kingdom reduced its degree of liberalization from more than 70 percent to less than 50 percent.

The reimposition of import restrictions on intra-European trade during 1951–52 by the more important trading countries in EPU reflected their increasingly difficult balance-of-payments position within the Payments Union. Even by the end of 1951 the United Kingdom and France had become the two largest debtors of EPU; Belgium-Luxembourg, Italy, and Switzerland had emerged as heavy creditors. In July 1952 the United Kingdom's deficit with EPU was greater than at the beginning of the year. France had a small surplus in June and a small deficit in July. Other deficit countries at that time were Turkey, Norway, Sweden, and

Iceland. The countries in a surplus position with EPU in July 1952 were Germany (with the largest surplus), the Netherlands, Belgium-Luxembourg, Italy, Denmark, Switzerland, Austria, and Greece. Just before this time Denmark had been a debtor. In 1951, when Austria, Greece, and Iceland had incurred deficits in excess of their quotas, they were dealt with under special arrangements when their quotas were exhausted. The managing board of EPU might have extended their quotas (as was done with some other deficit countries in 1951), but direct financial aid by the United States enabled these countries to reduce their deficits without having their quotas raised.

Germany's heavy deficit, on the other hand, was reduced in part by an extension of its original quota. During the first months of the operation of EPU, Germany made a determined effort to reduce its dollar deficit with the United States and to increase its trade with the EPU countries by relaxing restrictions on imports from them. This action resulted, as intended, in a shift of West Germany's trade from the United States to Western Europe, but by late 1950 it also resulted in the accumulation of a large German deficit with EPU. As Germany's quota began to be exhausted in the latter part of 1950, the managing board of EPU granted a temporary extension of the quota on condition that Germany apply various internal measures to check imports, including credit restrictions and increases in taxes. When the special credit extension approached exhaustion early in 1951, Germany was permitted to check imports by a less liberal licensing of imports. In July 1951 Germany's original quota in EPU was permanently increased (from 320 million to 500 million units) by the amount of the temporary credit facilities that had previously been extended to that country.

As a result of the import restrictions it applied in March 1951, its internal credit restrictions, and its special efforts to expand exports, Germany was soon in a surplus position. Subsequently, in compliance with OEEC decisions, Germany announced a long list of imports on which restrictions were to be relaxed as of January 1, 1952; further relaxations in April 1952 resulted in a total liberalization of about 75 percent of Germany's import trade with other EPU countries.

Germany's efforts to expand exports as a means of reducing its deficit with EPU were particularly successful.[11] Late in 1951, German manufacturers were granted an export premium by being permitted to use a small share of the proceeds from exports to purchase certain raw materials and semimanufactured goods to be used directly in production for export. Exporters were also given a special incentive in the form of tax exemptions. Additional incentives to encourage direct exports to the United States and other hard-currency areas included permission for exporters of goods

[11] See the section of this chapter on the use of export subsidies.

to these areas to apply 40 percent of their proceeds for the purchase of certain designated goods. Mainly because of the expansion of its exports, Germany changed from a deficit to a surplus position; in May 1952 its surplus exceeded that of any other EPU country.

Various factors at work in 1951–52 contributed to the growing deficits of the United Kingdom and France. The United Kingdom and the associated countries of the sterling area had prospered in 1950–51 from the high prices they received for exports of raw materials. After the outbreak of hostilities in Korea, demand was strong because of heavy buying (mainly for stockpiling purposes) of such important dollar-earning exports as rubber, tin, wool, cocoa, and jute. Subsequently, however, prices of raw materials declined sharply throughout the sterling area, thus greatly reducing the area's hard-currency income.

During the early months of the operation of EPU, the United Kingdom had greatly relaxed its restrictions by declaring a long list of commodities free from individual import licensing if imported from either EPU countries or certain other countries not in the dollar area. In November 1951, however, the British Government began to restrict imports on private account from other EPU countries by reimposing quota restrictions; these restrictions led to a reduction of the trade-liberalization percentage from 90 percent to 61 percent. After the United Kingdom announced in January 1952 that there would be a further reduction in external expenditures, principally those for invisibles, foodstuffs, and raw materials, the extent of trade liberalization declined to 46 percent. Other countries of the sterling area took similar steps during the early part of 1952 to reduce their external expenditures for imports from all sources.[12]

When EPU began operations on July 1, 1950, the United Kingdom had an initial debit position of 150 million units, and was assigned a quota in the EPU funds of 1,060 million units. By May 1952 the United Kingdom had exhausted its quota and, under the EPU arrangements, became obligated to cover subsequent monthly deficits fully in gold. This meant that the continental EPU countries had become virtually a hard-currency area for all countries of the sterling area.

Although the restrictions placed by the United Kingdom and the associated sterling-area countries on imports from other EPU countries had the desired effect of substantially reducing their deficits with EPU, the United Kingdon still had a deficit in excess of its quota. This led the Government to resort to still another method of reducing payments deficits with EPU countries. In August 1952 the United Kingdom offered to consider applications by British traders for permission to import raw materials payable in dollars for resale against sterling to EPU countries (exclusive of sterling-area countries). It thus sought to improve its

[12] See the following discussion of the sterling area.

balance-of-payments position with EPU by increasing its exports to continental EPU countries through this sort of arbitrage transaction rather than by applying further restrictions against imports of goods from these countries. Early in August, when the plan was launched, the United Kingdom's cumulative monthly deficit with EPU in excess of its quota stood at about 168 million units, payable entirely in gold.

This arbitrage plan for reducing the deficit had the advantage of entailing no loss of gold or dollars from the United Kingdom reserves, since the outlay of dollars for commodities for resale to the EPU countries reduced by the same amount the deficit on which full gold payments had to be made. Moreover, profits to British merchants represented a net gain in hard currency. The opportunities thus afforded to British traders to make a commission on the arbitrage transactions, and to the EPU countries to obtain dollar goods for sterling, were so attractive that within a week after the plan was introduced contracts for the resale of dollar commodities far exceeded the deficit that the United Kingdom Government was seeking to wipe out. At this point the plan was suspended, and the Government refused to permit the conclusion of transactions beyond the approximate limit of the deficit. To have permitted the resale of commodities purchased with dollars substantially beyond the amount of the deficit would have drained out of the United Kingdom reserves more in dollars than it would have brought into the reserves in gold from EPU, because the United Kingdom's newly attained surplus position with EPU would have entitled it to receive only partial payment in gold or dollars on account of its surplus.[13]

Other member countries that found themselves with heavy deficits with EPU in the latter half of 1951 also took steps to curtail imports and expand exports as a means of reducing their deficits. The deficit position of France had been brought about largely by internal inflation resulting from failure to restrict credit. This situation led France to withdraw practically all of its trade-liberalization program inaugurated in September 1951, by which it had removed import quotas on goods representing about 75 percent of its 1948 imports from the other EPU countries. Early in 1952, however, because of its growing deficit with EPU and the consequent necessity of continuing to pay out dollars in settlement of its deficits, France restored quota restrictions and again required the licensing of all but a few imports. In order to encourage its producers to seek outlets

[13] In November 1952, the United Kingdom had a surplus of about 109.5 million dollars in its EPU account; of that amount it was entitled to receive a little less than 80 percent in gold or dollars. Had the arbitrage transactions been allowed to continue, much more would have been lost in dollars than would have been gained in gold or dollars from EPU; it was estimated at the time of the termination of the plan that applications for licenses to cover more than 750 million dollars in purchases of dollar goods had been received, of which the authorities granted authorizations covering only about 172 million, or approximately the amount of its deficit in excess of its quota.

in EPU countries and in the dollar area, France also applied export subsidies. In March 1952, EPU extended to France a large additional short-term credit, to enable that country to avoid further depletion of its reserves. By July the French deficit with EPU was somewhat reduced, but the French import restrictions and export incentives had not yet brought into balance the country's account with EPU.

From the start, the Netherlands (together with Germany) had been a chronic debtor in EPU; it was still in a deficit position in the middle of 1951. By reducing the degree of its trade liberalization with other EPU countries, and by increasing its exports, the Netherlands succeeded in reducing its deficit and began to accumulate monthly surpluses; by February 1952 it was the largest EPU creditor. As its surplus increased, the Netherlands again began to liberalize its trade restrictions, from a coverage of 60 percent of its 1948 imports from EPU countries to a coverage of about 75 percent.

Italy's action illustrates the attitude taken toward trade restrictions by a country having a very large surplus with EPU; in some respects, however, Italy's action has been exceptional. Between the early part of 1951 and October of that year, Italy's position with EPU had changed from a net deficit of 83 million units to a surplus of 206 million units, or about 1 million more than the quota of 205 million established under EPU. Instead of restricting exports to other EPU countries (as some other participants in a similar position had done) and thus contracting the total two-way trade, Italy sought to reduce its surplus by encouraging imports.[14] This it undertook to do mainly by decreeing—for all except 70 tariff items—a temporary reduction of effective customs duties by one-tenth. Since practically all of Italy's nontariff restrictions on EPU goods had already been removed, this was the only action that could still be taken to encourage imports. The duty reductions were initially effective from November 4, 1951, through March 31, 1952, and were later extended to the end of 1952. Although this action was taken primarily to facilitate imports from other EPU countries, the duty reductions were applied to imports from all countries without discrimination, in accordance with the most-favored-nation requirements of the General Agreement. The 70 items excluded from the temporary reductions in duty included mainly commodities imported principally from the dollar area. Among these, the items of which the United States is an important supplier were cotton, abrasives, various textile machinery and machine tools, and various electrical appliances, motors, and generators. By the same decree

[14] On December 1, 1952, however, Italy did place new restrictions on exports of cotton products to EPU countries. This was done in order to curb the practice of buying raw cotton with dollars and selling the products for nondollar exchange. In order to economize on dollars, the Government also took measures to import from sterling-area countries half of the cotton Italy required.

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that reduced import duties by one-tenth, the Italian Government also suspended the duties on a number of cost-of-living foodstuffs, including poultry, eggs, rabbits, and certain fish. Also, in the interest of encouraging imports from EPU countries, Italy made loans available on easy terms to importers of certain staple commodities.

The effects of these new measures to increase imports from EPU countries did not become pronounced until about February 1952, when Italy's surplus with EPU declined to the lowest point in nearly a year; part of this decline was attributable to the United Kingdom's then recent restrictions on imports and tourist allowances, which adversely affected Italy's exports to the United Kingdom. It was anticipated that the effect of new French restrictions on imports would also be felt soon in the same way. In March 1952 the temporary reductions in duty were extended to the end of 1952, despite the fact that Italy's surplus with EPU had gradually turned into a small deficit. The Italian Government indicated, however, that it might not extend the reductions beyond the end of 1952 if, by that time, the United Kingdom and France had not relaxed import restrictions considered detrimental to Italian exports.

Since there still remained considerable room to liberalize their licensing requirements, other EPU countries in a surplus position with the Payments Union did not need to rely on tariff reductions to increase their imports, as Italy did. The necessity of taking such action to reduce their surpluses was largely obviated by the limitation on their exports that resulted from restrictions that the United Kingdom, France, and others in a deficit position with EPU imposed on imports from EPU countries.

From the beginning of EPU, the Belgo-Luxembourg Economic Union had such unexpectedly high surpluses in its trade with other EPU countries that it was obliged to extend additional credits to EPU beyond those agreed upon at the beginning of operations, in order that EPU might avoid the necessity of settling with it in gold. The Belgium-Luxembourg union resorted to various plans to bring its trade with EPU countries into better balance, and at the same time to earn dollars in direct trade with the United States instead of through the EPU mechanism. It permitted capital to be invested freely in other EPU countries (except Switzerland), and encouraged imports from these countries by granting special credit facilities to importers. It also sought to discourage exports to EPU countries by such measures as the blocking of a certain share of the export proceeds. Probably of even greater importance in the reduction of the Belgium-Luxembourg surplus with EPU (which continued to decline through the first half of 1952, but was not wiped out) were the import restrictions imposed on EPU goods by France and the United Kingdom. Increased tourist expenditures abroad also contributed to the decline in the Belgium-Luxembourg surplus. The Belgium-Luxembourg union sought to increase exports to the dollar area by exempting them from a

3-percent export tax; at the same time it placed more restrictions on imports from the dollar area.

Switzerland—together with Italy and the Belgium-Luxembourg union—has also been a chronic EPU creditor. Like some of the other large creditors, Switzerland received part of its settlement in gold, and it extended credit from time to time to cover the remaining balance. In November 1951 Switzerland established ceilings on exports to the sterling area; early in 1952 it set similar ceilings on exports to France. The success of this policy depended on the cooperation of Swiss exporters, and not on the use of restrictive legislative measures.

The efforts of EPU countries to increase trade among themselves have generally been accompanied by decreased dependence on trade with the United States. The success of Germany's drive for export markets in the EPU countries, for example, was due largely to Germany's ability to supply those markets with heavy machinery, chemicals, and numerous other products formerly supplied by the United States. Most of the EPU countries continued in 1951–52 to be in a deficit position in their balance of payments with the dollar area;[15] and they continued the longstanding practice of trying to improve their dollar position by expanding exports, and by relaxing or tightening their controls on dollar imports according to the state of their reserves. The deficit in the balance of payments of the entire EPU group with the dollar area was 2.8 billion dollars in 1951, and was at the rate of 2.6 billion dollars for the first 6 months of 1952. The United Kingdom alone accounted for about 45 percent of these deficits.

The Sterling Area

The foregoing discussion of the restrictive trade practices employed by the United Kingdom as a participant (together with other members of the sterling area) in the European Payments Union does not cover all the changes in regulations—either to tighten or to relax trade restrictions—that the countries of the sterling area had made or were contemplating in 1951–52. During that period the sterling area as a whole was in a deficit position not only with EPU but also with hard-currency areas; it therefore could not solve its balance-of-payments problem merely by shifting its imports from one source to the other. Consequently, the sterling area tightened its import restrictions on goods from the dollar area to much the same extent that it tightened them on imports from EPU countries.

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[15] From the point of view of the EPU, the following countries (besides the United States and Canada) are considered as operating a dollar currency: The Philippine Republic, Bolivia, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, and Venezuela. The Latin American countries that do not operate on a dollar basis, so far as EPU transactions are concerned, are Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay.

Moreover, certain countries of the sterling area had a deficit with others in the same group, and sought to alleviate their unfavorable position by tightening their restrictions on imports of sterling goods. The United Kingdom, for example, was not in a position to increase its imports from the oversea sterling areas substantially, because it had already reduced its trade-and-payments surplus with those areas by prolonged and heavy purchases of sterling goods during 1951. Moreover, the United Kingdom could not greatly expand its exports to the oversea sterling areas because it lacked the types and quantities of goods they required.

This was the situation that confronted the Conference of Commonwealth Finance Ministers, held in London in January 1952. The Ministers recognized that the various sterling-area members should adopt temporary measures to reduce the whole sterling area's deficit with the rest of the world, but each member of the bloc was left free to adopt its own method of restriction.

The measures taken in 1952 by the United Kingdom, on behalf of the sterling area—to reduce that area's deficit with the EPU group, have already been mentioned, as has the effort of the United Kingdom to reduce imports from, and expand exports to, the dollar area. The rest of this section is devoted to a brief discussion of the actions of Australia, New Zealand, the Union of South Africa, Southern Rhodesia, India, Pakistan, and Ceylon (all Commonwealth countries), and of Burma.[16]

Australia, New Zealand, the Union of South Africa, and Southern Rhodesia

During the latter half of 1951 and the first part of 1952 Australia's imports greatly exceeded its exports. This marked a sharp reversal of its trade position in the fiscal year 1950–51. The accompanying change from a favorable to an unfavorable payments position was largely attributable to the following factors: (1) A sharp decline in the price of wool, and smaller shipments of wool to the United Kingdom; (2) a decline in the production of foodstuffs and a decline in exports, particularly to the United Kingdom, and (3) a general increase in the volume and unit values of imports.

In March 1952 Australia reimposed individual import licensing on practically all imports. For a considerable time beforé this action, only imports from the dollar area had been subject to the more restrictive treatment of individual licensing. The regulations issued in March imposed quota restrictions on imports from the sterling area as well as on those from the other nondollar sources, and materially restricted entries from those areas. Imports from the dollar area continued to be restricted to amounts permitted by the availability of hard currencies; in March it was announced that such imports would be severely limited

[16] Other members of the sterling area in early 1952 were Ireland, Iceland, Libya, Jordan, and Iraq.

until at least September 30, 1952. About the middle of 1952 the Australian Government arranged to obtain 30 million United States dollars from the International Monetary Fund for the equivalent in Australian pounds, with the intention of repurchasing the pounds within 3 to 5 years.

The new regulations adopted in March for the rest of 1952 were intended to reduce total sterling and nondollar imports by about 50 percent of their average annual value in the base period 1950–51. The cuts ranged from 40 percent to 80 percent, depending on the type of product. Imports of nonessential commodities, consisting principally of consumers' goods, were not to exceed 20 percent of the value of the corresponding imports in the base period; imports of less essential products were not to exceed 60 percent of those in the base period. For items that did not readily lend themselves to percentage limitations—including agricultural equipment and heavy industrial equipment—administrative controls were established, with the objective of limiting imports to 60 percent of those in the base year.

In 1951, New Zealand's foreign-exchange position was stronger than Australia's, but the same factors—reduced export prices and higher import prices—were at work to cause moderate concern for its payments position.[17] New Zealand had liberalized the licensing of dollar goods in the middle of 1951, but by early 1952 the main objective of its trade policy was the limitation of dollar imports. In accordance with the decision of the Commonwealth Finance Ministers in January 1952 to restrict the sterling area's dollar imports, it canceled (as of March 11, 1952) all licenses previously issued for imports from scheduled countries (mainly the United States, Canada, and Japan), and required new licenses for all future imports from these countries. In most instances the old licenses were revalidated or new licenses were issued on a somewhat reduced scale. The Government's objectives were to achieve a favorable balance in its transactions with nonsterling areas and to keep its overall deficit with all countries at a low figure. It did not, however, impose new direct restrictions on imports from the sterling area. Instead, it relied mainly on credit restrictions to reduce the level of sterling imports.

In 1951 the Union of South Africa was in a position to liberalize its restrictions on imports of industrial materials and supplies, but it made no important changes in its import-control regulations. It did, however, revise and expand the list of commodities subject to export control. After the decision of the Commonwealth Finance Ministers in 1952 to restrict imports into the sterling area, South Africa tightened its import

[17] New Zealand has refused to join the International Monetary Fund or to execute the special exchange agreement required by the General Agreement on Tariffs and Trade of all contracting parties who are not members of the Fund. New Zealand's refusal is based on the view of its two large political parties that membership in the Fund would subject New Zealand to undue control over its exchange policy.

controls, particularly as they applied to consumers' goods, stocks of which were considered already plentiful. In January it tightened the import-licensing requirements for textile piece goods coming from hard-currency sources. In March the Government announced that in 1952 imports of consumers' goods would be permitted at the rate of 40 percent of the 1948 level, whereas in 1951 it had permitted such imports at the rate of 60 percent of the 1948 level. In making this reduction, the Government announced that the requirements of its essential industries for foreign exchange for raw materials and capital equipment would continue to be met. The Government also indicated that additional import permits might be issued for more essential categories of consumers' goods when and as required. In May the Government announced that, except in special circumstances, no additional automatic permits would be issued for the importation of raw materials, consumable stores, or maintenance items for the remainder of 1952. The Government also established a premium arrangement whereby importers of consumers' goods on a "Priorities List" were able to double the value of imports under existing licenses. Industrial concerns which considered that their requirements for imports of raw materials, consumable stores, and replacement parts from hard-currency areas would not be covered by letters of authority issued for 1952 were permitted to apply for an increase if they could demonstrate their need for additional allocation and show that such requirements could not be fulfilled in soft-currency areas.

Before the end of 1951 Southern Rhodesia applied controls only to goods imported from the United States, Canada, Argentina, and Japan. In December 1951 the Government extended import-licensing requirements to cover goods from all countries outside the sterling area. Certain luxury foodstuffs were also placed on a list of prohibited imports that were not to be licensed from any nonsterling country. The allocation of exchange for dollar imports was slightly greater in 1952 than in 1951.

India, Pakistan, and Ceylon

Because of a credit trade balance for the year ended March 31, 1951, India was able in the ensuing months to relax its restrictions on imports. Some import quotas were increased, and certain items were more liberally licensed. In June 1951 the Indian Government placed 158 main tariff items and numerous subitems under open general license, and permitted imports of them from any country except the Union of South Africa, without individual license. The list, to which additions were made from time to time, included many metal products, electric generators, replacement parts, and other types of industrial equipment. A few import duties were reduced, besides those that were reduced at Torquay under the General Agreement. Valuations for duty purposes were increased on 75 tariff items and reduced on 8. India's import-licensing policy for the first 6 months of 1952 was virtually the same as in 1951; essential commodities were more liberally licensed, but more severe restrictions were placed on imports of commodities of a kind produced in India. In 1952, as in 1951, the import controls favored goods from the sterling area and from soft-currency countries more than those from the dollar area. Increased discrimination against dollar goods was effected in 1951–52 more by relaxing restrictions on nondollar goods than by tightening them on dollar goods. India strictly controls many export commodities and also reexports; the controls are frequently relaxed or tightened.

Pakistan's import policy in 1951–52 followed the same general pattern as India's. About the middle of 1951 Pakistan considerably enlarged the list of items that might be imported under open general license, the countries of the sterling area and Japan being the principal beneficiaries. This action followed a period of several months during which Pakistan had an export surplus. Exports continued to exceed imports into 1952. However, instead of following the general trend in its total trade, Pakistan's balance-of-payments position with the dollar area became worse, and Pakistan therefore placed more rigid restrictions on purchases from dollar sources during the first half of 1952. In March of that year Pakistan published new import-licensing regulations that were to be valid until December 31, 1952. These regulations applied to about 190 items that might be imported from the dollar area, nondollar areas (excluding Japan), and countries with which Pakistan has trade agreements. Of the 190 items that might be imported into Pakistan under license, 40 might be purchased with dollar currency. This reduced by approximately 15 the categories that might be imported from the dollar area. Among the categories excluded by the new list were motion-picture and photographic film, rubber manufactures and scrap, tires and tubes, textile remnants of all sorts, plastic sheets, hides and skins, certain manufactures of iron and steel, certain hardware items, and radio and telegraphic equipment. There are no restrictions on imports of these items for government account.

During the period July 1951 through June 1952 Ceylon continued, as in the previous year, to utilize discriminatory import controls, although these were eased with respect to purchases from both dollar and soft-currency areas. In June 1951 Ceylon liberalized its import policy by permitting the importation from all countries, under individual licenses, of a number of commodities which previously had been allowed to enter only from countries of the British Commonwealth. Included were frozen meats, roasted coffee, margarine and other edible oils and fats, spices, manufactured tobacco, jute manufactures, and a variety of spirits. Ceylon had an export surplus for 1951; however, its net dollar earnings declined, compared with 1950, principally because of decreased exports to the United States. In 1952 its trade with the United States continued, as in the previous year, to show a surplus of exports (principally tea, rubber, and coconut oil) over imports. Milk foods, cotton piece goods, and automobiles and trucks constituted Ceylon's principal imports from the United States.

Burma

Burma's exports to the United States in 1951–52 consisted mainly of small shipments of such articles as bamboo poles, hides and skins, mother-of-pearl shells, raw rubber, and teakwood. Its imports from the United States were relatively large, the most important commodities being lubricating oil, parts for machinery, raw cotton, automobiles, and ECA-financed shipments of medicines. During the period, trade was at a much higher level with the sterling area and other nondollar countries than with the United States, and in most months showed an excess of exports over imports.

In a series of steps during 1951 and 1952, Burma removed individual import-license restrictions on a considerable number of commodities imported from all countries except the United States and other dollar countries. In January 1952, as a result of the expanded issuance of dollar licenses in the previous autumn, Burma's imports from the United States (about half of which consisted of ECA-financed medicines) increased to an unusually high level, and exports to the United States (predominantly raw rubber) were the largest in many months.

Countries Employing Multiple-Exchange-Rate Systems as an Important Element in Their Control of Trade

Some countries employ multiple-exchange-rate systems as an important—often the most important—means of regulating the volume and composition of their total foreign trade as well as their trade with individual countries. By establishing more than one rate at which their currency is exchanged for foreign currencies, depending upon the transactions involved, they operate on a multiple-currency basis. Thus they are able to apply these preferential rates to different classes of imports or exports without resorting to some of the administrative devices employed by countries with a single rate of exchange.

A country that is in balance-of-payments difficulties and that desires to restrict imports can, of course, apply quantitative restrictions while it maintains a single, fixed rate of exchange; most countries in external financial difficulties follow this procedure. Many adopt a foreign-exchange budget and allocate the exchange through a system of import licensing and exchange permits. The same results can be achieved by employing a multiple-exchange-rate system. The use of penalty selling rates for foreign exchange, the use of premium buying rates for the proceeds from certain exports, and the use of free-market rates are often sufficient to accomplish almost all of the desired degree of trade control. Unless the authorities are prepared to permit a wide divergence in the rates—from an extremely low rate for preferred imports to a very high rate for imports they wish to curtail—they place additional restrictions on imports by licensing, or by quotas and prohibitions. A number of countries that maintain multiple exchange rates also employ these other restrictive devices, or at least provide for their use if required. They thus limit the supply of imports, in part by quantitative restrictions and in part by reducing demand through an increase in local currency costs.

A general revaluation of a single rate of exchange, unlike a system of multiple rates, is not selective in its effect on imports. A general devaluation of the currency tends to lower the level of imports without regard to their essentiality; an upward revaluation has the opposite effect. These results may be avoided by establishing favorable rates for imports the authorities wish to encourage, and less favorable rates for imports they wish to discourage. This system is also used to combat inflation; by applying more favorable rates to imported commodities that constitute important items in the cost of living, the authorities minimize the rise in prices of the commodities thus favored. In some countries different rates of exchange may be applied to commodities and to invisible noncommercial transactions. The multiple-exchange-rate system is also favored by some countries because it can be used to promote certain exports. For example, a country may allow an exporter to receive a higher price for his goods by permitting him to sell the foreign-currency proceeds of his sales at especially favorable rates. The revenue derived from selling foreign exchange at a higher price than is paid for it is also an important consideration in impelling some governments to establish or retain multiple-currency systems. Where this is the case, and where alternative means of raising revenue are difficult to establish, the International Monetary Fund usually meets resistance when it seeks to remove this particular form of trade restriction.

In the first half of 1952, according to a report of the International Monetary Fund, multiple exchange rates were employed by the following trade-agreement countries: Argentina, Brazil, Chile, Cuba, Ecuador, Nicaragua, Paraguay, Peru, Uruguay, Venezuela, Iceland, Indonesia, and Iran. All these countries, except Argentina and Indonesia, are members of the Fund. Of the 13 countries, 6—Brazil, Chile, Cuba, Nicaragua, Peru, and Indonesia—are contracting parties to the General Agreement; the other 7 have bilateral trade agreements with the United States.

The multiple-exchange practices of Argentina, Brazil, Chile, Ecuador, Paraguay, Peru, Uruguay, Venezuela, and Iran were discussed in the Commission's fourth report on the operation of the trade agreements program. During the period covered by that report (July 1950–June

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1951) the multiple-exchange system was simplified or the associated quantitative restrictions on imports were relaxed (or both) in most of these countries; in most of them there have been no major revisions since the middle of 1951. The discussion in this report is restricted to the actions of Brazil and Chile in the year ending June 30, 1952, and to a brief summary of the multiple-exchange systems employed by Cuba, Nicaragua, Iceland, Indonesia, and Iran.

Brazil and Chile

Brazil and Chile are the only Latin American countries participating in the General Agreement that employ both quantitative import restrictions for balance-of-payments reasons and multiple-exchange-rate systems.[18] Unlike most of the Latin American countries, Brazil and Chile (together with Argentina, Paraguay, Peru, and Uruguay) are not dollar countries; their currencies are not freely convertible into dollars.

Brazil's quantitative controls on imports, which take the form of import licensing and import quotas, were discussed in detail in the Commission's fourth report on the operation of the trade agreements program. Licenses are granted up to the limits set by the individual import quotas, and on the basis of an exchange-priority system, under which varying shares of exchange are allocated to three categories of goods. Imports designated as superessential (such as agricultural machinery, fuel, petroleum, and scarce materials) have top priority, followed by imports designated as essential. Imports designated as necessary or nonessential receive the smallest share. Transfers of capital, profits, interest, and dividends (up to certain limits) have a lower priority than superessential and essential imports.

Import licenses are not required for certain specified essential imports. Licenses for all other imports are granted on a quota basis. Licenses are not issued for goods from hard-currency countries (including the United States, Canada, Belgium, Switzerland, Sweden, and Uruguay) if they can be paid for in soft currencies.

During the period covered by this report, Brazil progressively tightened its licensing regulations in order to conserve foreign exchange. Applications for import licenses were being accepted for approximately 500 items, but licenses were being issued for only about 170 items (covering the most essential commodities). For those products for which license applications were approved, foreign-exchange commitments were required before the actual importation could be made, and in most instances importers were subjected to long delays before the exchange was made available. For specified essential commodities, including essential raw materials, medicinals, and agricultural and industrial equipment, import

[18] The other Latin American countries that are contracting parties to the General Agreement are Cuba, the Dominican Republic, Haiti, Nicaragua, and Peru.

licenses were not required, but the issuance of exchange certificates for these items was also reduced substantially during the first 6 months of 1952.

Brazil's multiple-exchange system is operated by applying an exchange tax to most payments. The tax was increased from 5 percent to 8 percent, effective January 1, 1952. As of that date, the selling rate for all incoming United States dollar exchange was 18.72 cruzeiros per dollar; the buying rate for Government payments and for imports of specified essential commodities was 18.72 cruzeiros per dollar and that for all other payments abroad was 8 percent higher, or 20.22 cruzeiros per dollar.

Although Chile generally relaxed its trade controls during the first half of 1951, this trend was reversed during the period covered by this report. In June 1951 Chile established a list of over 100 less essential items that could not be imported from the dollar area; early in 1952 it expanded the list to include approximately 260 items. In April 1952 Chile suspended regulations that permitted the importation of certain products (e. g., machinery, chemicals, and other manufactured products) from all countries without license at the free rate of exchange. These items then became subject to import controls.

According to Chile, these new measures were undertaken to force utilization of increased accumulations of soft currencies and to strengthen the position of the peso in the free market. Although its dollar earnings had been increasing before the new restrictions were applied, Chile found it necessary to increase its dollar expenditures for goods that previously had been purchased in nondollar areas with soft currencies. The increased demand for dollars resulted in an appreciable weakening of the peso-dollar rate of exchange in the free market and caused Chile to undertake the measures mentioned above to strengthen its dollar-reserve position. Chile informed the Contracting Parties to the General Agreement that it would consult with them at their Seventh Session as to this intensification of its import controls.

Chile employs a very complex multiple-exchange-rate system. At the beginning of 1952 the selling rates for exchange (in pesos per United States dollar) were as follows: (1) 31.10 for imports of drugs, sugar, newsprint, tallow, wheat, flour, and certain government imports; (2) 43.10 for imports of raw cotton, certain medical articles and appliances, and certain articles imported for public and semipublic institutions; (3) 50.10 for imports of crude oil, gasoline, tea, paraffin, antibiotics, kerosene, rubber, jute, etc.; (4) 90.20 for imports designated as nonessential; (5) 135 for imports designated as luxuries, including such items as washing machines, watches, and perfume oils; and (6) 110.20 for imports of certain other luxuries with exchange derived from exports of wine. All other payments for imports were subject to the general import rate of 60.10 pesos per dollar.

The rates at which foreign exchange must be sold to the Chilean Government range from 19.37 to 135 pesos per United States dollar. Proceeds from commodities that can readily be sold abroad (such as hides, skins, wool, nitrate, iodine, copper, and copper scrap) are sold at relatively low rates. Proceeds from the exports of frozen meats, timber, barley, petroleum, wine, and designated products of medium and small mining industries and manufacturers are sold at the higher rates.

Cuba, Nicaragua, Iceland, Indonesia, and Iran

Cuba's multiple-exchange-rate system, which was established in 1925, has never been complex. The present multiple rates result from the application of a 2-percent exchange tax on all remittances abroad (that is, on the selling rate) with an additional tax of 2 percent on remittances to former enemy countries, except Austria and Italy. There is no tax on the buying rate. Cuba requires neither import licenses nor exchange permits.

Nicaragua relies on multiple-currency practices as its chief device for restricting imports. In addition to the official rate and two other fixed rates of exchange, there are various taxes or surcharges. When applied to the fixed rates, these taxes or surcharges result in several effective rates of exchange. At the end of 1951 the selling rate for essential imports was 7.05 cordobas per United States dollar, with no exchange tax added. For semiessential imports a surcharge of 1 cordoba was added to the 7.05 rate, and for nonessential imports, a 3-cordoba surcharge. Nicaragua requires licenses for all imports; the licenses entitle the holder to the necessary exchange.

Iceland—not a contracting party to the General Agreement, but a bilateral-trade-agreement country and a member of the International Monetary Fund, the sterling area, and the European Payments Union—has a system of multiple exchange rates that results from the application of premiums of varying amounts to the official buying and selling rates of the krona. These premiums, which were introduced early in 1951, are designed to permit Iceland to encourage exports of the products of the small-vessel fishing industry, and to make the cost of exchange to importers more restrictive of imports from EPU and dollar-area countries than from countries with which Iceland has clearing agreements.[19] Except for a limited number of staple commodities and for certain goods from EPU countries, from clearing-agreement countries, and from dollar-area countries, Iceland requires import licenses and exchange permits. In 1951 Iceland extended the list of goods that could be imported from any country without license or exchange permit.

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[19] Iceland's exchange rates are discussed in the section of this chapter on the use of export subsidies.

Indonesia employs a very complex system of multiple exchange rates. The system is designed, on the selling side, to discourage the importation of luxury and semiluxury goods, which must be paid for at a higher rate of exchange than that required for imports officially regarded as essential. Profits from the buying and selling of foreign exchange have been a source of considerable revenue to the Government. Indonesia also prohibits some imports and restricts others by requiring licenses and exchange permits (which are issued in combined form). For a considerable period, the importation of goods payable in dollars was discouraged because of shortage of dollar exchange. In February 1950 the Export-Import Bank of Washington offered the Government of Indonesia a credit of 100 million dollars, of which Indonesia accepted about 52 million dollars in June 1951. Before the line of credit was established, the Indonesian Government adopted measures to simplify its exchange system and the procedures for obtaining import licenses and foreign-exchange permits; further steps were taken in the same direction in February 1952. However, the Government continued to restrict imports of luxuries and semiluxuries, and even tightened the controls applicable to imports of such goods. Exchange permits representing a large part of the credit from the Export-Import Bank were issued to finance imports under the loan agreement.

Iran's import controls, which were described in the Commission's fourth report on the operation of the trade agreements program, consist of prohibitions, the requirement of licenses for all nonprohibited imports, quotas, exchange licensing, and multiple exchange rates. Late in 1950 Iran relaxed its import restrictions on essential commodities, but soon sharply curtailed credit facilities to importers because of the heavy demand for foreign exchange. Import quotas for most of the essential commodities and a large number of nonessential products were suspended in March 1951, but were reimposed in April with substantially their former coverage. New and more stringent import controls and exchange regulations became effective in December 1951, to operate into March 1952. Loss of income from oil operations, following difficulties with the Anglo-Iranian Oil Co., was the chief factor in the Iranian Government's decision to place further restrictions on imports. The rate for United States dollar exchange (formerly purchased at about 40 rials per dollar for essential imports, and at about 49 rials per dollar for other authorized imports) was increased to about 65 rials per dollar. The list of authorized imports was limited to 36 essential items. The higher rate of exchange tended to make it impossible for importers to make purchases abroad without raising prices beyond the level at which the imports could be sold. By early 1952, therefore, virtually no foreign exchange was being sold for any of the 36 items on the new list of authorized imports.

A number of trade-agreement countries that employ multiple exchange rates utilize the differences in rates to encourage certain exports, as well as to discriminate among the different classes of imports or among imports requiring different foreign currencies. Nearly all these countries require licenses for some or all exports. The government, or its agency, purchases the foreign-currency proceeds from the sale of those exports it wishes to encourage at rates higher than those paid for the proceeds from the sale of less favored exports. In this way, Chile encourages exports of wine, petroleum, and the products of medium and small mining industries; Ecuador, exports of ivory nuts, balsa wood, and straw hats; Iceland, exports of most products of the small-vessel fishing industry; Uruguay, exports of woolen manufactures, pork, and rice; and Venezuela, exports of coffee and cacao.

THE USE OF EXPORT SUBSIDIES

Article XVI of the General Agreement on Tariffs and Trade requires the contracting parties to report on any subsidy they grant or maintain—including any form of income or price support—which operates directly or indirectly to increase exports or to reduce imports. A number of the contracting parties reported in 1950 that they were not granting or maintaining subsidies of the type defined in article XVI. A number of other countries reported that they were employing such subsidies, but most of them maintained that the effects of their subsidies on exports and imports were slight. These measures were discussed in the Commission's fourth report on the operation of the trade agreements program.[20] In March 1952, the Contracting Parties requested countries that maintain subsidies falling within the scope of article XVI to report, before the opening of the Seventh Session (September 1952), on any new development with respect to such subsidies.

In the remainder of this section, discussion is confined to currency-retention quotas, a relatively new development among European countries, and to tax rebates and special credit facilities for exports.

The currency-retention method of encouraging exports permits exporters to retain a specified share of the foreign-currency proceeds derived from export sales. Under this system, import restrictions may be liberalized with respect to the exporter's use of the funds in the retained account, and provision may also be made for the transfer of the retained proceeds to other importers. The profit that an exporter realizes from the importation of goods that command premium prices in the domestic market, or from the sale of the retained exchange proceeds to other importers, makes it possible for him to quote lower export prices. The system has accordingly been criticized on the ground that it represents a form of selective

[20] Ch. 5, section on the use of subsidies.

currency devaluation which operates to the disadvantage of those countries not employing similar or equivalent devices. Insofar as premiums attach to the use of the retained accounts for specific transactions, they result in the creation of a limited multiple-exchange-rate system, applicable to the trade affected by them. To this extent currency-retention devices are similar to the multiple-currency practices employed by a number of Latin American countries. They are not generally, however, a particularly prominent feature of the total trade-control system of the countries that use them, and the premiums paid for the retained currencies have generally tended to decline as imports of commodities purchased with the retained currencies increased.

The premium that is realized from the use of the retained accounts may also be contributory to "switch" or "shunting" transactions in some countries. In this type of transaction, exporters who receive the benefit of currency-retention privileges purchase goods in foreign countries for resale in third countries.

Currency-retention quotas are used by countries primarily to promote exports to hard-currency areas, but are sometimes used for soft-currency areas as well. In the immediately following paragraphs, the retention systems employed by various countries are described briefly; no attempt has been made to discuss all the details of the various systems in use.

Early in the fall of 1949 the Netherlands adopted measures that permitted exporters of domestically produced goods to retain 10 percent of their net proceeds from exports to the United States and Canada. The plan later was extended to permit the same percentage retention of United States or Canadian dollars received from exports of domestic goods to any country with which no payments agreement was in force, or from sales (where the Netherlands Government did not act as intermediary) to international agencies and United States agencies. Although the currency thus retained by the exporter is not officially transferable, a de facto market for these export-bonus dollars has developed, and premiums are paid for them over the official rate of exchange.

In Denmark, exporters are issued "import-license promises," equal to 10 percent of their export proceeds in United States or Canadian dollars. Import-license promises are valid for 6 months. Their use is limited to importations, from EPU countries and their monetary areas, and from Finland, Spain, and Yugoslavia, of goods that are subject to import restrictions but not to domestic rationing or price control. The import-license promises are transferable and command premium rates in the free market. Inasmuch as the retention quotas apply only to Danish goods, transit-trade transactions are excluded from import-license promises.

Under the system in use in the Federal Republic of Germany, virtually all exchange proceeds and exchange requirements are sold to or purchased from the German exchange authorities. German exporters are permitted to retain—in a foreign-exchange working fund—4 percent of their gross export earnings from the nondollar area. These funds may be used to purchase specified raw materials and semifinished goods to be used in production for export. Twenty percent of the funds in this account may also be used to purchase products that will increase productivity or total output for export. The foreign exchange retained in this account is not transferable; the exporter benefits from the additional allocation of foreign exchange for the purchase of essential materials.

German exporters to hard-currency areas are also granted "import rights," equivalent to 40 percent of their gross export proceeds in hard currencies. Ten percent of the currencies in this account may be transferred to the 4-percent account already mentioned, for uses therein prescribed. Import rights against the retained hard currencies may be used only for imports of a wide range of designated goods, mostly essential commodities, from hard-currency areas. These import rights are transferable and command premium rates.

France permits exporters of most commodities to retain 15 percent of their proceeds from sales to the dollar area, and 10 percent of their proceeds from exports to other areas, exclusive of Eastern European countries and the French overseas dependencies. Three percent of the retained dollar earnings is available to exporters for purchases of foreign goods within the sphere of permitted transactions. Twelve percent of the dollar-area exchange proceeds—as well as all of the nondollar proceeds (the 10-percent quota)—normally is used to cover expenses and imports connected with the exporter's business. Under specified conditions, however, imports of other commodities may be made from the EPU area. Although these accounts are not generally transferable, a de facto free-market rate exists for them.

Present Italian exchange regulations require that all import transactions be conducted at the free rate of exchange. For exports, 50 percent of all transactions are conducted at the free rate and 50 percent at the official rate. Exporters are required to surrender to the Italian Foreign Office, at the official rate, 50 percent of the foreign-currency proceeds of all export sales. The exporter may use the remaining 50 percent for authorized imports, or may dispose of it to other importers on the free market or to the exchange authorities at the official rate. Because the official rate of exchange is fixed daily on the basis of the average closing rates of exchange in the Rome and Milan free markets, and because of the steadiness of the free rate, effective rates for both exporters and importers are practically identical. Funds in the exporters' retained accounts that have not been utilized within 60 days of acquisition must be surrendered to the exchange-control authorities at a rate equivalent to 20 percent less than the official exchange rate.

Before January 2, 1952, Austria maintained a currency-quota system under which designated exporters were permitted to retain varying portions of their export proceeds for their authorized import or payments needs. The program was abandoned on that date, and "linked transactions" having some of the characteristics of the retention quota are now employed. Under this system exporters of marginal, or hard-to-sell, products are permitted to transfer, at a premium, a part of their foreign-exchange proceeds to importers who have obtained a license to import nonessential commodities or other items that do not appreciably affect the cost of living in Austria. Such transfers may be effected for a varying share of the exporter's foreign-exchange proceeds, depending on the commodity; however, exports carried out through linked transactions may not exceed 10 percent of Austria's total exports. The effective rate of exchange to the exporters is not permitted to exceed 26.00 schillings per United States dollar (the rate for nontrade transactions), compared with the rate—21.36 schillings per dollar—that is applicable to commercial (import and export) transactions. In addition to the above, compensation transactions, whereby exports are bartered against imports, are permitted, and for these the implied rate of exchange varies with each transaction. Together, the barter and linked transactions probably do not account for more than 15 to 20 percent of Austria's total foreign-trade transactions.

During the period covered by this report, Norway, Finland, and Greece made some use of currency-retention quotas but abandoned them after June 30, 1952. Swedish exporters of dairy products to the dollar area were for a time permitted to retain a part of their foreign-exchange proceeds, but these practices also were later abolished. Two other countries, Indonesia and Iceland, make use of bonus systems for exporters. Although not technically retention quotas, these systems achieve somewhat similar results.

Since February 4, 1952, Indonesian exporters of goods to the dollar area have received, in addition to rupiah at the official rate, "dollar certificates" in the amount of 70 percent of the export proceeds they have surrendered. These certificates enable the holder to obtain exchange at the official rate for imports requiring payment in United States or Canadian dollars, or in Japanese clearing-account dollars. From February 4 until May 12, 1952, the rate for the dollar certificates fluctuated freely in the free market at a premium, but since May 12, 1952, the rate has been subject to Central Bank regulation, and the premium has been gradually reduced to a negligible level.

Iceland's currency-retention scheme benefits exporters of the products of small fishing vessels (excluding herring products and cod-liver oil) by permitting them to receive 50 percent of their export proceeds in transferable "krona certificates." These certificates may be used to obtain foreign exchange at the official rate to purchase goods (not subject to domestic price control) designated as nonessential, and therefore not otherwise importable. Or, the owner may sell the certificates at a premium to other traders who wish to take advantage of the special privileges that they afford. Premiums on these transferable certificates have been maintained at 60 percent of the nominal value for certificates resulting from exports to the dollar and EPU areas, and 25 percent for those resulting from exports to countries with which Iceland has clearing agreements. Since January 5, 1952, certificates resulting from exports to the dollar and EPU areas have been eligible for use to pay for imports from any area, provided such imports are not on the list of imports that are permitted only on bilateral terms from clearing-agreement countries.

Three of the countries that employ currency-retention systems—Austria, Germany, and France—also grant tax rebates to exporters. The Netherlands, Italy, and several other countries also appear to have tax-rebate programs under consideration.

The Austrian rebate system is applicable to a graduated Austrian turnover tax, all or part of which may have been paid on goods that were later exported. The tax refund amounts to 0.75 percent for specified raw materials; 2.25 percent for semimanufactures; and 5.1 percent for finished manufactures. No tax rebates are granted on exports of those products of which it is not desired to stimulate exports, or for which the export demand is such as to make special export incentives unnecessary.

The West German rebate system is much more complicated than the Austrian system. In the calculation of their income taxes, German manufacturers and exporters are permitted to deduct varying shares from the proceeds of their exports, from earnings on transit trade, and from income for services rendered abroad. In addition, manufacturers and exporters may set aside, in a special reserve, certain shares of their export proceeds, and may spread the tax payments on these reserves over a period of 10 years. Rebates are also allowed on the German turnover tax on exports; export transactions are exempt, or are allowed a partial exemption, from the tax on bills of exchange and transportation insurance. The aforementioned deductions are allowed only if the annual export earnings of a business exceed a specified amount.

In France, manufacturers of a wide range of goods may claim reimbursement for certain charges—including social security charges and taxes on salaries—attributable to that proportion of their production which is for export. On another category of goods, rebates also may be claimed on the turnover tax attributable to exports. No reimbursement is allowed on exports to Argentina and the "iron curtain" countries.

Belgium has strongly opposed the subsidization of exports, especially subsidies that may induce the shunting of foreign goods through the traders assisted by the subsidy. Because of its strong creditor position with EPU, Belgium has taken various measures to discourage exports to EPU countries in order to reduce its surplus. One of these measures, introduced in November 1951, provides for the imposition of an export tax on certain products: 1 percent on cement, fuel oils, and certain electrical equipment; 2 percent on certain metal products, fertilizers, coal and coke, newsprint, and machine tools; and 3 percent on most iron and steel products and copper alloys. In March 1952, to encourage a shift of exports to the dollar area, Belgium exempted from the 3-percent export tax those exports to be paid for in United States or Canadian dollars. Goods imported for reexport and goods in transit through Belgium are exempt from the tax.

MISCELLANEOUS MATTERS REGARDING TRADE-AGREEMENT OBLIGATIONS

Most of the matters at issue during the 12 months ending on June 30, 1952, between the contracting parties to the General Agreement,[21] and between the United States and some of the countries with which it has bilateral trade agreements, had arisen before the period herein under consideration, and were discussed in previous Tariff Commission reports on the operation of the trade agreements program. The purpose of the following section is to review the status of these matters as it existed in the 12-month period ending with June 1952, and to call attention to new issues that arose during that period.

General Agreement Countries

Belgium

In September 1951 Belgium announced that it would grant licenses for imports from the United States and Canada only for commodities that were essential and that could not be obtained from EPU countries.[22] The United States and Canada protested to the Contracting Parties to the General Agreement at their Sixth Session (October 1951) that Belgium's balance-of-payments position did not warrant such action, and that Belgian restrictions on dollar imports violated Belgium's obligations under the General Agreement. The matter was referred to a working party, but no report on it had been issued by June 30, 1952.

Brazil

Brazil's action in applying discriminatory internal taxes to numerous articles, in violation of article III of the General Agreement, was discussed in the Commission's third report.[23] Article III provides that the products

[21] Certain matters on which there was considerable discussion are treated in ch. 2 of this report.

[22] See the discussion of action by the Belgo-Luxembourg Economic Union in the section of this chapter on the European Payments Union.

[23] See *Operation of the Trade Agreements Program* (third report), p. 128.

of any contracting party, when imported into any other member country, shall not be subject to internal taxes or other internal charges of any kind in excess of those applied directly or indirectly to like products of national origin. In contravention of this article, Brazil imposes discriminatory taxes on imported clocks and watches, playing cards, numerous tobacco products, and other articles. At their Third Session, Brazil notified the Contracting Parties that it would undertake to revise its domestic laws to bring them into conformity with article III of the General Agreement. Brazil was to consult with the Contracting Parties at their Seventh Session regarding the progress it had made toward the elimination of such discrimination.

Cuba

During 1951–52 the normal course of trade between the United States and Cuba continued to be disturbed somewhat by several controversial issues between the two countries. These issues, arising from commitments made by Cuba in the General Agreement, were discussed in previous reports of the Tariff Commission on the operation of the trade agreements program. During the period covered by this report, no satisfactory settlement was reached on the 3-year-old issue over Cuba's procedures in administering its quota on imports of rice. The negotiations between Cuba and the United States concerning Cuba's Geneva commitments on the tariff and quota treatment of imports of United States rice—negotiations which were begun at Torquay and continued at Havana—were not completed within the time limit first authorized by the Contracting Parties (July 1, 1951). This situation, together with a request for a further extension of the time limit for concluding the negotiations, was reported to the Contracting Parties at their Sixth Session by the delegations of Cuba and the United States. The Contracting Parties authorized Cuba to continue the negotiations on rice with the United States, with the understanding that the two countries would endeavor to reach agreement on the matter before the opening of the Seventh Session of the Contracting Parties. However, during the period here considered, Cuba and the United States did not resume formal discussions of the rice problem.

During the Torquay negotiations between the United States and Cuba the two countries also considered certain Cuban customs measures relating to tariff classification of, and documentary requirements for, imports of textile fabrics and manufactured articles. These customs measures involve a number of features that are objectionable to United States exporters of textiles—one of the major categories in the United States export trade with Cuba. At Torquay it was agreed that these measures would be discussed in subsequent consultations between the United States and Cuba, with a view to removing the burdensome features. During the period covered by this report, representatives of the two Governments discussed this matter several times. Meanwhile, the application of one of the Cuban measures referred to above continued to be suspended; also the Cuban Government modified certain features of the other measure, and simplified somewhat the customs procedures regarding some of its requirements. Cuba did not, however, consider it feasible to agree on more substantive amelioration of its customs procedures for imports of textile fabrics and related products from the United States so long as its customs authorities were beset with difficulties as to the proper classification and valuation of such products and their lawful entry into Cuba.

Other matters that have long been at issue between the United States and Cuba concern some of Cuba's commitments in the General Agreement. These matters relate principally to what appears to be discriminatory treatment of several categories of imported articles—compared with like or similar products of Cuba—in the application of the Cuban gross sales tax. During the period under review, for example, Cuba took no corrective action to equalize the tax treatment of imported and Cuban lumber; imported lumber remained subject to the full rate of 9 percent, while the rate on Cuban lumber was 2.75 percent. This and certain related problems have been at various times the subject of representations to Cuba by the United States and of discussions between the two countries.

Denmark

The Commission's fourth report on the operation of the trade agreements program discussed the import controls that Denmark imposes on sugar, potato flour, and liquor for the purpose of protecting and developing its domestic industries. When the Contracting Parties to the General Agreement examined these controls in June 1950, they concluded that inasmuch as the measures in force in Denmark for safeguarding that country's balance of payments also applied to the same products that were controlled for the purposes of economic development under article XVIII, it was not necessary to decide whether these measures could be maintained under the provisions of article XVIII. Denmark was asked to bring this matter to the attention of the Contracting Parties again, if and when the import-control measures cease to be applied for balance-of-payments reasons. No new developments with respect to this matter were reported during the period covered by this report.

France

At the Torquay Conference of the Contracting Parties to the General Agreement, France requested permission to increase customs duties on certain items in the French West African customs tariff. Inasmuch as many of the items involved are accorded preferential treatment upon their importation from France into West Africa, the adjustment would have resulted in a corresponding increase in the margin between the preferential rate of duty on imports from France and the most-favored-nation rate that is applicable to imports from other countries that are contracting parties to the General Agreement. The proposed increases appeared to contravene article I of the General Agreement, which provides that the margins of preference existing on April 10, 1947, between the preferential and the most-favored-nation rate of duty shall not be increased. France, therefore, withdrew its original proposal and advised that it would submit a new proposal for consideration by the Contracting Parties at their Seventh Session.

Greece

For the purposes of restricting consumption of nonessential commodities and of raising revenue for Government operations, Greece in January 1952 imposed on various commodities a "contribution" tax ranging from 25 to 150 percent of the c. i. f.[24] value of the products. This tax applied to several items on which Greece had granted tariff concessions under the General Agreement, including certain products on which it had made concessions to the United States at Annecy. The more important of the products in which the United States had an interest were tanned skins, scientific instruments, lubricating oils, chemicals, motor vehicles and parts, refrigerators, and photographic film.

Another development during the period covered by this report relates to the rates Greece uses for converting metallic drachmas (in which its customs duties are expressed) into paper drachmas (the currency in which the duties are collected). In schedule XXV of the General Agreement, Greece bound against increase the coefficients that it employed before 1939 to convert metallic drachmas into paper drachmas. In January 1952 Greece increased the coefficients on a number of items that had been included in the schedules of concessions granted by Greece under the General Agreement, and thereby increased the effective rates of duty applicable to them. Accordingly, the Contracting Parties requested Greece to consult with them at their Seventh Session with respect to this matter, as well as to the application of its contribution tax on products on which it had granted tariff concessions under the General Agreement.

Liberia

In 1949, to raise funds to complete an internal economic-development program that it had begun in 1946, Liberia enacted legislation to increase its excise taxes on certain domestic and imported luxury products. These increased taxes were to apply to certain items (cosmetics, liquor, and tobacco) on which Liberia had granted concessions at Annecy to the Benelux Customs Union, the United States, and France. Inasmuch as an increase in these taxes appeared to be in contravention of its obligations under the General Agreement, Liberia suspended application of the increase.

[24] Cost, insurance, and freight.

United Kingdom

During and after the war, the United Kingdom imposed an excise purchase tax on certain classes of consumers' goods not designated as "utility" goods. This purchase tax was applied to imported consumers' goods whether or not they were of a kind that would be classified as utility goods if produced in the United Kingdom. The tax appeared, therefore, to discriminate against certain imported consumers' goods, and thus to contravene article III of the General Agreement. That article provides that the contracting parties shall accord national treatment to products imported from other countries participating in the agreement.

In July 1951 the United Kingdom Government appointed a special committee to study proposals to eliminate the discriminatory features of the purchase tax. Subsequently, in March 1952, it amended the system to exempt from the purchase tax both imported and domestic goods having a wholesale value below a certain stipulated minimum. If the wholesale value of the article exceeds the minimum value stipulated by the British Government, the purchase tax is chargeable on the difference between the stipulated minimum value and the declared value of the imported article. Since goods produced in the United Kingdom, if in excess of the stipulated minimum value, are also subject to the purchase tax, the new measures eliminate the discriminatory features of the purchase tax. The Contracting Parties agreed to examine the new measures at their Seventh Session.

Bilateral-Agreement Countries

Argentina

The failure of Argentina to fulfill its trade-agreement obligation to apply lower rates of duty to imports from the United States on which it had granted concessions, "when Argentine customs receipts from import duties exceed 270 million pesos, national currency, in any calendar year" was discussed in the Commission's fourth report on the operation of the trade agreements program. Argentina's customs collections exceeded the prescribed 270 million pesos in 1947 and 1948. Despite the requests of the United States Government, Argentina did not apply the lower rates of duty prescribed in the 1941 trade agreement. Although Argentina's customs receipts were below the prescribed level (270 million pesos) in 1949 and 1950, they exceeded that level in 1951.

Guatemala

The Commission's fourth report on the operation of the trade agreements program discussed in detail certain matters that have long been at issue with respect to the trade agreement between the United States and Guatemala.

For the purpose of protecting domestic producers Guatemala has maintained import restrictions in various forms on wheat flour (a trade-agreement item) since January 1949. Since June 1950 it has prohibited imports of short hose (socks), also specified in the trade agreement. In February 1951 Guatemala placed in effect a 100-percent increase in the rate of duty on "unspecified cheese in unspecified containers" (a trade-agreement item) by applying to it the rate of duty applicable to cheese in hermetically sealed containers (30 centavos per gross kilogram). Although these infractions were called to the attention of the Guatemalan Government, it had not, as of June 1952, taken remedial action with respect to them.

Paraguay

Soon after the bilateral trade agreement between the United States and Paraguay became effective (1947), Paraguay established a new schedule of consular fees, including a fee of 5 percent ad valorem for the certification of consular invoices. The United States has repeatedly protested the imposition of this fee on the grounds that it has increased the effective rates of duty established in the trade agreement for United States products, but the Government of Paraguay has taken no corrective action and the matter is still at issue.

Turkey

Although Turkey is now a contracting party to the General Agreement, the issue between it and the United States, discussed below, arose when Turkey was party to a bilateral trade agreement with the United States. As reported by the Commission in its fourth report, the city of Istanbul imposes a tax of 70 percent on the admission price to theaters when they exhibit imported motion pictures, and 25 percent when they exhibit domestic films. The United States Government has called the attention of the Government of Turkey to its obligation to accord United States products national treatment with respect to all internal taxes. Although Turkey has indicated that it intends to introduce legislation designed to eliminate the discrimination, the matter is still pending.

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