1954-016

UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

Sixth Report

July 1952–June 1953

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Foreword

This is the sixth 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 to April 1948. The second report covered the period from April 1948 through March 1949; the third, that from April 1949 through June 1950; the fourth, that from July 1950 through June 1951; and the fifth, that from July 1951 through June 1952. The present report covers the period from July 1952 through June 1953. 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:

Operation of the Trade Agreements Program, June 1934 to April 1948, Rept. No. 160, 2d ser., 1949:

Part I. Summary	20¢
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CONTENTS

Chapter 1. Introduction and Summary

Chapter 2. United States Trade Agreements Legislation

Chapter 3. Developments Respecting the General Agreement on Tariffs and Trade

Chapter 3. Developments Respecting the General Agreement on Tariffs and Trade—Continued

Chapter 3. Developments Respecting the General Agreement on Tariffs and Trade—Continued

Chapter 5. Actions of the United States Relating to Its Trade Agreements Program—Con.

Chapter 1

Introduction and Summary

INTRODUCTION

This, the sixth report of the Tariff Commission on the operation of the trade agreements program, covers the period from July 1, 1952, through June 30, 1953.[1] During this period the United States concluded only one trade agreement—the supplementary bilateral agreement with Venezuela. The report discusses the concessions that the United States granted and obtained in the Venezuelan agreement.

The report also covers other important developments respecting the trade agreements program during 1952–53. These include the passage of the Trade Agreements Extension Act of 1953; certain developments respecting the General Agreement on Tariffs and Trade; actions of the United States relating to its trade agreements program; and changes in tariffs, exchange controls, and quantitative import restrictions by countries with which the United States has trade agreements.

UNITED STATES TRADE AGREEMENTS LEGISLATION

During the period covered by this report, the United States conducted its trade agreements program under the Trade Agreements Act of 1934, as amended, and the Trade Agreements Extension Act of 1951. Under the extension act of 1951, the President's authority to enter into trade agreements with foreign countries was extended for a period of 2 years from June 12, 1951. This authority was further extended for a period of 1 year from June 12, 1953, by the Trade Agreements Extension Act of 1953, which was approved August 7, 1953.

Trade Agreements Extension Act of 1951

The Trade Agreements Extension Act of 1951 (secs. 3 and 4) incorporates the "peril point" provision substantially in the form in which it

[1] The first report was U. S. Tariff Commission, *Operation of the Trade Agreements Program, June 1934 to April 1948*, Rept. No. 160, 2d ser., 1949. It 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, third, and succeeding reports of the Tariff Commission on the operation of the trade agreements program will hereafter be cited in a similar short form.

appeared in the extension act of 1948. Under the provision in the extension act of 1951 the President is required to submit to the Tariff Commission a list of products that may be considered for possible concessions in trade-agreement negotiations. For each of these products the Tariff Commission is required to determine the maximum decrease, if any, that can be made in the duty without causing or threatening serious injury to the domestic industry producing like or directly competitive products, or the minimum increase in the duty or additional import restrictions that may be necessary to prevent such injury.

The escape-clause provision of the act of 1951 (sec. 6) provides that no future trade-agreement concession shall be permitted to continue in effect if the product on which the concession has been granted is, as a result, in whole or in part, of the customs treatment reflecting the concession, being imported in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. Section 6 of the act also requires the President to bring existing trade agreements into conformity with this policy as soon as practicable.

Section 7 of the extension act of 1951 sets forth the procedures for administering the escape clause. Under this provision, the Tariff Commission, upon the direction of the President or the Congress, upon application by any interested party, or upon its own motion, is required to make an escape-clause investigation. If the Commission finds that serious injury or threat thereof exists, it is required to recommend to the President that the concession be modified or withdrawn, that it be suspended in whole or in part, or that import quotas be established, for the time necessary to prevent or remedy such injury.

Section 8 of the extension act of 1951 establishes procedures to accelerate investigations and action under the escape-clause provision of that act or under section 22 of the Agricultural Adjustment Act, as amended. The Agricultural Adjustment Act provides authority for tariff adjustment whenever agricultural products are being imported, or are practically certain to be imported, in such quantities as to materially interfere with or tend to render ineffective domestic programs of the United States Department of Agriculture. Under section 8 of the act of 1951, the President is authorized to take immediate action in cases in which, because of the perishability of the agricultural commodity concerned, a condition exists requiring emergency treatment; in any event, the Commission must complete its investigation and report to the President (under the escape clause or sec. 22) and the President must make his decision not more than 25 calendar days after the submission of the case to the Commission.

Other sections of the extension act of 1951 direct the President to suspend the application of trade-agreement concessions to imports from the Soviet Union or Communist-dominated or Communist-controlled areas; direct the President to prohibit imports of certain furs and skins from the Soviet Union or Communist China; and restore the right of producers, under the Tariff Act of 1930, to appeal to the United States Customs Court if they believe that they are being injured by the incorrect classification of any imported article. Under the Trade Agreements Act of 1934, this right had been eliminated with respect to trade-agreement items.

Trade Agreements Extension Act of 1953

Shortly after the convening of the 1st session of the 83d Congress, the President requested that the existing trade agreements legislation be extended for a period of 1 year as an interim measure to allow for the "temporary continuation of our present trade program" pending a thorough reexamination of the economic foreign policy of the United States. Pursuant to this request several bills relating to the trade agreements program were introduced in the Congress. Some of these bills contained provisions that differed substantially from the existing legislation. Others provided for the extension of the President's authority to negotiate trade agreements, without significant changes in other provisions of the previous trade agreements legislation.

The bill finally approved by the Congress was House bill 5495. A conference report on this bill, embodying the major changes that had been recommended by the Senate, was adopted by the House of Representatives on August 1, 1953, and by the Senate on August 3, 1953. The President signed the bill on August 7, 1953.

The Trade Agreements Extension Act of 1953 extends, for a period of 1 year from June 12, 1953, the authority of the President to negotiate trade agreements with foreign countries. The statutory provisions of the 1951 act, as amended by the act of 1953, remain in effect.

The new act makes no change in the "peril point" procedures that were established by the extension act of 1951. With respect to trade-agreement escape-clause procedures, the act of 1953 reduces from 1 year to 9 months the period within which the Tariff Commission must make its investigation and report on escape-clause applications. The extension act of 1953 also amends section 22 of the Agricultural Adjustment Act to permit the President to take immediate action, without waiting for a report from the Tariff Commission, whenever the Secretary of Agriculture determines that a condition requiring emergency action exists with respect to any agricultural product. Under the extension act of 1951, the President's authority to take such emergency action was limited to perishable agricultural products.

As a result of amendment of section 330 of the Tariff Act of 1930, the extension act of 1953 changes the effect of certain less-than-majority decisions of the Tariff Commission. The new law authorizes the President, in exercising the authority conferred upon him to make changes in import restrictions, to regard the unanimous findings and recommendations of one-half of the number of Commissioners voting as the findings and recommendations of the Commission. If the Commissioners voting are divided into two equal groups, each of which is unanimous in its findings and recommendations, the findings and recommendations of either group may be regarded by the President as the findings and recommendations of the Commission. The act further specifies that if, in any case in which the Tariff Commission is authorized to make an investigation or hold hearings, one-half of the number of Commissioners voting agree that the investigation or hearing should be undertaken, such investigation or hearing shall be carried out in accordance with the statutory authority covering the matter in question.

The extension act of 1953 also provides for the appointment of a special bipartisan Commission on Foreign Economic Policy for the purpose of conducting a broad study "on the subjects of international trade and its enlargement consistent with a sound domestic economy, our foreign economic policy, and the trade aspects of our national security and total foreign policy." The Commission on Foreign Economic Policy is specifically directed to recommend appropriate policies, measures, and practices relating to the subject matter of its study. It is directed to report its findings to the President and to the Congress within 60 days after the 2d regular session of the 83d Congress is convened.

The Commission on Foreign Economic Policy, which shall be dissolved 90 days after its report is submitted, is to consist of 17 members, appointed as follows: 7, by the President; 5 from the United States Senate, by the Vice President; and 5 from the House of Representatives, by the Speaker of the House. The law provides that no more than 4 of the 7 members appointed by the President and no more than 3 members of each of the groups of 5 members appointed from the Senate and the House of Representatives shall be of the same political party. The act authorizes the President to designate the chairman and vice chairman of the Commission.

DEVELOPMENTS RESPECTING THE GENERAL AGREEMENT ON TARIFFS AND TRADE

On June 30, 1953, 33 countries were contracting parties to the multilateral agreement known as the General Agreement on Tariffs and Trade (GATT). 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 have acceded to the General Agreement, but 4 of these countries have since withdrawn.[2]

The developments respecting the General Agreement during the period July 1, 1952, to June 30, 1953, relate principally to the Seventh Session of the Contracting Parties,[3] which was held at Geneva from October 2 to November 10, 1952, and to the meeting of the ad hoc Committee for Agenda and Intersessional Business, which was held at Geneva from February 2 to February 13, 1953. Although the Seventh Session of the Contracting Parties was concerned largely with problems arising out of the general provisions of the General Agreement, it dealt also with tariffs and tariff negotiations, the administration of the agreement, and several miscellaneous matters.

General Provisions

At the Seventh Session of the Contracting Parties the major discussions and consultations relating to the general provisions of the General Agreement concerned the waiver for continued free entry of Libyan products into Italy (art. I); the increase in Greek tariff coefficients (art. II); the United Kingdom purchase-tax system, Brazilian internal taxes, and the Greek "contribution tax" on imports (all under art. III); quantitative restrictions for balance-of-payments reasons (arts. XII–XIV); special exchange agreements (art. XV); the United States subsidy on exports of sultanas (art. XVI); protective measures imposed by Ceylon for economic development (art. XVIII); modification by the United States of its concession on dried figs (art. XIX); United States restrictions on imports of dairy products, Belgian import restrictions on dollar goods, the Belgian family-allowance tax, discrimination against Norwegian sardines by the Federal Republic of Germany, and the Pakistan export fee on raw jute (all under art. XXIII); and the South Africa-Southern Rhodesia customs union and the Nicaragua-El Salvador free-trade area (both under art. XXIV). These discussions and consultations are described in the section of chapter 3 on developments relating to the general provisions of the General Agreement.

Tariffs and Tariff Negotiations

In the field of tariffs and tariff negotiations, the Contracting Parties at their Seventh Session extended the time limit for completion of tariff

[2] The countries that have withdrawn from the General Agreement are the Republic of China, Lebanon, Liberia, and Syria.

[3] 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.

negotiations by the United States and Cuba under article XXVIII of the General Agreement. Interconference tariff negotiations between Austria and the Federal Republic of Germany were conducted during the Seventh Session, and completed shortly after the session ended. The protocol drawn to incorporate the results of the negotiations subsequently was opened for signature at the headquarters of the United Nations. Interconference tariff negotiations were also conducted between Belgium (on behalf of the Belgian Congo and Ruanda-Urundi) and the Federal Republic of Germany, but these negotiations were not completed.

Japan's application for accession to the General Agreement was also discussed by the Contracting Parties at the Seventh Session. The Intersessional Committee continued the discussions at its meeting in February 1953, and a report was sent to the various contracting parties giving the results of the Committee's discussions. The Contracting Parties considered the possibility of calling a special session later in the year to formulate the conditions under which Japan might accede to the General Agreement and to consider the timing of the tariff negotiations.

At the Seventh Session the Contracting Parties also considered the report of the working party on the disparity in the levels of European tariffs, as well as several new proposals submitted by France. They instructed the working party to continue its study of European tariffs, taking into account the new French proposals. At the Seventh Session a group of customs experts appointed by the Contracting Parties completed a study of the technical aspects of a plan, submitted by the Council of Europe, for the lowering of tariff barriers in Europe.

Administration of the Agreement

At their Seventh Session the Contracting Parties considered a number of problems relating to the administration of the General Agreement. They continued the ad hoc Committee for Agenda and Intersessional Business, which they had established at the Sixth Session to deal with matters that require urgent action between the periodic meetings of the Contracting Parties. The Contracting Parties also extended the time limit for signature of the Torquay Protocol, as had been requested by several acceding countries and contracting parties. They considered the problem of granting legal status to the consolidated schedules, as proposed by the Federal Republic of Germany, but decided that such a step was not feasible at this time. The Contracting Parties drew up the Second Protocol of Rectifications and Modifications and opened the protocol for signature. They also decided to publish an annual report, adopted the report of the working party on the budget, and discussed their relations with the United Nations. The Contracting Parties agreed to hold their Eighth Session at Geneva beginning September 17, 1953.

Other Developments

At the Seventh Session, the Contracting Parties discussed the report of the working party on the European Coal and Steel Community. On the basis of the report, they granted a waiver to the six members of the Community, releasing them from certain of their obligations under the General Agreement.

The Contracting Parties also at their Seventh Session adopted the report of the working party that considered certain resolutions submitted by the International Chamber of Commerce. As a result of this report, they adopted the text of a draft convention to facilitate importation of samples and advertising materials, a code of standard practices relating to documentary requirements for the importation of goods, a code of standard practices relating to consular formalities, and a resolution regarding application of import- and export-licensing restrictions in the case of existing contracts. The Contracting Parties also continued their study of the problems of valuation and nationality of imported goods, with a view to considering them further at a later session.

At the request of the Secretary-General of the United Nations, the Contracting Parties at the Seventh Session nominated a chairman for the United Nations Interim Coordinating Committee for International Commodity Arrangements. This Committee prepares yearly statements regarding governmental regulation in the field of commodity problems.

UNITED STATES TRADE-AGREEMENT NEGOTIATIONS WITH VENEZUELA

History of the Negotiations

On August 29, 1951, in accordance with United States trade agreements procedure, the Interdepartmental Committee on Trade Agreements issued formal notice of the United States intention to negotiate with Venezuela to supplement and amend the bilateral trade agreement that the two countries had concluded in 1939. Also on that date, as required by section 3 (the "peril point" provision) of the Trade Agreements Extension Act of 1951, the President 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 submitted its peril-point report to the President on December 27, 1951.

Negotiations between the United States and Venezuela began on April 18, 1952. The supplementary trade agreement between the United States and Venezuela was signed on August 28, 1952, and its provisions became effective on October 11, 1952.

The "peril point" provision of the Trade Agreements Extension Act of 1951 requires that if the President enters into a trade agreement which provides for greater reductions in duty than the Tariff Commission specified in its report, or which fails to provide for additional import restrictions specified in the Commission's report, he must transmit to the Congress a copy of the agreement, identifying the articles involved and stating his reasons. On August 29, 1952, the day after the supplementary trade agreement with Venezuela was signed, the President sent a message to the Secretary of the Senate and the Clerk of the House of Representatives, calling attention to the concession that the United States had granted in the supplementary agreement on certain petroleum products and to the Commission's peril-point findings on these products. The Commission's findings and the concession granted by the United States are discussed in chapter 4 of this report.

Concessions Granted by the United States

United States imports for consumption from Venezuela in 1950 were valued at 319.9 million dollars. As modified by the supplementary agreement of 1952, the United States-Venezuela trade agreement now provides for concessions by the United States to Venezuela on products included in 37 statistical import classes. United States imports of these commodities from Venezuela amounted to 315.2 million dollars in 1950—about 98 percent of total United States imports from Venezuela in that year. United States imports of commodities on which it granted concessions to Venezuela in the supplementary agreement were valued at 175.1 million dollars in 1950—which is 56 percent of total imports of all concession items in the amended agreement. By far the most important concession made by the United States in the supplementary agreement applies to crude petroleum, topped crude petroleum, and fuel oil derived from petroleum. The United States also bound against increase the existing customs treatment of iron ore, pig iron, granular or sponge iron, and a number of petroleum derivatives (such as petroleum asphalt, naphtha, kerosene, and gasoline).

Concessions Obtained by the United States

United States exports to Venezuela in 1950 were valued at 389.4 million dollars. In the trade agreement with Venezuela, as modified by the supplementary agreement of 1952, the United States obtained concessions on 179 items in the Venezuelan tariff. United States exports of commodities included in these tariff items amounted to 239.9 million dollars in 1950—which is 62 percent of total United States exports to Venezuela in that year. United States exports to Venezuela of commodities covered by Venezuelan concessions in the supplementary trade agreement were valued at 145.7 million dollars in 1950—61 percent of total exports of all concession items in the amended trade agreement. These concessions apply to a wide variety of agricultural and manufactured products.

General Provisions

Besides providing for the exchange of new and additional tariff concessions, the supplementary agreement between the United States and Venezuela revised and supplemented the general provisions of the 1939 trade agreement. The major changes include insertion of the so-called standard escape clause in the agreement, in conformity with section 6 (a) of the Trade Agreements Extension Act of 1951, and modification of those articles in the general provisions that relate to quantitative restrictions, national treatment of imported products, and customs fees and formalities.

ACTIONS OF THE UNITED STATES RELATING TO ITS TRADE AGREEMENTS PROGRAM

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

In October 1952, the United States placed in effect the concessions it granted to Venezuela in the supplementary trade agreement with that country, and in March 1953, those it negotiated initially with Brazil at Torquay.

As required by section 5 of the Trade Agreements Extension Act of 1951, the President by the middle of 1952 had suspended the application of reduced rates of duty and import-excise tax established pursuant to any trade agreement to imports from 17 Communist-controlled countries or areas. This suspension continued in effect during the period covered by this report; in July 1952 it was also made applicable to imports from Hungary and Tibet. As required by section 11 of the extension act of 1951, the importation of certain furs and skins that are the product of the Soviet Union or of Communist China continued to be prohibited during the period covered by this report.

Under article XIX (the escape clause) of the General Agreement on Tariffs and Trade, the United States, effective August 29, 1952, modified the concession that it had granted on dried figs at Torquay.

Activities Under the Escape Clause

During the period July 1952 to June 1953, United States activities under the escape clause were governed principally by certain provisions of the Trade Agreements Extension Act of 1951. As required by section 6 (b) of the extension act of 1951, the President on July 10, 1952, and January 9, 1953, submitted to the Congress his second and third reports on the inclusion of escape clauses in trade agreements. In his third report, the President pointed out that all but 4 of the country's existing trade agreements—those with Ecuador, El Salvador, Guatemala, and

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Honduras—conform to the escape-clause policy established in section 6 (a) of the act.

The procedure for administering the escape clause, prescribed by section 7 of the extension act of 1951 and Executive Order 10401, designates the Tariff Commission as the investigating agency. The Commission not only makes investigations to determine whether there is cause for taking escape-clause action, but reports periodically to the President on developments with regard to products on which escape-clause actions have been taken, and makes review investigations to determine whether there is cause for continuing or modifying such actions in whole or in part.

During the period covered by this report, the Tariff Commission had, at one time or another, 23 escape-clause investigations pending before it. As of June 30, 1953, the Commission had completed 15 of those investigations, and had discontinued 1 investigation following withdrawal of the application which requested it. The completed investigations were those on watches, watch movements, watch parts, and watchcases; spring clothespins; groundfish fillets; garlic; bicycles and parts; cherries, candied, crystallized, or glace; bonito canned in oil, and tuna and bonito, canned, not in oil; tobacco pipes and tobacco-pipe bowls of wood or root; household china tableware; dried figs; wood screws of iron or steel; pregnant mares' urine; chalk whiting; screen-printed silk scarves; and woodwind musical instruments. 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 23 investigations, are discussed in chapter 5 of this report.

Under the provisions of Executive Order 10401, the Commission during the period covered by this report submitted to the President a periodic report on developments with respect to certain fur felt hats and hat bodies on which the United States had taken escape-clause action. On request of the President, it also undertook and completed a review investigation of the escape-clause action taken by the United States on dried figs.

Quantitative Restrictions on Imports Into the United States

During the period July 1, 1952, to June 30, 1953, 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.

During the period covered by this report, the Tariff Commission conducted four investigations under the provisions of section 22. In accordance with the Commission's findings and recommendations made in one of these reports, the President imposed a fee on the importation of shelled and blanched almonds and a quota on the importation of shelled filberts. In accordance with the Commission's findings and recommendations made in another report, the President imposed quotas on the importation of certain dairy products and peanuts, and fees on the importation of flaxseed, linseed oil, and peanut oil. In June 1953, the President advised the Commission that it need not submit a report on its investigation relating to wool. On June 30, 1953, the investigation relating to oats was still in process.

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, as amended. Effective January 1, 1953, the Sugar Act of 1948 was extended, in modified form, for 4 years.

During the last half of 1952 and the first half of 1953, the United States, by means of licenses issued by the Department of Agriculture, controlled imports of certain dairy products, certain fats and oils, peanuts, and rice and rice products, under the provisions of section 104 of the Defense Production Act of 1950, as amended. Section 104 expired on June 30, 1953. Effective the following day, however, the United States imposed quotas or fees on imports of certain of these products under section 22 of the Agricultural Adjustment Act, as amended, as stated above.

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

All the countries with which the United States has trade-agreement obligations have the right to restrict their imports for balance-of-payments reasons. For some years most of these countries have exercised this right through the use of exchange controls and quantitative restrictions. The General Agreement on Tariffs and Trade and the bilateral trade agreements to which the United States is a party provide that these forms of restriction shall be relaxed as a country's balance of payments improves, and eventually abandoned when the country ceases to have an external-payments problem.

Countries that are in a position to exercise their right to restrict imports for balance-of-payments reasons are less subject to pressure to increase their import duties for protectionist reasons than they would be if they were not free to restrict imports by other means. Nevertheless, most countries in this position do make changes in tariff rates, although the changes are not usually of an extensive nature. During 1952–53, as in previous postwar years, most trade-agreement countries made some changes in various individual tariff rates and other charges on imports (decreases as well as increases), but did not undertake general revisions of their tariffs.

For purposes of discussing the use of exchange controls, licensing, quotas, prohibitions, and other forms of quantitative trade restriction, the countries with which the United States has trade-agreement obligations may be classified into four major groups; within each of these groups the countries control their foreign trade in a somewhat similar way. These groups are (1) the European Payments Union (EPU); (2) the sterling area; (3) various nondollar countries (other than those in groups 1 and 2), most of which rely heavily on multiple-exchange-rate systems to control their trade; and (4) certain "dollar" countries, including Canada and several countries in Latin America, which now exercise a minimum of control over their trade with other countries.

Nearly all these countries, except those in the dollar group, have for some years employed exchange controls and have imposed quantitative restrictions on imports for balance-of-payments reasons. A lack of sufficient dollar exchange has constituted their principal external-payments problem, but a shortage of other currencies has also been a factor in determining the trade practices of several countries. Mainly as a result of restrictions on imports and of efforts to increase exports, particularly with respect to trade with dollar countries, there was a general improvement in the world payments position between 1949 and 1952. During this period the gold and dollar reserves of Western Europe increased by 40 percent, those of the sterling area, by 20 percent, those of Canada, by 80 percent, and those of the Latin American countries, by 10 percent.

Improvement in the general external-payments position is one of the principal conditions for the ultimate realization of currency convertibility and for the removal of quantitative restrictions on international trade. Efforts to restore trade to a multilateral basis have been made by the International Monetary Fund and by the Contracting Parties to the General Agreement on Tariffs and Trade. The United States and Canada, in cooperation with Western European countries, have also made efforts to expand the area of currency convertibility and multilateral trade within the European Payments Union.

The European Payments Union

The European Payments Union, with financial assistance from the United States, was established in 1950 as a mechanism for easing the trade-and-payments problems of the members of the Organization for European Economic Cooperation (OEEC). Its general purpose is to increase trade among the OEEC countries and thus to reduce, and eventually to eliminate, their dependence on United States financial aid. EPU established a system of automatic compensation among the members on the basis of convertibility of their currencies, thus enabling these countries to depend less on the network of bilateral trade-and-payments agreements that characterized their early postwar efforts to carry on trade. EPU also provided deterrents to prevent members from getting too far out of balance—either as debtors or creditors—with the Payments Union. A member in a deficit position with EPU is subject to a rising scale of gold payments as it uses an increasing share of its quota in EPU to settle its deficits, and a creditor receives gold on a fixed scale as part of its compensation for being in a creditor position. Creditors also extend credit to the Payments Union. The quota represents, for each member, the limit within which credit facilities are automatically provided to settle its cumulative accounting surplus or deficit with the Payments Union. Under these conditions, members of EPU undertake to remove quantitative restrictions from their mutual private trade.

On June 30, 1953, there were 7 creditor and 8 debtor members of EPU. The 7 creditors were Austria, the Belgo-Luxembourg Economic Union, the Federal Republic of Germany, the Netherlands, Portugal, Sweden, and Switzerland. Austria, Portugal, and Sweden were within their quotas; the other countries had exceeded their quotas and therefore were required to make "beyond quota" settlements in gold and credit. The 8 debtor members were Denmark, France, Greece, Iceland, Italy, Norway, Turkey, and the United Kingdom. France, Greece, and Turkey were in excess of their quotas and made "beyond quota" settlements entirely in gold; the others were within their quotas.

For EPU as a whole, 1952–53 was a much more successful year with respect to internal operations than either of the first 2 years of operation (1950–51 and 1951–52), in that the total net balance of the Payments Union was considerably smaller. However, quantitative import restrictions on private trade within the EPU area affected a larger volume of trade in 1952–53 than in the first year or so of EPU operations. During the first year of operations the share of private trade to be freed of quantitative restrictions was set at 75 percent of the total trade within the EPU area. It was found, however, that many members were unable to attain this goal because of balance-of-payments difficulties with the Payments Union. By July 1, 1953 (the beginning of EPU's fourth year of operations), 7 creditor countries had freed from quantitative restrictions more than 75 percent of their private trade with EPU. Of the debtor countries, 3 had liberalized almost exactly 75 percent of their trade, and another, the United Kingdom, had liberalized 58 percent of its trade, but 5 other debtors had no liberalization of their trade.

The Sterling Area

The sterling area consists of all parts of the British Commonwealth except Canada, and a few non-British countries—Burma, Iceland, Iraq, Ireland, Jordan, and Libya. The United Kingdom's quota in EPU is used to finance trade between the sterling area (except Iceland, which has a separate quota) and the continental members of EPU. The sterling area's "dollar" pool is likewise used to finance the area's trade with the dollar countries.

At conferences of the Commonwealth finance ministers, held early in 1952 and again in December of that year, it was agreed that the sterling area as a whole should undertake to achieve an overall balance in its trade with the rest of the world, and that each member would adopt measures, including the restriction of imports, appropriate to this objective. The year 1952–53 showed a considerable improvement as compared with 1951–52 in the overall balance-of-payments position of the sterling area. The area began to have regular surpluses with EPU, and its gold and dollar reserves increased substantially; the continuation of direct financial aid from the United States was an important factor in the increase of these reserves. The United Kingdom itself, however, had an increasing trade deficit in 1952–53; the overall improvement in the sterling area's reserves was therefore attributable to the outer sterling area.

All the British Commonwealth countries of the outer sterling area continued in 1952–53, as in previous years, to apply strict exchange and quantitative controls to imports payable in dollars. Early in 1953, as their dollar position improved, some of the countries of the sterling area—for example, India, the Union of South Africa, and Southern Rhodesia—began to relax their restrictions on dollar imports. Australia, New Zealand, Ceylon, and Pakistan tightened their restrictions on such imports either to avoid reverting to a dollar-deficit position or to build up larger surpluses before relaxing their restrictions. All these countries, except Southern Rhodesia, also restrict imports payable in sterling. The restrictions on sterling imports, however, are less general and less severe than those on nonsterling imports.

Other Nondollar Countries

In the nondollar group are 6 Latin American countries (Argentina, Brazil, Chile, Paraguay, Peru, and Uruguay) and 3 other countries (Finland, Indonesia, and Iran). All except Finland employ multiple-exchange-rate systems as an important element in the control of their foreign trade. Under these systems, imports of essential goods are accorded a rate of exchange more favorable than that accorded to imports of less essential goods; likewise, proceeds from exports that the countries wish to encourage (usually exports of goods that can be marketed abroad only with some difficulty) receive a higher rate of exchange than exports that need less encouragement or none. In addition, import and export licenses are usually required.

Dollar Countries

The United States has trade-agreement obligations with 10 countries that operate on the basis of "dollar" (freely convertible) exchange. These are Canada, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, and Venezuela. The Latin American countries in this group have been in a position—at least most of the time in recent years—to obtain more than enough dollars to meet their requirements for imports of dollar goods. These countries, therefore, have been able to conduct their trade with a minimum of controls on trade and exchange. Such controls of this kind as they do employ are used for other than balance-of-payments reasons. Canada itself had serious difficulties after World War II in achieving a satisfactory balance-of-payments position with the United States; by the end of 1951, however, it had overcome these difficulties and had removed virtually all its restrictions on imports.

Developments in the Use of Currency-Retention Quotas and Similar Practices

A number of European countries that formerly employed currency-retention plans to encourage exports discontinued their use in 1952–53. Currency-retention quotas result when a country requires, for exchange-control purposes, that exporters surrender to governmental authorities the currencies obtained from exports, but exempts a certain share of such proceeds from this requirement. The effects are similar to those that result from the use of multiple rates of exchange; exports to certain countries are favored over those to other countries, and imports that would otherwise be restricted may be purchased with the retained currencies. In general, currency-retention quotas have been used to encourage exports to dollar countries. The use of such devices has been discouraged by the International Monetary Fund.

As pointed out in the Commission's fifth report on the operation of the trade agreements program, Norway, Finland, Sweden, and Greece abandoned the use of retention quotas during 1951–52. In May 1953 Austria ceased to employ a similar form of currency retention. Countries that still employed currency-retention quotas or similar devices on December 31, 1952, were Denmark, France, the Federal Republic of Germany, Italy, the Netherlands, Iceland, Indonesia, and Turkey. Germany abolished its currency-retention system on July 1, 1953.

Miscellaneous Matters Regarding Trade-Agreement Obligations

Problems that arise between contracting parties to the General Agreement on Tariffs and Trade are discussed by the Contracting Parties at their periodic sessions; those that arise between the United States and the countries with which it has bilateral trade agreements are taken up directly by the interested parties. Matters at issue between the United States and Argentina, Guatemala, Paraguay, and Turkey in 1951–52 remained unresolved in 1952–53, except with respect to action by Guatemala on one of several matters at issue between it and the United States. Guatemala also took new action on another matter that was called to its attention by the United States.

Chapter 2

United States Trade Agreements Legislation

During the period covered by this report, the United States conducted its trade agreements program under the authority of the Trade Agreements Act of 1934, as amended, and the Trade Agreements Extension Act of 1951.[1] Under the Trade Agreements Extension Act of 1951, the President's authority to enter into trade agreements with foreign countries was extended for a period of 2 years from June 12, 1951. The Trade Agreements Extension Act of 1953, approved August 7, 1953, extended this authority of the President for a period of 1 year from June 12, 1953.

TRADE AGREEMENTS EXTENSION ACT OF 1951

The provisions of the extension act of 1951 were discussed in detail in the Commission's fourth and fifth reports on the operation of the trade agreements program. In this report, the principal provisions of the 1951 act are reviewed briefly.

Sections 3 and 4 of the Trade Agreements Extension Act of 1951 provide statutory authority for the use of the "peril point." The "peril point" provision of the 1951 act, which is substantially the same as that which was incorporated in the Trade Agreements Extension Act of 1948, requires the President, before entering into any trade-agreement negotiation, to transmit to the Tariff Commission a list of commodities that may be considered for possible concessions. The Commission is then required to make an investigation (including a public hearing) and report its findings to the President on (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 products, or (2) the minimum increase in the duty or additional import restriction that may be necessary for any of the products in order to avoid such injury.

Sections 6 and 7 of the extension act of 1951 establish statutory provision for trade-agreement escape-clause procedures. Section 6 (a) of the 1951 act provides that no future trade-agreement concession "shall

[1] For a discussion of the legislative history of the trade agreements program, see *Operation of the Trade Agreements Program* reports, as follows: First report, pt. 2, ch. 2; second report, ch. 2; third report, ch. 2; fourth report, ch. 2; and fifth report, ch. 1.

be permitted to continue in effect when the product on which the concession has been granted 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) directs the President, as soon as practicable, to bring into conformity with this policy all trade agreements entered into before the adoption of the extension act of 1951.[2]

Procedures for administering the escape clause are set forth in section 7 of the extension act of 1951. This section directs the 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) to make an escape-clause investigation. If as a result of the investigation the Commission finds the existence of serious injury or threat thereof, it is required to recommend to the President that the concession be modified or withdrawn, that it be suspended in whole or in part, or that import quotas be established, for the time necessary to prevent or remedy such injury. The act specifies that the Commission's report to the President must be made within 1 year after the receipt of the application.[3] In the event that the President does not take the action recommended by the Tariff Commission within 60 days after receiving the Commission's report, he is required to submit a report immediately to the Senate Committee on Finance and the House Committee on Ways and Means, stating the reasons why the Commission's recommendation was not followed.

Section 8 of the act establishes procedures to accelerate investigations and action under the escape-clause provision of the extension act of 1951 or under section 22 of the Agricultural Adjustment Act, as amended. Section 22 sets forth procedures for tariff adjustment whenever agricultural products are being imported, or are practically certain to be imported, in such quantities as to materially interfere with or tend to render ineffective domestic programs of the Department of Agriculture. Under section 8 of the extension act of 1951, the President is authorized to take immediate action with respect to such imports, in cases in which, because of the perishability of the agricultural commodity concerned, a condition exists requiring emergency treatment. In any event, the Commission must complete its investigation and report to the President (under the escape clause or section 22) and the President must make his decision

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[2] For a report of developments with respect to this and other provisions of the act of 1951, see ch. 5.

[3] The extension act of 1953 reduced the time limit to 9 months.

not more than 25 calendar days after the submission of the case to the Commission.

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 Communist-dominated or Communist-controlled areas. Section 9 of the act of 1951 restores the right of a domestic producer to appeal to the United States Customs Court if he believes that he is being injured by the incorrect classification of any imported article. This right had been eliminated, with respect to trade-agreement items, by the Trade Agreements Act of 1934. Other sections of the extension act of 1951 specify that its enactment shall not be construed to indicate either approval or disapproval by the Congress of the General Agreement on Tariffs and Trade, and direct the President to prohibit imports of certain furs and skins from the Soviet Union and Communist China.

LEGISLATIVE HISTORY OF THE TRADE AGREEMENTS EXTENSION ACT OF 1953

Inasmuch as the President's authority to negotiate trade agreements under the extension act of 1951 was due to expire on June 12, 1953, the administration took action to obtain an extension of that authority shortly after the convening of the 1st session of the 83d Congress. On February 2, 1953, in his state of the Union message to the Congress,[4] the President recommended that "the Congress take the Reciprocal Trade Agreements Act under immediate study and extend it by appropriate legislation." Subsequently, in a message to the Congress dated April 7, 1953,[5] the President recommended that the act of 1951 be extended for a period of 1 year from June 12, 1953, as an interim measure to allow for "the temporary continuation of our present trade program pending completion of a thorough and comprehensive reexamination of the economic foreign policy of the United States." On May 1, 1953, in a letter addressed to the President of the Senate and the Speaker of the House of Representatives, the President further recommended that a special commission representative of both major parties, consisting of Members of the Congress appointed by the Vice President and the Speaker of the House, and of members appointed from outside the Congress by the President, be established to study the foreign economic policy of the United States.

Pursuant to these recommendations, several bills relating to the trade agreements program were introduced in the Congress. The provisions

[4] U. S. Congress, *The State of the Union: Address of the President of the United States*, H. Doc. 75 (83d Cong., 1st sess.), 1953.

[5] U. S. Congress, *Extension of the Reciprocal Trade Agreements Act: Message From the President of the United States*, S. Doc. 38 (83d Cong., 1st sess.), 1953.

of some of these bills differed substantially from those contained in the Trade Agreements Extension Act of 1951. Other bills provided for the extension of the President's authority to negotiate trade agreements, without significant changes in other provisions of previous trade agreements legislation. Among the bills providing for substantial modification of the existing legislation was House bill 4294, which was introduced on March 30, 1953. The House Committee on Ways and Means held public hearings on this bill during the period April 27–May 19, 1953.

House bill 4294 provided for an extension of the President's authority to enter into trade agreements with foreign countries, for a period of 1 year from June 12, 1953. The bill also contained provisions to amend the peril-point and escape-clause procedures that had been established by the extension act of 1951, and provided for revisions of the procedures established in the 1951 act for emergency relief with respect to perishable agricultural commodities. It also contained provisions to amend section 22 of the Agricultural Adjustment Act, which sets forth procedures for tariff adjustment whenever agricultural products are being imported, or are practically certain to be imported, in such quantities as to materially interfere with domestic programs of the Department of Agriculture. Other sections of the bill contained provisions to amend the procedures relating to equalization of costs of production of foreign and domestic products (sec. 336 of the Tariff Act of 1930, as amended); unfair practices in import trade (sec. 337 of the tariff act); the use of countervailing duties (sec. 303 of the tariff act); and the imposition of antidumping duties (the Antidumping Act of 1921). The bill also contained provisions authorizing the imposition of specified import quotas or fees on crude petroleum and residual fuel oil, and on lead and zinc metals, ores, and concentrates. Finally, it provided for an increase from 6 to 7 in the number of Tariff Commissioners, together with a lengthening of their terms of office from 6 to 7 years.

Although the House Committee on Ways and Means held extensive hearings on House bill 4294, it did not issue a report on it. On June 9, 1953, the committee favorably reported on House bill 5495, which had been introduced in the House on June 2, 1953. This bill retained the provision of House bill 4294 that called for an increase in the membership of the Tariff Commission from 6 to 7, and it provided for the establishment of a special commission to study foreign economic policy. Except in these respects, the provisions of House bill 5495 did not differ substantially from the provisions of the Trade Agreements Extension Act of 1951.

On July 13, 1953, the House Committee on Ways and Means also reported favorably on a second bill (H. R. 5894),[6] which had been intro-

[6] Ten members of the committee issued a minority report on H. R. 5495, and a minority of six reported on H. R. 5894. See H. Repts. 521 and 777 (83d Cong., 1st sess.).

duced in the House on June 23, 1953. This bill incorporated a substantial number of the provisions of House bill 4294. The House debated this bill on July 23, 1953, and recommitted it to the House Committee on Ways and Means. No further action was taken on it, however, before the Congress adjourned on August 3, 1953.

The bill finally passed by the Congress was House bill 5495, which was approved by the House of Representatives on June 15, 1953. On June 26, the Senate Committee on Finance reported favorably on the House bill, with certain amendments, and recommended that it be approved by the Senate, which passed the bill in amended form on July 2. The principal change proposed by the Senate was the deletion of the provision in the House bill to increase the membership of the Tariff Commission from 6 to 7. In lieu of this proposal, the Senate bill contained a provision which authorized the President in certain instances to regard the findings and recommendations of one-half of the Commissioners voting unanimously as the findings and recommendations of the Commission. With minor modifications, the committee on conference adopted the Senate version of the bill on August 1, 1953.[7] The House of Representatives adopted the conference report on August 1, and the Senate, on August 3. The President approved the bill on August 7, 1953.

PROVISIONS OF THE TRADE AGREEMENTS EXTENSION ACT OF 1953

The Trade Agreements Extension Act of 1953 (sec. 101) extends, for a period of 1 year from June 12, 1953, the authority of the President under section 350 of the Tariff Act of 1930, as amended, to enter into trade agreements with foreign countries. The statutory provisions of the extension act of 1951, as amended by the extension act of 1953, remain in effect.

Section 102 of the extension act of 1953 amends section 7 of the act of 1951 by reducing from 1 year to 9 months the period within which the Tariff Commission must make its investigation and report on escape-clause applications. With respect to any such application pending at the time of the enactment of the extension act of 1953 (August 7, 1953), the Commission is required to make its report 1 year after the date the application was filed, or 9 months after the date of enactment of the act of 1953, whichever is earlier. The new act makes no change with respect to the peril-point procedures that were established by the extension act of 1951.

The new act (sec. 103) specifies that its enactment shall not be construed in such a manner as to determine or indicate approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trade (GATT).

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[7] See H. Rept. 1089 (83d Cong., 1st sess.).

Section 104 of the extension act of 1953 amends section 22 of the Agricultural Adjustment Act by authorizing the President to take immediate action, without waiting for the Tariff Commission's report, in any case in which the Secretary of Agriculture determines and reports to the President that a condition requiring emergency treatment exists with respect to any agricultural commodity. Any action taken by the President pursuant to the report of the Secretary of Agriculture is to continue in effect pending receipt by the President of the report and recommendations of the Tariff Commission and his action thereon. Under the extension act of 1951, the President's authority to take such emergency action was limited to perishable agricultural products.

Section 201 of the extension act of 1953 amends section 330 of the Tariff Act of 1930 to provide that in any case calling for findings by the Tariff Commission in connection with any authority conferred upon the President by law to make changes in import restrictions, the unanimous findings and recommendations of one-half of the number of Commissioners voting may be treated by the President as the findings and recommendations of the Commission. If the Commissioners voting are divided into two equal groups, each of which is unanimously agreed on a different set of findings and recommendations, the findings and recommendations of either group may be regarded by the President as the findings and recommendations of the Commission. In any such case, the Tariff Commission must transmit to the President the findings and recommendations of each group. The extension act of 1953 also provides that if, in any case in which the Tariff Commission is authorized to make an investigation or hold hearings (either upon its own motion, upon complaint, or upon application of any interested party), one-half of the number of Commissioners voting agree that the investigation (or hearing) shall be undertaken, such investigation or hearing shall be carried out in accordance with the statutory authority covering the matter in question.

Section 301 of the extension act of 1953 provides for the establishment of a bipartisan Commission on Foreign Economic Policy to study the foreign economic policy of the United States. Sections 302 through 310 establish operating procedures for the Commission, which is to consist of 17 members, appointed as follows: 7, by the President; 5 from the United States Senate, by the Vice President; and 5 from the House of Representatives, by the Speaker of the House. No more than 4 of the 7 members appointed by the President and no more than 3 members of each group of 5 members appointed from the Senate and from the House of Representatives shall be of the same political party. The act authorizes the President to designate the chairman and vice chairman of the Commission on Foreign Economic Policy, and specifies that 9 members, 5 of whom must be Members of Congress, shall constitute a quorum.

The Commission on Foreign Economic Policy was established to provide, as the President had recommended, for a broad study of our foreign economic policy. The Commission is specifically directed to "examine, study, and report on the subjects of international trade and its enlargement consistent with a sound domestic economy, our foreign economic policy, and the trade aspects of our national security and total foreign policy; and to recommend appropriate policies, measures, and practices." Without limiting the scope of its operations, the act directs this policy Commission to consider and report on such matters as the laws, regulations, and practices of the United States and other nations relating to international trade, including tariffs, customs and customs administration, trade agreements, peril-point and escape-clause procedures, import and export quotas, monetary licenses, countervailing duties, and procurement preferences. It directs the Commission to study and report on agencies, departments, and boards—both in the United States and in foreign countries—having jurisdiction over, or dealing with, foreign trade and related matters, as well as international organizations and agreements whose operations are relevant to international trade (for example, the General Agreement on Tariffs and Trade, the International Wheat Agreement, and the European Payments Union). The policy Commission is further directed to study other factors pertinent to the general subject, such as the effect of foreign aid and military defense programs on international trade, balance-of-payments problems of individual nations, the relationship of United States foreign economic policies to its overall foreign policy, foreign investment capital and the flow of capital between nations, and the effects on international trade of such factors as costs of production and pricing, labor practices, general living standards, and financial policy. The Commission is also required to report with respect to the effect of existing and proposed trade policies on international economic stability and security.

The Commission on Foreign Economic Policy is authorized to hold hearings and to conduct its study "within the United States or elsewhere" and to request from any agency of the Government "any information it deems necessary to carry out its functions under this title." Its report is to be submitted to the President and to the Congress within 60 days after the 2d regular session of the 83d Congress is convened. The act specifies that "ninety days after the submission to the Congress of the report . . . , the Commission shall cease to exist."

Chapter 3

Developments Respecting the General Agreement on Tariffs and Trade

STATUS OF THE AGREEMENT

On June 30, 1953, the following 33 countries were contracting parties to the multilateral agreement known as the General Agreement on Tariffs and Trade:[1] 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, 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.

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 became contracting parties to the General Agreement between the Geneva Conference in 1947 and June 30, 1953. Four of the countries that acceded as a result of the negotiations at Geneva or Annecy—China, Lebanon, Liberia, and Syria—have since withdrawn.

At their Seventh Session in 1952 the Contracting Parties granted extensions of time for signature to several countries that negotiated for accession to the General Agreement at Torquay. Brazil was given until December 31, 1952, to sign the Torquay Protocol;[2] the Republic of the Philippines and Korea were given until May 21, 1953. Uruguay was granted an extension until April 30, 1953, to sign both the Annecy and Torquay Protocols, and subsequently was granted an additional extension to October 30, 1953. On December 29, 1952, Nicaragua denounced the General Agreement, effective February 27, 1953, but rescinded its de-

[1] For discussions of the history and nature of the General Agreement, see *Operation of the Trade Agreements Program* reports as follows: First report, pt. 2; second report, pp. 19–21; third report, pp. 31 and 32; fourth report, pp. 35 and 36; and fifth report, pp. 23–26.

[2] Subsequently, the Contracting Parties granted Brazil another extension, to February 28, 1953. However, the Government of Brazil signed the Torquay Protocol on February 19, 1953.

nunciation on January 17, 1953, and requested an extension of time to sign the Torquay Protocol. The Contracting Parties extended the time limit for Nicaragua's signature to June 30, 1953, and Nicaragua signed the Torquay Protocol on that date.[3] Liberia withdrew from the General Agreement on June 13, 1953.

At the Seventh Session the Contracting Parties discussed the possibility of Japan's accession to the General Agreement, but reached no final decision. They agreed, however, that the ad hoc Committee for Agenda and Intersessional Business would consider the matter further at a meeting which was scheduled to begin February 2, 1953. At that meeting the Intersessional Committee considered Japan's application for accession to the General Agreement and sent a report to the various contracting parties giving the results of its discussions.[4]

The Contracting Parties held their Seventh Session at Geneva from October 2 to November 10, 1952. Besides the contracting parties that attended the session, 9 nonmember governments sent observers—Colombia, Costa Rica, El Salvador, Japan, Korea, Libya, Mexico, Switzerland, and Yugoslavia. The following international organizations also sent observers to the Seventh Session: The United Nations, the International Monetary Fund, the International Labor Organization, the Organization for European Economic Cooperation, the Council of Europe, the High Authority of the European Coal and Steel Community, and the European Customs Union Study Group. Representatives of the International Chamber of Commerce attended the meetings of the working party that dealt with certain resolutions submitted by that organization.

In order to deal with some of the more complex questions that were submitted to them at the Seventh Session, the Contracting Parties established eight working parties, a panel to hear complaints, and a group of customs experts to examine the Council of Europe's proposal to reduce tariff barriers. Working parties were set up to deal with the following matters: The reduction of tariff levels, the schedules of tariff concessions annexed to the General Agreement, the granting of a waiver to the European Coal and Steel Community, balance-of-payments import restrictions, Ceylon's application for a waiver under article XVIII, the Netherlands' action under article XXIII, the International Chamber of Commerce resolutions on the elimination of trade barriers, and the budget. The working parties presented their reports at plenary sessions of the Contracting Parties. The Contracting Parties, in turn, discussed the reports and took the required action.

Other questions that the Contracting Parties considered at their Seventh Session included the granting of a waiver for continued duty-free

[3] Korea and the Philippines did not sign the required protocols before the expiration of the respective time limits.

[4] See the section of this chapter on tariffs and tariff negotiations.

entry of Libyan products into Italy; the increase in Greek tariff coefficients; the United Kingdom purchase-tax system; Brazilian internal taxes; the Greek "contribution tax" on imports; the operation of special exchange agreements between the Contracting Parties and Germany, Haiti, and Indonesia; the United States subsidy on exports of sultanas; United States modification of its concession on dried figs; United States restrictions on imports of dairy products; Belgian import restrictions on dollar goods; the Belgian family-allowance tax; discrimination against Norwegian sardines by the Federal Republic of Germany; the Pakistan export fee on raw jute; the South Africa-Southern Rhodesia customs union; the Nicaragua-El Salvador free-trade area; Japan's application for accession to the General Agreement; article XXVIII negotiations between Cuba and the United States; interconference tariff negotiations between Austria and the Federal Republic of Germany; and various matters pertaining to the administration of the General Agreement.

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) the administration of the agreement; and (4) other developments. Actions that the Contracting Parties took at their Seventh Session, as well as actions that the Intersessional Committee took at its several meetings, 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 reader should consult the original text and related documents.[5]

GENERAL PROVISIONS

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

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

[5] See U. S. Department of State, *The General Agreement on Tariffs and Trade (Amended Text) and Texts of Related Documents*, Pub. 3758 (Commercial Pol. Ser. 124), 1950; and Contracting Parties to the General Agreement on Tariffs and Trade, *General Agreement on Tariffs and Trade: Basic Instruments and Selected Documents*, vol. I, Text of the Agreement and Other Instruments and Procedures, Sales No.: GATT/1952–3, Geneva, 1952; vol. II, Decisions, Declarations, Resolutions, Rulings and Reports, Sales No.: GATT/1952–4, Geneva, 1952.

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.[6]

At their Seventh Session the Contracting Parties agreed to Italy's request that it be permitted to continue to exempt from customs duties certain commodities imported into Italy from Libya. The 1-year waiver that the Contracting Parties had granted to Italy at the Sixth Session was extended for 3 years, to December 31, 1955, at which time the entire situation is to be reviewed. Subsequent extensions at yearly intervals beyond that date will be permitted only if the Contracting Parties consider such extensions necessary. The Contracting Parties requested Italy to submit to them annual reports on the development of Italian-Libyan trade under the preferential scheme; they also requested Libya to submit annual reports on its economic progress.[7]

Schedules of Concessions (Art. II): Increase in Greek Tariff Coefficients

Article II of the General Agreement, which relates to the schedules of tariff concessions annexed to the agreement, provides that a country shall not alter its method of converting currencies in such a way as to impair a concession it has made with respect to ad valorem duties. It also provides that specific duties included in a schedule of concessions may not be increased unless the par value of a country's currency is reduced by more than 20 percent and a majority of the contracting parties to the General Agreement concur in the view that the increased specific duties will not impair the value of the concessions.[8]

At their Seventh Session the Contracting Parties considered the complaint of the United Kingdom concerning the increase in tariff rates imposed by the Greek Government on a number of commodities. The Greek Government accomplished this increase, which became effective July 10, 1952, by revising upward the tariff coefficients it used in calculating import duties.

Originally, the duties in the Greek tariff schedules were mainly specific and were expressed in gold drachmas. The Greek Government applied coefficients to these duties to convert them to paper drachmas. These coefficients were of two types—"prewar" and "postwar." When the Greek Government negotiated at Annecy and Torquay, it agreed to bind

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

[7] See *Operation of the Trade Agreements Program* (fifth report), ch. 2.

[8] Three important provisions of the General Agreement that are directly relevant to the tariff concessions contained in the schedules are the exceptions regarding economic development (art. XVIII), the general escape clause (art. XIX), and the provision for renegotiation of the schedules (art. XXVIII).

against increase the prewar coefficients specified in the note appended to its schedule of concessions. The July 10 decision of the Greek Government increased these coefficients above the levels specified in the Greek schedule.[9]

The United Kingdom, as well as other contracting parties, maintained that this action constituted an infringement of paragraph 1 of article II of the General Agreement. The Greek Government pointed out that its action was an emergency measure introduced to ameliorate the country's acute financial difficulties, but agreed that this action was not consistent with its obligations under the General Agreement. It therefore undertook to revoke its decision increasing the coefficients and to reduce them before July 1, 1953, to the levels bound under the General Agreement. The Contracting Parties requested the Greek Government to report to them on the measures it takes to implement this undertaking. On July 30, 1953, the Greek Government notified the Contracting Parties that, as of July 20, it had restored the prewar coefficients. However, the postwar coefficients, which were not bound under the Annecy and Torquay Protocols, were increased to compensate for the decline in the ad valorem equivalents of the specific duties that resulted from the rise in import prices following the devaluation of the drachma on April 9, 1953.

National Treatment on Internal Taxation (Art. III)

Article III of the General Agreement [10] requires contracting parties to grant national treatment with regard to internal taxes on products imported from other contracting parties. Accordingly, imported products may not be subjected to internal taxes or other charges of any kind in excess of those levied directly or indirectly on like domestic products. However, existing discriminatory internal taxes (that is, those in effect on October 30, 1947) may be maintained. In an amendment to article III adopted at Geneva in 1948, the Contracting Parties recognized that internal taxes and other internal charges [11] should not be applied to imported or domestic products in such a manner as to afford protection to domestic production. The amendment also provided for conversion of

[9] See notes to schedule XXV—Greece, in U. S. Department of State, *General Agreement on Tariffs and Trade: The Annecy Protocol of Terms of Accession and the Annecy Schedules of Tariff Concessions*, Pub. 3664 (Commercial Pol. Ser. 121), 1949, and in Contracting Parties to the General Agreement on Tariffs and Trade, *The Torquay Protocol to the General Agreement on Tariffs and Trade and the Torquay Schedules of Tariff Concessions*, Sales No.: GATT/1951-1, Geneva, 1951.

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

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

existing taxes applicable to imports into tariff duties in order to compensate for the elimination of the protective element of the domestic tax.

United Kingdom purchase-tax system

At the Fifth Session the Netherlands Government called the attention of the Contracting Parties to an action of the United Kingdom that, the Netherlands alleged, constituted a violation of the provisions of article III of the General Agreement. According to the Netherlands, the United Kingdom had been applying the British purchase tax to a number of imported products, while exempting similar domestic commodities from the tax. The United Kingdom conceded that its purchase-tax system, although not designed for purposes of protection, had in practice developed some protective effects.

At the Seventh Session the United Kingdom Government notified the Contracting Parties that it had modified its purchase-tax system so as to remove the tax discrimination which favored domestically produced textiles, clothing, and footwear, thus bringing the administration of the tax into conformity with the provisions of the General Agreement. Under the new arrangement all textiles, clothing, and footwear, irrespective of whether they are imported or domestically produced, will be exempt from the purchase tax if their wholesale value does not exceed a specified amount. On goods of higher value, the purchase tax will apply only to the excess of the wholesale value over the specified figure. Under the new arrangement, the rates of the purchase tax were also reduced—to 25 percent on clothing (other than fur garments, footwear, and bedding), to 50 percent on cloth and household textiles, and to 100 percent on fur garments. Just prior to this change the corresponding rates were, respectively, 33⅓ percent, 66⅔ percent, and 100 percent, which were charged on the entire value of nonutility articles.

Brazilian internal taxes

During the Third Session of the Contracting Parties in 1949 a question was raised about Brazil's revision of the rates of internal taxes applicable to certain products, including watches, clocks, beer, spirits, aperitifs, and cigarettes. For many years Brazil has employed an extensive system of "consumption" taxes, largely for revenue purposes. In the application of these taxes, many imported products are subject to taxes substantially higher than those levied on like domestic products.

The countries that export the aforementioned specified products to Brazil contended that Brazil's 1948 revision of its consumption taxes widened the margin of discrimination against imports of such products. For example, under the revised law the tax on both domestic and foreign liqueurs was increased sixfold, with the result that the absolute increase in tax was much greater on foreign than on domestic liqueurs. The Brazilian Government, however, maintained that since the former law required that the foreign product be taxed at twice the rate applicable to the domestic product, no violation of the provisions of the General Agreement was committed. The Brazilian Government, nevertheless, agreed to request its Congress to amend the laws in question with a view to removing the basis for the complaint brought before the Contracting Parties.

At their Fifth Session the Contracting Parties examined Brazil's draft law. The Contracting Parties concluded that the proposed legislation would eliminate most of the discriminatory features of the 1948 statute, and thus bring Brazil's consumption-tax legislation into conformity with the provisions of the General Agreement. The proposed statute would not eliminate most of the discriminatory features that were in effect on October 30, 1947, but the General Agreement permits a country to maintain discriminations that were in force on that date.

This matter was again considered at the Seventh Session of the Contracting Parties, but Brazil had made no further progress in eliminating the discriminations involved in the consumption taxes mentioned above. The Brazilian representative attributed the lack of action on the issue to the change in the Brazilian Government, and noted that the draft law would now have to be considered by an entirely new national legislature. He requested that the item be retained on the agenda until the next session of the Contracting Parties. The Contracting Parties agreed to that request.

Greek "contribution tax" on imports

At the request of the French Delegation, the Contracting Parties at their Seventh Session considered the action of the Greek Government in imposing a "contribution tax" on certain imports. Imposition of this tax, according to the French representative, was contrary to the provisions of article III of the General Agreement.[12]

The new Greek measure, which became effective December 31, 1951, was designed to assist in counteracting the depreciation of the drachma by imposing a tax on foreign exchange allocated for the importation of goods. The tax was collected when bank credit was extended for the purchase of such goods, and was graduated according to the utility and essentiality of the commodities imported, the rates varying from 25 to 150 percent of the c. i. f.[13] value of the goods.

The Greek Government claimed that its contribution tax was similar in effect to the multiple-exchange-rate systems employed by a number of

[12] The French Government initially protested application of the special tax on imports which was introduced on November 27, 1951; the tax, subsequently repealed on December 31, 1951, was followed by the introduction of the new measure referred to in the discussion that follows. However, France took the position that both the new tax and the antecedent measure were contrary to the provisions of article III of the General Agreement.

[13] Cost, insurance, and freight.

countries with the approval of the International Monetary Fund. Furthermore, according to the Greek Government, the new tax was similar to the "voucher" system [14] that Greece had employed in the past to counteract the depreciation of the drachma. Greece pointed out that the Contracting Parties had raised no objection to this system, which was in effect at the time Greece acceded to the General Agreement. According to Greece, it preferred to employ import taxes because it feared that a currency devaluation would lead to further inflationary price and wage increases, which would tend to nullify the advantages gained from currency readjustment.

The French Delegation, supported by the United Kingdom Delegation, contended that the tax applied only to imports and, as no corresponding charge was levied on like domestic products, was contrary to the provisions of paragraph 2 of article III of the General Agreement. The United Kingdom representative maintained that, should the Greek contribution tax not be considered an internal tax within the meaning of article III, it would nevertheless have to be treated as an import charge within the meaning of article II. He also contended that the contribution tax was equivalent to an increase in import duties. Since the duties on the products to which the tax applied were bound under the Annecy and Torquay Protocols, the imposition of the contribution tax tended to impair the concessions granted and was, therefore, contrary to article II of the General Agreement.

The Greek Delegation, on the other hand, contended that to all intents and purposes the tax was a charge imposed on foreign exchange allocated for the importation of foreign goods. It thus was equivalent to a multiple-exchange-rate practice, and did not fall under the provisions of article III, which were limited to internal taxes applied on imported products.

A panel appointed to consider this question recommended that the Contracting Parties defer final action on it pending receipt of further information which would enable them to determine whether the Greek measure constituted an internal tax, a tax on imports, or a multiple-currency practice. The panel further recommended that the Contracting Parties ask the International Monetary Fund to determine whether the contribution tax was a multiple-currency practice and whether or not it conformed to the Articles of Agreement of the International Monetary Fund. Pending final disposition of the French request, the item was continued on the agenda.

On April 9, 1953, the Greek Government devalued the drachma by 50 percent and unified its exchange system by eliminating all multiple-

[14] Under the voucher system every purchaser of foreign exchange for the payment of imported goods was obliged to obtain "vouchers." These vouchers were a supplement to the official value of the foreign currency, and their cost was increased as the value of the drachma decreased. The official exchange rate, however, was not altered.

currency practices. At the same time, it abolished the contribution tax. This action of the Greek Government appears to dispose of the complaint that the Contracting Parties examined at their Seventh Session.

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

Article XI of the General Agreement prohibits, with specified exceptions, various nontariff restrictions—such as import prohibitions, quotas, licensing systems, and other quantitative control measures—on international trade with other contracting parties. Article XII, however, recognizes that problems of postwar economic adjustment make it impracticable to attain this objective immediately. It therefore provides for temporary departure from the general rule when such departure is necessary to safeguard a country's balance of payments or to effect a necessary increase in its monetary reserves. Article XIII provides that, in the administration of such quantitative restrictions as are permitted in accordance with this principle, discrimination shall not be practiced against any contracting party to the agreement. It was 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.[15]

Consultations under article XII: 4 (b), on intensification of restrictions and under article XIV: 1 (g), on discriminatory application of restrictions

At their Seventh Session the Contracting Parties consulted with various contracting parties as to the introduction of new measures that intensified existing quantitative restrictions, and as to the discriminatory application of import restrictions. These consultations were held pursuant to article XII: 4 (b) and article XIV: 1 (g), of the General Agreement. The Contracting Parties consulted with the following seven contracting parties at the Seventh Session:

Under article XII: 4 (b)—France and Pakistan
Under article XIV: 1 (g)—Italy and the Netherlands
Under articles XII: 4 (b) and XIV: 1 (g)—Australia, Ceylon, and the United Kingdom

Consultations with New Zealand and the Union of South Africa under article XIV: 1 (g), and with the United Kingdom in regard to Southern Rhodesia under articles XII: 4 (b) and XIV: 1 (g), respectively, were deferred until such time as the International Monetary Fund had completed its consultations with these countries.

Despite the varying provisions of the General Agreement which were applicable, each of the contracting parties discussed the entire range and

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

impact of its import restrictions in these consultations. In their discussions with each of these countries the Contracting Parties invited a representative of the International Monetary Fund to consult with them, as required by article XV of the General Agreement.

In conducting these consultations, whether under article XII: 4 (b), on the intensification of restrictions or under article XIV: 1 (g), on their discriminatory application, the Contracting Parties gave more attention than they had in the past to the trade aspects of the restrictions. This fact was reflected in the consultations with individual governments. In particular, the Contracting Parties addressed detailed questions to the representative of each consulting country as to the policy and administration of import restrictions affecting specific commodities. It was felt that a discussion of specific commodities illustrated the actual working of the restrictive systems and contributed to an understanding not only of the problems that face the countries imposing the restrictions, but of the difficulties that these restrictions create for exporting countries.

In addition, the representatives of the several consulting contracting parties furnished information concerning the internal monetary and fiscal measures that their governments had adopted. Considerable interest was shown in these measures and in the relationship between internal monetary and fiscal policy and the particular country's balance-of-payments position. The importance of domestic monetary and fiscal measures in restoring international equilibrium was particularly emphasized by the International Monetary Fund in its own consultations under article XIV of the Articles of Agreement of the Fund. The Fund had expressed satisfaction over the achievements of certain of these governments, but urged some of them to make additional efforts to further the results obtained. The representatives of the governments referred to indicated that they had noted the views expressed by the other contracting parties and agreed to convey these views to their governments for consideration.

On the basis of additional information compiled by the Secretariat and made available to them, the Contracting Parties felt that the following contracting parties had intensified their balance-of-payments import restrictions in such a manner as to make consultations appropriate under article XII: 4 (b): Brazil, Chile, Finland, Sweden, New Zealand, and the Union of South Africa. Consultations with New Zealand and the Union of South Africa, under article XII: 4 (b), will be held, concurrently with those under article XIV: 1 (g), referred to above, when the International Monetary Fund has completed its consultations with these countries. The Contracting Parties, however, deferred all consultations on the new import restrictions until a later session in order to permit the preparation of adequate background materials, and to allow the Contracting Parties to receive the determinations of the International Monetary Fund. On

February 11 and 24, 1953, the Fund advised the Contracting Parties that it had held consultations with Finland and Sweden under article XII: 4 (b), and with the United Kingdom on behalf of Southern Rhodesia under article XIV: 1 (g).

Third annual report on discrimination

At their Seventh Session the Contracting Parties adopted the draft of the third report on the discriminatory application of balance-of-payments import restrictions, which had been prepared pursuant to article XIV: 1 (g), of the General Agreement.[16] The draft report included a statement on the consultations that the Contracting Parties had conducted at the Seventh Session with regard to the continuance of discriminatory policies, as well as descriptive notes on discriminatory action currently practiced by each of 21 countries. This third report was based on material supplied by the International Monetary Fund, on statements received from the governments that employ discriminatory policies, and on discussions with the respective delegations at the Seventh Session in October 1952.

According to the report, 21 of the 33 contracting parties to the General Agreement maintained restrictions on imports to safeguard their balance-of-payments positions and were exercising some degree of discrimination between sources of supply; these countries were Australia, Austria, Brazil, Ceylon, Chile, Denmark, Finland, France, the Federal Republic of Germany, Greece, India, Italy, the Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Sweden, Turkey, the Union of South Africa, and the United Kingdom.

Czechoslovakia and Indonesia, which also apply balance-of-payments restrictions under article XII, stated that their restrictions were nondiscriminatory. Nine contracting parties—Belgium, Canada, Cuba, the Dominican Republic, Haiti, Luxembourg, Nicaragua, Peru, and the United States—reported that they were not restricting imports for balance-of-payments reasons. Burma and Liberia [17] did not advise the Contracting Parties whether they maintained the type of restrictive measures authorized under the provisions of article XII.

During 1952 balance-of-payments difficulties became more severe for a number of countries and their exchange reserves declined. As a result, these countries intensified their import restrictions. The United Kingdom [18] reimposed import restrictions, and France suspended measures

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[16] The draft report was subsequently published by the Contracting Parties under the title *Third Report on the Discriminatory Application of Import Restrictions, Incorporating a Report on the Consultations in 1952 on the Continuance of Discrimination*, Sales No.: GATT/1952–5, Geneva, 1952.

[17] Liberia withdrew from the General Agreement on June 13, 1953.

[18] On April 22, 1953, the United Kingdom announced that it was relaxing the import restrictions it originally imposed to safeguard its balance-of-payments position on November 7, 1951, January 29, 1952, and March 11, 1952.

previously in force—under the trade-liberalization program of the Organization for European Economic Cooperation (OEEC)—by reestablishing licensing requirements for all imports from members of the European Payments Union (EPU). Meanwhile, certain European countries intensified their restrictions on dollar imports, in order to cope with the deterioration in their payments positions; the impact of the additional restrictions, however, fell more heavily on imports from other soft-currency countries than on imports from dollar sources. However, some OEEC countries that maintained discriminatory restrictions extended their liberalization of trade with other EPU countries in 1952. In this group were Germany, Italy, the Netherlands, Norway, and Sweden.

During 1952 Australia extended import restrictions to imports from all supplying countries,[19] and New Zealand applied stricter criteria in considering applications for dollar-import licenses. Ceylon, Pakistan, and the Union of South Africa tightened their import restrictions during 1952, and Southern Rhodesia eased them somewhat. Brazil and Chile also experienced payments difficulties and tightened their import controls in 1952.

One section of the report discussed the trade aspects of discriminatory policies. Attention was directed to the incidental effects of import restrictions and to their possible effects on price and cost structures of different countries, as well as to the effect of rising import prices in aggravating overall balance-of-payments difficulties. The report noted that discriminatory quantitative restrictions could not be regarded as providing a satisfactory solution to balance-of-payments difficulties. At most, they can prevent further deterioration in a country's reserve position pending adoption of fundamental corrective action; if they are maintained for long periods they may add to balance-of-payments difficulties and perpetuate them.

Procedures for report and consultation in 1953 under article XIV: 1 (g)

Paragraph 1 (g) of article XIV of the General Agreement requires the Contracting Parties to report annually on any discriminatory action still being taken by the contracting parties under its provisions. Beginning in 1952, it also requires countries that continue to discriminate under certain provisions of article XIV to consult with the Contracting Parties.

At the Seventh Session the Contracting Parties adopted procedures for preparing the fourth annual report on discrimination and for conducting

[19] On February 16, 1953, the Australian Government announced that it had relaxed import restrictions pertaining to nondollar imports (except those from Japan). These new regulations became effective on April 1, 1953. The Australian Government noted that when this easing of import restrictions was added to those made within the past year, the total relaxation would be equivalent to a 25-percent increase in the rate of flow of imports.

consultations in 1953.[20] A new questionnaire, which was a revision of an earlier questionnaire used in preparing the first three annual reports on the discriminatory application of import restrictions, was prepared on the basis of experience at the Seventh Session and takes into account the new emphasis in the consultations there on the trade aspects of import restrictions. The questions are intended to distinguish more clearly the actions that might impair the regular channels of trade and damage the commercial interests of other contracting parties, and the actions taken to avoid the incidental protective effects of quantitative restrictions. The Executive Secretary was authorized to prepare a draft of the fourth annual report on the basis of replies to the questionnaire.

The Contracting Parties proposed that the procedures for conducting the 1953 consultations be the same as those in 1952. They advised governments taking action under article XIV to initiate their 1953 consultations in March of that year, and instructed the Executive Secretary to inform the Contracting Parties and the International Monetary Fund, at the end of March 1953, of the governments that had initiated consultations. It was felt that the consultations could be more effectively carried out if, before the opening of the Eighth Session, the International Monetary Fund would make available to the Contracting Parties the results of its own 1953 consultations with the same governments, made pursuant to article XIV of the Fund's Articles of Agreement.

In April 1953 the Executive Secretary notified the Contracting Parties that the following 7 countries were prepared to consult under article XIV: 1 (g): Australia, Ceylon, Italy, New Zealand, Southern Rhodesia, the Union of South Africa, and the United Kingdom.

Special Exchange Agreements (Art. XV)

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.[21]

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[20] For earlier reports, see Contracting Parties to the General Agreement on Tariffs and Trade, *The Use of Quantitative Restrictions for Protective and other Commercial Purposes*, Sales No.: GATT/1950–3, Geneva, 1950; *First Report on the Discriminatory Application of Import Restrictions, March 1950*, Sales No.: GATT/1950–1, Geneva, 1950; *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; and *Third Report on the Discriminatory Application of Import Restrictions, Incorporating a Report on the Consultations in 1952 on the Continuance of Discrimination*, Sales No.: GATT/1952–5, Geneva, 1952.

[21] See *Operation of the Trade Agreements Program* reports as follows: First report, pt. 2, p. 50; fourth report, p. 42; and fifth report, ch. 2.

Operation of agreements with Germany, Haiti, and Indonesia

Procedural arrangements made at the Fifth Session of the Contracting Parties provided that, should a question requiring action by the Contracting Parties arise under a special exchange agreement at a time when they are not in session, the Chairman of the Contracting Parties will consult with, and seek determinations from, the International Monetary Fund. The following discussion deals with the actions taken between the Sixth and Seventh Sessions, pursuant to these arrangements, regarding the special exchange agreements that the Contracting Parties had with the Federal Republic of Germany, with Haiti, and with Indonesia.

The Federal Republic of Germany accepted a special exchange agreement on June 24, 1952, and the agreement entered into force on July 24. However, on August 14, 1952, the Government of the Federal Republic signed the Articles of Agreement of the International Monetary Fund, and consequently the special exchange agreement was terminated on that date.

At the Sixth Session the International Monetary Fund reported that Haiti did not maintain any restrictions on payments and transfers, and that therefore no communication had been sent to that country regarding the initiation of consultations, as provided for in article XI of the special exchange agreement. On March 12, 1952, however, the Fund addressed an inquiry to Haiti regarding its exchange system and other related matters. A reply was received by the Fund on October 7, 1952, but no new information was furnished. The Fund's own investigation noted that Haiti maintains no restrictions on payments and transfers.

As Indonesia was then availing itself of the transitional arrangements under its special exchange agreement, the Contracting Parties advised Indonesia on January 25, 1952, that, if it still retained any restrictions on current payments that were inconsistent with its special agreement, it should enter into consultations with the International Monetary Fund. The Indonesian Government advised the Fund on March 26, 1952, that it desired to initiate such consultations, but could not make suitable arrangements for holding the meeting. On September 10, 1952, the Board of Governors of the Fund approved membership in the Fund for the Republic of Indonesia, under specified terms and conditions which that country might accept at any time up to March 16, 1953. In view of these circumstances, the Fund postponed consultations with Indonesia for the time being. As of June 30, however, Indonesia had not become a member of the International Monetary Fund.

Reports and consultations under article XI of the special exchange agreements

At their Sixth Session the Contracting Parties arranged to prepare their 1952 report on payments restrictions still in force, as required by paragraph 3 of article XI of the special exchange agreements.[22] The Contracting Parties requested the International Monetary Fund to submit statements to them outlining the restrictions on payments and transfers maintained by Haiti and Indonesia. These statements were submitted to the Contracting Parties by the Fund on October 13, 1952. The statement on Haiti indicated that, except for customs duties and the regulation of trade in certain commodities, Haiti maintained no exchange controls and that payments and transfers abroad might be made freely. The statement on Indonesia noted that that country continued to maintain restrictions on payments and transfers for current international transactions and continued to operate a multiple-exchange-rate system.

The Contracting Parties at the Sixth Session also arranged for consultations that any signatory to a special exchange agreement might initiate on the further retention of exchange restrictions beyond March 1, 1952. The Fund agreed to participate in such consultations and to submit to the Contracting Parties a report and, where appropriate, any determinations it might make. The results of these consultations were discussed in the preceding section of this report.

Implementation of provisions of article XV: 6, of the General Agreement [23]

After the close of the Sixth Session of the Contracting Parties, Burma and the Federal Republic of Germany became members of the International Monetary Fund. Burma acceded to the Fund on January 3, 1952, and the Federal Republic of Germany, on August 14, 1952.

The special exchange agreements then remaining in force were those with Haiti and Indonesia. At its annual meeting in 1952, however, the International Monetary Fund approved the terms and conditions of membership in the Fund for these two countries, which they might accept at any time up to March 16, 1953. Haiti became a member of the Fund on September 8, 1953; Indonesia had not joined the Fund by June 30, 1953.

Subsidies (Art. XVI): United States Subsidy on Exports of Sultanas

Article XVI 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 or to reduce imports, it must notify the Contracting Parties in writing of the extent and nature of the subsidization. In any case in which it is determined that a subsidy

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[22] See *General Agreement on Tariffs and Trade: Basic Instruments and Selected Documents*, vol. II, pp. 121 and 122.

[23] Under par. 6 of art. XV of the General Agreement, a contracting party that is not a member of the International Monetary Fund is required either to become a member of the Fund or to enter into a special exchange agreement with the Contracting Parties.

seriously prejudices the interests of any other contracting party, the contracting party which grants the subsidy must discuss, with the other contracting party or parties concerned, or with the Contracting Parties, the possibility of limiting the subsidization.

At the Seventh Session of the Contracting Parties Greece declared that it had been injured by the United States export subsidy on a type of raisin known as sultanas, since the subsidy tended to lower the export price of that commodity. The Greek representative pointed out that as a result of United States subsidization of its domestic production of sultanas since 1949, Greece—a country with few exportable products—was losing its traditional markets for that product. He indicated further that, besides the loss of foreign exchange resulting from lower export prices, the Greek economy was burdened by the necessity of Government support to domestic producers. The estimated loss to the Greek economy in 1952 due to these two factors was placed at 8.6 million dollars. This, Greece claimed, was a substantial loss for it, inasmuch as sultanas and currants represent 8 percent of the value of total exports of all its products, 40 percent of the value of its total exports of raisins, and 35 percent of the value of its total production of raisins.

The United States Delegation pointed out that the purpose of the United States export-subsidy program for sultanas and other raisins was to assist United States producers to sell a portion of their crop in certain traditional markets abroad, where dollar shortages were making such marketing difficult, and to enable United States producers to obtain a reasonable return on their product. The United States contended that the subsidy merely helped to maintain traditional export markets for United States producers and had not increased the proportion of United States trade in sultanas, or expanded its domestic production. The United States Delegation stated further that the particular item under discussion merely focused attention on the larger problem which faced all the contracting parties—that of reconciling internal agricultural policy with external trade policy. The United States agreed, however, to discuss the matter, as provided for in articles XVI and XXII of the General Agreement. Preliminary bilateral discussions were begun with interested countries, but because of the limited data available it was not possible to conclude the consultations at the Seventh Session. The Contracting Parties, therefore, decided to retain the item on the agenda and to continue the discussion of it at the Eighth Session.

Quantitative Restrictions for Economic Development (Art. XVIII): Protective Measures Imposed by Ceylon

Article XVIII of the General Agreement, as it was amended at Geneva in 1948, permits contracting parties to maintain—for purposes of economic development or reconstruction—any nondiscriminatory, nontariff protective measures (such as quantitative restrictions) that were in existence on September 1, 1947. The provisions of article XVIII also enable contracting parties to impose new measures of special assistance to promote the development or reconstruction of particular industries or branches of agriculture. These measures may involve release from a negotiated commitment, release from obligations under a general provision of the agreement, or release from both. Individual contracting parties must obtain prior approval from the Contracting Parties for these new measures, but such approval by the Contracting Parties is mandatory if the quantitative restriction meets certain specified standards.[24]

Ceylon is one of the contracting parties that has been authorized to maintain or impose temporary measures restricting imports under article XVIII. At their Third Session, held at Annecy from April to August 1949, the Contracting Parties permitted Ceylon to place in effect its Industrial Products Act No. 18 of 1949. This law was designed to facilitate the sale of certain local industrial products by regulating the importation of like commodities.

At the Seventh Session, Ceylon requested that the Contracting Parties grant it authority under paragraph 7 of article XVIII to add the following four additional commodities to the list for which a release had already been granted: Towels and toweling, rubber footwear, cotton banians (loose shirts, gowns, or jackets), and dried fish. On the basis of the report of the working party that examined the request, the Contracting Parties granted Ceylon the authority to regulate imports of these four commodities.

Emergency Action (Art. XIX): Modification by the United States of Its Concession on Dried Figs

Article XIX of the General Agreement provides that if, as a result of unforeseen developments and of 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 prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession" under certain conditions.

At the Seventh Session of the Contracting Parties, Greece and Turkey indicated that their export trade had been injured by United States action under article XIX, which increased the United States import

[24] See *Operation of the Trade Agreements Program* (second report), pp. 24 and 25.

duty on dried figs above the rate negotiated with Greece at Annecy and with Turkey at Torquay.[25] The increase in the United States duty was from 2½ to 4½ cents per pound.

The United States Delegation discussed this matter with the two interested contracting parties. Agreement was reached with Turkey on a series of provisional withdrawals that permitted that country to increase duties on certain United States products imported into that country. Included in the list were iron furniture, desks, cabinets, office machinery, milling and other machinery, and refrigerators. The Turkish Delegation stated that these modifications in import duties would be effective only for the period during which the United States continues to apply the increased duty on dried figs. The Government of Turkey subsequently advised the Contracting Parties that the modification of concessions on United States imports into Turkey would become effective on February 23, 1953.

The Greek Delegation, on the other hand, felt that withdrawal of concessions granted to the United States would not benefit Greece. It therefore requested the United States to consider the possibility of making compensatory concessions to offset the withdrawal of its concession on dried figs. The United States agreed to study the trade of the two countries to determine whether there were items on which the United States might possibly make such compensatory concessions to Greece. As of June 30, 1953, no final action had been taken on the issue.

The United States Delegation reported that it was the intention of the United States, expressed by the President when he announced the increase in the duty on dried figs, to reexamine the need for this increase whenever circumstances justify, and not later than before the next fig-marketing season. The results of such review, to be undertaken by the United States Tariff Commission, would be considered at the Eighth Session. The Turkish Government, however, felt that the only satisfactory solution to the problem would be restoration of the concession. It therefore reserved the right to ask the Contracting Parties, in the event that review by the United States Government should not lead to restoration of the Torquay concession, to consider whether the original action of the United States was consistent with the provisions of article XIX of the General Agreement.

In a communication received by the Contracting Parties on March 18, 1953, the United States Government stated that, at the direction of the President, the United States Tariff Commission had instituted a supplemental investigation on March 10 to determine whether, and if so to what

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[25] The Presidential proclamation increasing the duty was issued on August 16, 1952. See United States Tariff Commission, *Figs, Dried: Report to the President (1952) on the Escape-Clause Investigation; Report to the President (1953) on the Investigation Under Executive Order 10401*, Rept. No. 188, 2d ser., 1953.

extent, the modification in the tariff concession on dried figs remains necessary in order to prevent or remedy serious injury or the threat thereof to the domestic industry. The President's request for this review was in accordance with the assurance given by the United States Delegation to the Seventh Session of the Contracting Parties that the United States would review the escape-clause action on dried figs as soon as possible.

On June 5, 1953, the Tariff Commission made public the results of its investigation on dried figs. It found that retention of the modification of the concession on imports of dried figs granted at Torquay was necessary in order to prevent serious injury to the domestic industry. In accordance with the finding of the Commission, the President directed that the modification in the rate of duty be continued without change. The President further directed the Commission to keep the situation under review and to notify him of any new developments.

Nullification and 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

At the Sixth Session of the Contracting Parties [26] the representatives of Denmark and the Netherlands, supported by the delegates of Australia, Canada, France, Italy, New Zealand, and Norway, complained that the restrictions on imports introduced by the United States on August 9, 1951, under section 104 of the Defense Production Act of 1950, had nullified or impaired, within the meaning of article XXIII, concessions granted

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[26] See the section on quantitative restrictions under the Defense Production Act of 1950, in ch. 5 of this report. See also *Operation of the Trade Agreements Program* (fifth report), ch. 2.

by the United States. They also maintained that these import restrictions on dairy products constituted an infringement of article XI, which provides for the elimination of quantitative import restrictions. In view of the efforts of the executive branch of the United States Government to have section 104 repealed, however, the Contracting Parties agreed to leave the matter on the agenda.

When the Defense Production Act was renewed on June 30, 1952, section 104 was retained with certain amendments. The revised section authorized increases of up to 15 percent in the quotas established for each type or variety of a commodity or product, whenever it was deemed necessary, taking into consideration the broad effects upon international trade. The following three standards for determining the need for imposition of the controls were retained: (1) The impairment or reduction of domestic production below present production levels, (2) the interference with the orderly domestic storing and marketing of such products, and (3) the imposition of any unnecessary burden or expenditures under any Government price-support program. Subsequently, on July 3, 1952, pursuant to the amended section 104, the United States made several changes in the application of import restrictions on dairy products, which changes had the effect of moderating their severity.

At the Seventh Session of the Contracting Parties, Canada, Denmark, the Netherlands, and New Zealand stated that their export trade in dairy products continued to be adversely affected by United States import quotas, and stated that maintenance of the restrictions by the United States under section 104 constituted an infringement of the General Agreement. In a resolution adopted October 28, 1952, the Contracting Parties agreed that by not repealing section 104 the United States was still infringing its obligations under the General Agreement. They noted further that several delegations had reserved their rights under paragraph 2 of article XXIII to take compensatory action if the United States restrictions were not lifted, and recommended that the United States Government continue its efforts to secure the repeal of section 104 as the only satisfactory solution of the problem. Meanwhile the item was left on the agenda and the United States was requested to report to the Contracting Parties not later than the opening of the Eighth Session what action it had taken. The Contracting Parties agreed that if, in the meantime, one or more countries desired to take retaliatory action under article XXIII, a special session of the Contracting Parties would be required to consider whether the contemplated action was justifiable under the General Agreement.

The Netherlands Government, however, requested permission to take compensatory action at once under paragraph 2 of article XXIII. It proposed that the Contracting Parties permit it to restrict imports of wheat flour from the United States during 1953, in order to compensate for the damage suffered by Netherlands exports as a result of the restrictions imposed by the United States under section 104. The Contracting Parties authorized the Netherlands to reduce its imports of wheat flour from the United States in 1953 from 72,000 to 60,000 metric tons. The Netherlands representative declared, however, that this retaliatory measure would be applied only so long as the United States restrictions continued in force.

Section 104 of the United States Defense Production Act of 1950, as amended, expired on June 30, 1953. In anticipation of its expiration, the President on April 8, 1953, requested the United States Tariff Commission to institute an investigation, under the provisions of section 22 of the Agricultural Adjustment Act, as amended, of the products on which import restrictions had been imposed under the provisions of section 104. The Tariff Commission instituted its investigation on April 10; and on June 1 it made its report to the President, recommending the imposition of quotas or fees on certain of such products.[27] By proclamation of June 8, effective July 1, 1953, the President imposed the quotas and fees recommended by the Tariff Commission. These quotas and fees are described in chapter 5 of this report.

Belgian import restrictions on dollar goods

At the Sixth Session the United States and Canada complained that import restrictions imposed by the Belgo-Luxembourg Economic Union had damaged their trade and that the matter should be dealt with by the Contracting Parties as a departure from obligations under the General Agreement.[28] After considerable discussion, however, the Contracting Parties agreed not to pursue the matter further at the Sixth Session. The matter was taken up again by the Intersessional Committee in February 1952, at which time a working party was appointed to consider the problem. The Intersessional Committee agreed to postpone study of the matter until the International Monetary Fund could make available information on the consultation which it was to hold with Belgium under article XIV of the Fund's Articles of Agreement.

In considering the Belgian dollar-import restrictions at the Seventh Session, the Contracting Parties had before them the materials prepared by the Fund as a result of its consultation with Belgium. The Belgian Government informed the Contracting Parties that it was slowly returning to a regime free of quantitative restrictions, and that it proposed as a first step the institution of measures relaxing its restrictions on dollar imports. Specifically, according to the Belgian Government, it intended

[27] U. S. Tariff Commission, *Specified Manufactured Dairy Products, Flaxseed and Linseed Oil, Peanuts and Peanut Oil, Tung Nuts and Tung Oil: Report to the President Under Section 22 of the Agricultural Adjustment Act, as Amended, and Proclamation of the President,* June 1953 (processed).

[28] See *Operation of the Trade Agreements Program* (fifth report), ch. 2.

to increase the number of items on its free list; to unify the two lists that provide respectively for prior approval and prohibition, so that licenses for products not on the free list would be examined on their merits; and to pursue a more liberal policy with respect to dutiable imports.

The representatives of the United States and Canada expressed their satisfaction with the Belgian proposals and agreed that no useful purpose would be served by exploring the problem further at the Seventh Session. The French representative, however, pointed out that the measures of increased liberalization taken by Belgium with regard to imports from the dollar area might involve the risk of a subsequent deterioration in the balance-of-payments position of other European countries, particularly with the dollar area. This view was also taken by the representatives of Italy and the Netherlands. In their comments on the French statement, the United States and Canadian delegates expressed concern that joint arrangements by Western European countries might discourage Belgium from relaxing its import restrictions consistent with its obligations under the General Agreement. The matter was not discussed further, but the Contracting Parties noted the actions that the Belgian Government had taken and agreed to await a detailed report on them.

On February 4, 1953, the Belgian Delegation notified the Contracting Parties that, effective February 1, Belgium had introduced new measures relaxing its import restrictions. One list (list A) included commodities that might be imported without restriction even though they were payable in dollars. The items on this list included those which accounted for 68 to 70 percent of the total value of dollar imports of the Belgo-Luxembourg Economic Union during the first 6 months of 1951. During the corresponding period just before the new measures were initiated, items that were then permitted entry without restriction accounted for only 25 percent of the Union's dollar imports. The second list (list B) consisted of articles that might be imported only after receipt of prior approval. This list included many commodities the importation of which was automatically denied under the previously existing system. The Belgian Government promised, however, to issue import licenses for commodities on list B in as liberal a spirit as possible.

Belgian family-allowance tax

Under a law of August 4, 1930, Belgium has in operation a system of family allowances (allocations familiales). The system is financed by contributions imposed upon Belgian employers. In order 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 that 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 had already 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 advanced than the corresponding Belgian legislation. The Contracting Parties considered that the element of discrimination was not in conformity with article 1 of the General Agreement but, at the request of the Belgian representative, granted a delay.

At the Seventh Session, the Belgian representative stated that there had been no change in the situation, but that his government was preparing a new draft law on the subject of the special import tax, for submission to the Belgian Parliament. Austria and Germany, although not parties to the complaint against Belgium, called attention to the discriminatory nature of the Belgian import charge. A panel formed to investigate the complaint concluded that the Belgian family-allowance tax was inconsistent with the provisions of the General Agreement. The Contracting Parties, therefore, recommended that Belgium adopt measures to remove the discrimination, and requested the Belgian Government to report, before the opening of the Eighth Session, on the steps it had taken.

Discrimination against Norwegian sardines by the Federal Republic of Germany

At the Seventh Session of the Contracting Parties, the Norwegian Government complained that the Federal Republic of Germany was discriminating in three different ways against the importation of Norwegian or brisling sardines (*Clupea sprattus* and *Clupea harengus*) and in favor of Portuguese sardines (*Clupea pilchardus*). The discriminatory measures related to customs duties, internal taxes, and the exclusion of Norwegian sardines from the free list liberalizing German imports under the trade-liberalization scheme of the Organization for European Economic Cooperation. Norway claimed that these discriminatory measures were inconsistent with paragraph 1 of article I and paragraph 1 of article XIII of the General Agreement, which provide for most-favored-nation treatment and nondiscriminatory application of quantitative restrictions on the importation of "like products" from other countries. The Norwegian Government regarded these measures as an impairment of the concession it had received at Torquay and as a nullification of benefits within the terms of article XXIII of the General Agreement.

The Norwegian complaint was based on the assumption that the two varieties of Norwegian sardines and the one variety of Portuguese sardines were "like products" [29] within the terms of articles I and XIII of the

[29] The panel investigating the complaint noted that the General Agreement made a distinction between "like products" and "directly competitive or substitutable products" and that the most-favored-nation-treatment clause in the General Agreement was limited to "like products." However, the panel made no attempt to define "like products."

General Agreement and also on the assumption that, in the negotiations at Torquay, the two parties had agreed, expressly or tacitly, to treat these various types of sardines as if they were "like products" for purposes of the General Agreement.

After examining the problem, the Contracting Parties concluded that, although the measures that the Federal Republic of Germany had taken were not inconsistent with the provisions of the General Agreement, nevertheless the value of the tariff concessions that Norway had obtained from the Federal Republic at Torquay had been impaired. The Contracting Parties recommended that the Federal Republic of Germany consider ways of removing any inequality of treatment accorded Norwegian sardines and other types of sardines, and consult with Norway on the results of its exploration. Both countries accepted this recommendation and agreed to report to the Contracting Parties on the matter at the Eighth Session.

Pakistan export fee on raw jute

At the Seventh Session the Government of India notified the Contracting Parties that, beginning on July 1, 1952, Pakistan had imposed an export-license fee on shipments of raw jute to India, which fee it did not impose on exports of raw jute to other countries. In addition, Pakistan levied export duties on raw jute according to the type of packing.[30] The Indian Delegation contended that both measures were contrary to article I of the General Agreement, since they discriminated only against India. The Government of India, therefore, proposed to invoke the provisions of article XXIII, and requested that the complaint be placed on the agenda. The Pakistan Delegation, however, stated that it had not received instructions which would enable it to discuss the matter at the Seventh Session. The Contracting Parties therefore postponed discussion of the matter but took note of the complaint by India against Pakistan. The Contracting Parties indicated that, if the Government of India desired, the substance of the complaint would be considered by the Intersessional Committee and, if necessary, by the Contracting Parties at a later session.

At the meeting of the Intersessional Committee in February 1953, the Committee noted that certain suggestions made by the Chairman of the Contracting Parties had been accepted by the Governments of India and Pakistan as a basis for discussion. The Committee, therefore, recommended that the two parties consult with each other on the basis of these suggestions and report to the Chairman of the Contracting Parties by March 10, 1953. Should the issue not be settled by that time, the Chair-

[30] Fees on raw jute in standard packing were lower than fees on raw jute in loose or inferior packing. Since most raw jute in loose or inferior packing is exported to India, the export duty fell mainly on exports to India.

man was authorized by the Contracting Parties to take whatever steps he deemed appropriate to deal with the situation.

As a result of consultations held by the Governments of India and Pakistan, based on suggestions made to them by the Chairman of the Contracting Parties, Pakistan agreed to remove the license fee on exports of raw jute to India, effective March 25, 1953, and to reduce the export duty on jute in loose or inferior packing to the same level as the export duty on jute in standard packing. India, on the other hand, agreed to reduce the price of coal exported to Pakistan to a par with prices charged Indian consumers. The price of coal exported to Pakistan had thitherto been higher than the price charged in India. In view of this agreement, which represented a mutually satisfactory adjustment of the dispute, the Government of India advised the Contracting Parties that it would not be necessary for the Contracting Parties to take any further action on India's complaint.

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 having a free-trade area or entering into an interim agreement preparatory to forming such 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

At their Sixth Session the Contracting Parties noted that, in accordance with their Declaration of May 18, 1949, the Union of South Africa and Southern Rhodesia had agreed to submit, not later than July 1, 1952, a report on the progress they had made toward the application of a uniform tariff on imports from other contracting parties. In addition to this report the two countries had also agreed, as set forth in the declaration, to furnish annual reports of the Southern Africa Customs Union Council; to submit, by July 1, 1954, a definite plan and schedule for completion of the customs union; and to complete the customs union not later than April 1, 1959.

The progress report, which was submitted to the Seventh Session of the Contracting Parties, noted that after the Customs Union (Interim) Agreement became effective on April 1, 1949, the customs administrations of the two governments had reached agreement on the establishment of uniform regulations and practices. Except for this agreement and the removal of the duty on one item, no progress had been made toward eliminating import duties on trade between the two countries. The two governments reported, however, that in the last 2 years they had made progress in realining the tariffs of the two countries and in establishing a uniform tariff nomenclature.

Nicaragua-El Salvador free-trade area

At their Sixth Session the Contracting Parties examined the treaty concluded by Nicaragua and El Salvador for the establishment of a free-trade area.[31] 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.

In its first annual report, Nicaragua noted that it had not imposed quantitative restrictions on the importation of any Salvadoran product, but that El Salvador had been obliged to place a temporary prohibition on the importation of maize from Nicaragua, because of a persistent decline in the domestic price of that product. Both governments agreed that this measure conformed to the provisions of the treaty, which contained special reservations as to the importation of maize.

In noting this report the Contracting Parties requested that in future reports Nicaragua furnish more detailed statistics on the operation of the free-trade area, reporting all changes in rates of duty that apply to products originating in the territories of other contracting parties, as well as other foreign-trade data.

TARIFFS AND TARIFF NEGOTIATIONS

Report of Working Party on Reduction of Tariff Levels

The working party on the reduction of tariff levels was established by the Contracting Parties at Torquay in April 1951 to study proposals submitted by the Benelux countries relating to disparities in the level of European tariffs.[32] At their Sixth Session the Contracting Parties extended the life of the working party when, on September 19, 1951, the French Government presented a new proposal for a general reduction of tariffs. Under the French plan, tariffs would be lowered by 30 percent in three yearly stages of 10 percent. The French plan differed somewhat from the plan presented by the Benelux countries, which was essentially directed toward a leveling of European tariffs.

Early in 1952 a subgroup of the working party met to examine the technical aspects of the French plan. The report of the subgroup enabled

[31] See *Operation of the Trade Agreements Program* (fifth report), ch. 2. Nicaragua is a contracting party to the General Agreement; El Salvador is not.

[32] See *Operation of the Trade Agreements Program* (fifth report), ch. 2. Until it was renamed, the committee was called the intersessional working party on disparity of European tariffs.

the working party to consider the French proposal in its more general aspects. The working party was then able to consider whether the main features of the French plan would have to be adjusted to take into account disparities between social and economic conditions in different countries.

As a result of discussions, the French Delegation submitted new proposals amending and supplementing the original plan. The new proposals attempted to synthesize the points raised during the previous discussions. The report of the working party stated that much work still remained before a specific plan would be available for consideration. The Contracting Parties noted the progress made toward resolving many of the problems arising from the plan and instructed the working party to continue its study, taking into account the new proposals submitted by the French Delegation.

On February 12, 1952, the Council of Europe submitted to the Contracting Parties a recommendation it had adopted on the lowering of tariff barriers in Europe. The Council requested the Contracting Parties to appoint a panel of customs experts to study the workability of its proposal. The plan was based on three principles: a maximum ad valorem rate for all customs duties; special tariff ceilings for raw materials, unfinished goods, finished goods, and food products; and freedom for all countries to join the plan. The plan was considered—separately from the French plan—by a group of customs experts appointed by the Contracting Parties on October 17, 1952. The experts' report dealt only with the technical aspects of the plan and refrained from discussing matters pertaining to economic policy. The experts' report was transmitted to the Council of Europe by the Contracting Parties.

Application of Japan for Accession to the General Agreement

On July 18, 1952, Japan notified the Contracting Parties that it desired to negotiate for accession to the General Agreement on Tariffs and Trade. Such negotiations may be undertaken under the special procedure approved at the Sixth Session for conducting intersessional tariff negotiations between a country that wishes to accede to the General Agreement and those contracting parties that wish to negotiate with it.[33] Several contracting parties suggested that, because of the importance of Japan in international trade, the application be examined at a session of the Contracting Parties.

At the Seventh Session the problems raised by the Japanese application were discussed with Japanese representatives—who attended the Seventh Session as observers—and several contracting parties. Among the items considered were Japan's import tariff, its system of exchange controls and import licensing, its measures for safeguarding foreign industrial

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[33] See *Operation of the Trade Agreements Program* (fifth report), ch. 2.

property, its measures to prevent unfair competition, its labor and other social legislation, and the price levels of Japanese commodities. Some contracting parties indicated that they might enter into bilateral tariff negotiations with Japan immediately, with a view to incorporating the results of such negotiations into subsequent multilateral negotiations directed toward Japanese accession to the General Agreement. The Contracting Parties approved a resolution recognizing that Japan should take its rightful place in the community of trading nations and should be admitted to appropriate international organizations. They also directed the ad hoc Committee for Agenda and Intersessional Business to make a detailed examination of questions pertaining to Japan's accession to the General Agreement.

The Intersessional Committee met at Geneva from February 2 to February 13, 1953, to consider the conditions under which Japan might accede to the General Agreement. The meetings of the Committee were attended by observers representing various contracting parties, international organizations, and the Government of Japan. Although the discussions in the Committee involved no commitments by contracting parties, various issues pertaining to the application of Japan were clarified. The Committee also drew up a report—to be submitted to the individual contracting parties—giving the results of its discussions.

The individual contracting parties felt that Japan should be permitted to accede to the General Agreement with the same rights and privileges as any other contracting party. Several contracting parties, however, felt that safeguards should be provided to prevent a sudden flooding of certain markets with Japanese goods which would tend to produce violent disruption of trading conditions with serious adverse repercussions for large sectors of production in the importing countries. The Committee examined the safeguards provided in the General Agreement to cope with such possible situations, and considered whether the safeguards thus provided would afford protection to the commercial interests of contracting parties in the event of violent disruption of international trading conditions.

The ensuing discussion revolved about the adequacy and applicability, to the circumstances envisaged, of article XIX and article XXIII of the General Agreement. Article XIX provides for emergency action in circumstances causing or threatening serious injury, and article XXIII provides that the Contracting Parties may relieve a country from certain of its obligations under the General Agreement in a situation in which a concession granted by another contracting party has been nullified or impaired. Some contracting parties felt that, since any action taken under article XIX must be nondiscriminatory in character, the trade of third countries, which was in no way responsible for the situation, would be adversely affected. There would thus be a serious danger that this action would lead to a general increase in tariffs and other trade barriers. To meet this objection, the Committee considered the possibility of amending article XIX. The contracting parties, however, felt that such an amendment would involve a radical departure from the basic principles of the General Agreement in that it would authorize discriminatory action on a unilateral basis. It was felt that the situation envisaged could be dealt with under the procedures of article XXIII, which provide for relief from obligations under the General Agreement with the approval of the Contracting Parties. Since the General Agreement permits discriminatory action under article XXIII, it was felt that there was no justification for authorizing discrimination in the application of article XIX.

The Committee also considered whether the procedures under article XXIII would operate quickly enough to meet emergency situations. For such contingencies, the Committee suggested that the Contracting Parties adopt an emergency procedure. Under this procedure, if the Contracting Parties failed within 30 days to decide whether emergency action was necessary and, if so, what measures might appropriately be taken, the country that had resorted to the provisions of article XXIII would be free to act, pending a decision by the Contracting Parties. A proposed declaration that the situation envisaged would fall within the provisions of article XXIII was drawn up for submission to the Contracting Parties.

The Intersessional Committee also considered the question of the timing of tariff negotiations that might be undertaken with a view to Japan's accession to the General Agreement. The Committee felt it could not make any specific recommendations on this point. The Committee observed that several contracting parties had indicated that the accession of Japan could not be isolated from other major tariff issues that would have to be considered before the end of 1953. These issues included the desirability of further tariff negotiations between the present contracting parties, and the extension of the assured life of the tariff concessions agreed upon at Geneva, Annecy, and Torquay. A substantial majority of the Committee felt that the adjustments in trade that would follow the accession of Japan to the General Agreement could be more easily made in conditions of expanding world trade, and that these adjustments could be facilitated by another round of negotiations directed toward a general lowering of tariff barriers by major trading countries. While the linking of these various problems to the negotiations with Japan might delay negotiations with that country, the Committee felt that the delay would not be substantial and would be more than compensated for by the additional advantages that would be derived from the wider scope of the contemplated general tariff negotiations.

The Committee's report was transmitted to the various contracting parties with a view to arriving at decisions—at a special session—as to the conditions under which Japan's accession could be accomplished, and as to the nature and timing of the tariff negotiations.

Article XXVIII Negotiations Between Cuba and the United States

Article XXVIII of the General Agreement originally provided that contracting parties might modify their schedules of concessions after January 1, 1951, without joint action by the Contracting Parties. Commencing with that date, any contracting party was permitted to withdraw or modify a concession it had originally granted. The contracting party desiring to do so, however, was first required to negotiate with the contracting party with which the concession was originally negotiated. It was also required to consult with other contracting parties having a substantial interest in the concession. In such negotiations, provision might be made for compensatory adjustments with respect to other products. The Torquay Protocol amended article XXVIII by changing from January 1, 1951, to January 1, 1954, the date after which adjustments might be made without joint action by the Contracting Parties. Thus the Geneva and Annecy concessions were bound at Torquay for an additional 3-year period.

Another provision of article XXVIII stipulates that if agreement cannot be reached, the concession in question may nevertheless be withdrawn or modified. However, the country to which the concession was originally granted and the other contracting parties having a substantial interest in it may thereupon themselves withdraw concessions substantially equivalent to those withdrawn from them.

At Torquay, the United States and Cuba did not exchange new or additional tariff concessions. 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.[34] Pursuant to its article XXVIII negotiations, Cuba increased its duties on categories of imports from the United States which in 1949 were valued at 29.7 million dollars. Cuba granted to the United States compensatory concessions on United States exports to Cuba; export items to which these concessions apply were valued at 30.7 million dollars in 1949.

At the Seventh Session both the United States and Cuba stated that they had not completed their article XXVIII negotiations, and asked the Contracting Parties to extend, to the opening date of the Eighth Session, September 17, 1953, the time limit for completing them. A resolution adopted by the Contracting Parties extended the time limit as requested.

[34] See *Operation of the Trade Agreements Program* (fifth report), ch. 3; *Operation of the Trade Agreements Program* (fourth report), pp. 99–102.

Interconference Tariff Negotiations Between Austria and the Federal Republic of Germany

At their Sixth Session, the Contracting Parties established rules for interconference tariff negotiations between two or more contracting parties that wish to negotiate with each other and to incorporate the results of the negotiations into the General Agreement.[35]

Under the rules thus established, tariff negotiations between Austria and the Federal Republic of Germany began at Geneva on October 15, 1952, and were completed at Innsbruck, Austria, on November 22, 1952. A Second Protocol of Supplementary Concessions was drawn up in accordance with the model protocol that the Contracting Parties had approved at the Sixth Session.[36] The agreement reached relates to concessions which supplement those the two countries negotiated in 1951 at Torquay. The protocol remained open for signature at the headquarters of the United Nations until May 22, 1953. However, the Government of the Federal Republic of Germany notified the Contracting Parties that, since it was unable to obtain the necessary authority from the legislature to enable it to sign the protocol, it requested an extension of the time limit to August 1. The Government of Austria also agreed to the extension, and one was granted by the Secretary-General of the United Nations to August 1, 1953. The Second Protocol of Supplementary Concessions was signed by both governments on July 31, 1953, and entered into force on August 30, 1953.

Interconference Tariff Negotiations Between Belgium (Belgian Congo and Ruanda-Urundi) and the Federal Republic of Germany

On January 8 and February 2, 1953, the Belgian Government notified the Contracting Parties that it intended to enter into tariff negotiations with the Federal Republic of Germany on behalf of the Belgian Congo and Ruanda-Urundi, using the special procedures adopted at the Sixth Session.[37]

Request lists were exchanged and negotiations began at Bonn, Germany, on March 2, 1953. In view of certain difficulties that arose in the course of the negotiations, however, the two governments decided to conclude a provisional bilateral agreement which would be valid for 6 months, but also decided to incorporate the concessions in their respective schedules

[35] See *Operation of the Trade Agreements Program* (fifth report), ch. 2.

[36] See Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, vol. I: Text of the Agreement and Other Instruments and Procedures, Geneva, 1952, pp. 117–119.

[37] See *Operation of the Trade Agreements Program* (fifth report), ch. 2. See also Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, vol. I: Text of the Agreement and Other Instruments and Procedures, Geneva, 1952, p. 116.

of the General Agreement as soon as circumstances permitted. The concessions exchanged will be extended to all other contracting parties when the bilateral agreement has been ratified by the two governments.

ADMINISTRATION OF THE AGREEMENT

Continuation of Ad Hoc Committee for Agenda and Intersessional Business and Arrangement for Eighth Session of the Contracting Parties

At their Sixth Session the Contracting Parties established the ad hoc Committee for Agenda and Intersessional Business, to deal with matters that might require prompt action between the Sixth and Seventh Sessions of the Contracting Parties. Between the Sixth and Seventh Sessions the Intersessional Committee held several meetings at which it discussed the modification of import restrictions by certain contracting parties; it also drew up the agenda for the Seventh Session.[38] At the Seventh Session the Contracting Parties agreed that the Intersessional Committee would continue to function during the period between the Seventh and Eighth Sessions. The Intersessional Committee consists of representatives of the following countries: Australia, Belgium, Brazil, Canada, Chile, Cuba, Denmark, France, the Federal Republic of Germany, India, Italy, Pakistan, the Union of South Africa, the United Kingdom, and the United States.

Duties assigned to the Intersessional Committee included preparation of the agenda for the Eighth Session of the Contracting Parties and consideration of any urgent business that might arise between the Seventh and Eighth Sessions. The Contracting Parties referred to the Committee, for discussion, the application of Japan for accession to the General Agreement. Also the Committee was authorized to carry out any consultations under articles XII and XIV (deferred at the Seventh Session) which could conveniently be held before the Eighth Session. The Contracting Parties also directed the Committee to continue its study of the reduction of tariff levels and to consider any applications submitted by contracting parties relating to new measures they had adopted under article XVIII of the General Agreement. Intersessional working parties were set up to consider the application of Japan for accession to the General Agreement, matters arising under article XVIII, and matters relating to the reduction of tariff levels. The last two working parties were in existence at the intersessional meetings held in 1952 and were

[38] See *Operation of the Trade Agreements Program* (fifth report), ch. 2. For the functions and responsibilities of the Intersessional Committee, see Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, vol. I: Text of the Agreement and Other Instruments and Procedures, Geneva, 1952, pars. (a), (b), and (c), pp. 102 and 103; and vol. II: Decisions, Declarations, Resolutions, Rulings and Reports, Geneva, 1952, pp. 206–208.

reappointed by the Contracting Parties to continue their work between the Seventh and Eighth Sessions.

At the Seventh Session, the Contracting Parties agreed that the Eighth Session would be held at Geneva, beginning September 17, 1953.

Status of Protocols and Schedules

Extension 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 Seventh Session, the Contracting Parties granted further extensions of time for signature of the Torquay Protocol. Brazil and Nicaragua were granted until December 31, 1952, and the Republic of the Philippines and Korea, until May 21, 1953. Uruguay, which had not yet signed the Annecy and Torquay Protocols, was given until April 30, 1953, to sign both protocols. On June 15, 1953, Uruguay received a further extension until October 30, 1953.

Subsequently the Contracting Parties granted Brazil a further extension of time until February 28, 1953. Meanwhile, the Government of Brazil signed the Torquay Protocol on February 19, 1953. Accordingly, schedule III, which embodies Brazil's tariff concessions, entered into force on March 21, 1953.

On December 29, 1952, the Government of Nicaragua notified the Secretary-General of the United Nations of its decision to denounce the Annecy Protocol to the General Agreement and to withdraw from the General Agreement, effective February 27, 1953. On January 17, 1953, however, Nicaragua informed the Executive Secretary of the Contracting Parties that it wished to withdraw its previous denunciation of the General Agreement. Instead, it requested an extension of time to sign the Torquay Protocol. The Contracting Parties extended the time limit for Nicaragua's signature to June 30, 1953. Nicaragua signed the Torquay Protocol on June 30.

As of June 30, 1953, Korea and the Philippines had not yet signed the required protocols before the expiration of the respective time limits. Chile signed the Torquay Protocol on September 24, 1952, and its schedule (VII) entered into force on October 24, 1952.

Rectification of schedules

The report of the working party on rectification of schedules stated that before the Seventh Session the only major change in the schedules of concessions was the adjustment of the Geneva and Torquay schedules of the Belgian Congo and Ruanda-Urundi to conform with the Brussels Nomenclature. Additional rectifications of a minor nature were made in the following schedules: Benelux (schedule II), India (schedule XII), the Union of South Africa (schedule XVIII), the United Kingdom

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(schedule XIX), Denmark (schedule XXII), and the Federal Republic of Germany (schedule XXXIII). The working party drew up the Second Protocol of Rectifications and Modifications to the texts of the schedules of the General Agreement on Tariffs and Trade, which incorporated the above-mentioned changes. This protocol was opened for signature on November 8, 1952; on that date 13 contracting parties signed it.[39]

Granting of legal status to consolidated schedules

At the Seventh Session the Federal Republic of Germany suggested that the Contracting Parties consider the granting of legal status to the consolidated schedules in order to provide an authentic text of the schedules of tariff concessions embodied in the Geneva, Annecy, and Torquay Protocols.[40] The working party which considered the German proposal felt that there were practical and legal objections to it, and concluded that it would not be feasible to accord legal status to the consolidated schedules. It suggested, however, that the Secretariat keep the consolidated schedules on a current basis by publishing—upon receipt of notification from the contracting party involved—any changes resulting from protocols of rectifications and modifications, from new concessions, or from withdrawals, or any other alterations. In case of disputes between contracting parties, reference can then be made to the authentic text.

Publication of Annual Report

In each of the years 1949, 1950, and 1952 the Secretariat of the Interim Commission for the International Trade Organization, at the request of the Contracting Parties, published a progress report on the operation of the General Agreement.[41] The Executive Secretary, at the Seventh

[39] As of June 30, 1953, the First Protocol of Rectifications and Modifications was not yet in effect; it still required the signature of Austria. The Fifth Protocol of Rectifications went into effect on June 30, 1953, when Nicaragua signed the Torquay Protocol. The earlier protocols of rectifications have been signed by all the contracting parties, and therefore have gone into effect.

[40] See Contracting Parties to the General Agreement on Tariffs and Trade, *General Agreement on Tariffs and Trade: Consolidated Schedules of Tariff Concessions* (5 vols.), GATT/CP/133, Sales No.: GATT/1952–1, Geneva, 1952.

[41] The following reports were published by the Interim Commission or by the General Agreement Secretariat, at the request of the Contracting Parties to the General Agreement on Tariffs and Trade: *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; *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; *GATT in Action: Third Report on the Operation of the General Agreement on Tariffs and Trade, January 1952*, Sales No.: GATT/1952–2, Geneva, 1952; and *International Trade, 1952*, Sales No.: GATT/1953–2, Geneva, 1953. 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.*

Session, proposed that a report be published in 1953, and annually thereafter. He suggested that the proposed report consist of three parts. Part I would contain a general description of the developments in international trade during the period under review; part II would describe the measures relating to international trade adopted by governments during the same period; and part III would give an account of the activities of the Contracting Parties. After discussion of the proposal, the Contracting Parties agreed to publish such a report.

Financial Statement and Budget Estimates

At their Seventh Session, the Contracting Parties adopted the report of the working party on the budget. The budget estimate proposed for 1953 was $353,650, compared with $397,493 for 1952 and $403,283 for 1951. The 1953 budget is to be financed by contributions from the contracting parties, the contributions to be computed on the basis of shares of total trade accounted for by each of the contracting parties. Under this system the largest contributions are those by the United States ($60,000), the United Kingdom ($60,000), France ($21,000), and Canada ($15,000).

Relations With the United Nations

At their Sixth Session the Contracting Parties considered the question of their relations with the United Nations. They instructed the Executive Secretary to consult with the Secretary-General of the United Nations as to suggested improvements in these relations and to report at the Seventh Session.

In his report at the Seventh Session, the Executive Secretary pointed out that arrangements between the Secretariat of the Interim Commission of the International Trade Organization and the Secretariat of the United Nations had existed for some time. These arrangements dealt with the exchange of information, mutual consultation, and technical cooperation in studies, as well as in administrative and financial matters. The Executive Secretary felt that, inasmuch as these arrangements had proved to be satisfactory, there was no need to change them.

OTHER DEVELOPMENTS

Report of Working Party on European Coal and Steel Community

On April 18, 1951, Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands concluded a treaty constituting the European Coal and Steel Community, and a convention containing certain transitional arrangements. The treaty became effective July 23, 1952. The six participating countries then requested the Contracting Parties to the General Agreement to release them from certain of their obligations under the agreement, so as to enable them to fulfill their obligations under the treaty. Specifically, they requested release from their commitments under article I and article XIII of the General Agreement. Article I provides for most-favored-nation treatment, and article XIII, for the nondiscriminatory application of quantitative restrictions.

The representatives of the contracting parties that comprise the Coal and Steel Community stated that closer integration of their economies resulting from the elimination of barriers to the free movement of coal and steel products would result in an increased supply to outside countries. The elimination of barriers would also provide wider opportunities for the sale of products of other contracting parties in the common market. On the other hand, some contracting parties outside the Community felt that setting up a common market would introduce uncertainties for countries which relied on members of the Community for supplies of coal and steel, and on the markets of such states as outlets for their exports of steel and coal products. Before agreeing to surrender some of their rights under the General Agreement, they required assurance that the Community would pursue liberal trade policies, and that their vital interests would be safeguarded.

The working party decided, in recognition of the views expressed by some contracting parties, to include in its report a statement of principles on which the decision to grant the waiver was based. These principles included a commitment by the Community to pursue constructive trade policies in order to increase supplies of coal and steel; to take account of the interests of third countries, both as consumers and as suppliers of coal and steel products; to further the development of international trade, and to insure that equitable prices will be charged in markets outside the Community; to harmonize and eventually to lower their customs duties, and to liberalize their other trade regulations as applied to coal and steel products purchased from other contracting parties; and to avoid placing unreasonable barriers upon exports to third countries.

The Contracting Parties adopted the report of the working party, which included the decision to grant the waiver, and transmitted the report to the High Authority of the European Coal and Steel Community on November 10, 1952. They also permitted the Community to act as a single contracting party insofar as coal and steel products are concerned. Finally, the Contracting Parties requested the Community to submit annual reports to them on the progress made toward the full application of the treaty. These reports are to be submitted until the end of the transitional period.[42]

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

At its Thirteenth Congress, held in Lisbon in June 1951, the International Chamber of Commerce adopted certain resolutions on the reduction of trade barriers. These resolutions, which were subsequently submitted to the Contracting Parties, dealt with customs treatment of commercial samples and advertising materials, documentary requirements, consular formalities, valuation of goods for customs purposes, nationality of manufactured goods, and formalities connected with quantitative restrictions.

At the Sixth Session of the Contracting Parties a working party was set up to examine these resolutions. The working party drafted an international convention to facilitate 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. The draft convention and the two draft recommendations were circulated among the contracting parties and the representatives of the International Chamber of Commerce. As a result of the working party's report, the Contracting Parties adopted the text of the draft convention to facilitate the importation of samples and advertising material, a code of standard practices relating to the documentary requirements for the importation of goods, a code of standard practices relating to consular formalities, and a resolution regarding the application of import- and export-licensing restrictions in the case of existing contracts. The working party also continued its studies of the valuation and nationality of imported goods, with a view to further consideration of these matters at a later session.

International Convention To Facilitate the Importation of Commercial Samples and Advertising Material

The Contracting Parties adopted the text of this convention and opened it for signature on February 1, 1953. The convention was to remain open for signature until June 30, 1953, after which time new accessions might be made by depositing an instrument of accession with the

[42] The convention, which contains the transitional arrangements, states that "The transition period shall begin on the date on which the common market is created and shall end at the expiration of a period of five years following the creation of the common market for coal." The single market for coal (as well as for iron ore and scrap iron) was established on February 10, 1953. The single market for steel was established on May 1, 1953. See European Coal and Steel Community, *Treaty Constituting the European Coal and Steel Community and Convention Containing the Transitional Provisions*, 1951.

Secretary-General of the United Nations. The convention shall come into force when it has been signed by 15 governments. As of June 30, only Belgium, the Federal Republic of Germany, Greece, Sweden, the United Kingdom, and the United States had signed the convention. The most important provisions of the convention (1) allow samples of negligible value to be imported free of duty; (2) allow samples of value to be imported free of duty on a temporary basis, subject to deposit of security; (3) allow specified types of advertising material, including advertising films, to be imported free of duty; and (4) exempt samples and advertising material, with certain exceptions, from import prohibitions and quota restrictions. Provision is also made for the settlement of disputes between the contracting parties by negotiation or by arbitration.

Standard Practices for Documentary Requirements for the Importation of Goods

The Contracting Parties recommended that import data that are required for customs or other governmental purposes be limited to transport documents (bills of lading and consignment notes) and commercial invoices, accompanied where necessary by packing lists. However, in certain circumstances other documents, such as certificates of origin, freight or insurance certificates, consular invoices, and sanitary certificates, may be required. The Contracting Parties made certain other recommendations aimed at further reducing documentary requirements for imported goods, and suggested that the various contracting parties report, not later than August 1, 1954, on the steps they have taken to bring their practices into conformity with the recommendations.

Standard Practices for Consular Formalities

The Contracting Parties recommended that the requirement of consular invoices and consular visas be abolished by December 31, 1956. Pending the abolition of consular invoices and consular visas, it recommended that governments progressively reduce the incidence of consular fees. For this purpose the Contracting Parties proposed a set of rules that governments should follow in the interim period. These rules provide, among other things, that consular invoices or consular visas should not be required for consignments of goods of an invoice value not exceeding 100 United States dollars or the equivalent in other currencies. Provision was also made for certification by alternative authorities if there is no consular representative in the exporting country. The Contracting Parties requested that not later than September 1 of each year individual contracting parties report the steps they have taken toward the abolition of consular formalities.

Formalities connected with quantitative restrictions

After the Lisbon Conference of the International Chamber of Commerce in 1951, various contracting parties intensified their import restrictions.

The International Chamber of Commerce therefore submitted a resolution dealing with quantitative restrictions, entitled "Sanctity of Contracts." This resolution recommended that contracting parties take into account bona fide orders placed before the announcement of trade restrictions. The working party agreed that although it is difficult to draw up precise rules to cover this point, such bona fide cases deserve the fullest consideration. On the basis of this recommendation the Contracting Parties adopted a resolution requesting contracting parties to permit the importation or exportation of goods covered by firm and legitimate contracts concluded before such contracting parties announce new or intensified quantitative restrictions.

Valuation of goods for customs purposes

The International Chamber of Commerce resolution on this subject urged a simplification and standardization of methods for establishing the value of goods for customs purposes. It suggested that valuation of goods for customs purposes be based on the following 4 principles: (1) Systems of valuation should not be employed as a means of increasing protection; (2) primary consideration should be given to invoice prices in determining dutiable value; (3) regulations should state clearly and fully the basis of dutiable value; and (4) internal duties or taxes from which exported goods are exempt should not be included in the dutiable value. The International Chamber of Commerce further suggested that the Contracting Parties investigate the possibility of drawing up a standard definition of valuation of goods for customs purposes, applicable to all countries. The Contracting Parties noted that 3 of the 4 principles were already embodied in article VII of the General Agreement and proposed that individual contracting parties submit reports not later than June 1, 1953, indicating the steps they have taken to give effect to the principles of valuation in article VII. They also agreed that they would consider any new proposals on the subject of valuation at a later session. By June 1, 22 countries had submitted such reports.

Nationality of imported goods

The International Chamber of Commerce recommended that the Contracting Parties adopt a common definition of nationality of manufactured goods. The working party felt that drafting of such a definition required more detailed knowledge of the principles underlying national legislation and of the implementation of these principles. Accordingly, the Contracting Parties recommended that each contracting party submit a statement of its present principles and practices by April 30, 1953. They instructed the Secretariat to survey this information, and to keep in touch with the European Customs Union Study Group in order to keep abreast of any studies made by that organization. They also invited the International Chamber of Commerce to initiate a similar inquiry among its members to ascertain the nature of the difficulties encountered by traders because of the absence of a common definition of the nationality of imported goods.

Nomination of Chairman of the Interim Coordinating Committee for International Commodity Arrangements

In 1947 the Secretary-General of the United Nations established an Interim Coordinating Committee for International Commodity Arrangements, as had been proposed in a resolution of the United Nations Economic and Social Council on March 28, 1947. The Committee consisted of a chairman nominated by the Preparatory Committee of the United Nations Conference on Trade and Employment; a representative of the Food and Agriculture Organization of the United Nations, who was to be concerned with agricultural primary commodities; and a person who was to be concerned with nonagricultural primary commodities.

In its Final Act of April 1948 the United Nations Conference on Trade and Employment recommended that the Economic and Social Council of the United Nations change the composition of the Committee to provide that its chairman be nominated by the Interim Commission for the International Trade Organization. This recommendation was adopted by the Economic and Social Council on March 3, 1948. On September 13, 1951, however, the Economic and Social Council recommended that the chairman be nominated by the Contracting Parties to the General Agreement on Tariffs and Trade.

On April 18, 1952, the Secretary-General of the United Nations requested the Contracting Parties to nominate a chairman for the Committee. On the suggestion of Brazil, Cuba, Indonesia, and the United States, the Contracting Parties nominated Sir James Helmore of the United Kingdom to serve as chairman until the Contracting Parties could make a further nomination at their Eighth Session. Sir James has served as chairman of the Committee since its inception in 1947. The Contracting Parties also agreed that the nomination for chairman at the Eighth Session and thereafter should be for a fixed term of office, the duration of which would be determined at that session.

The activities of the Committee since 1947 have consisted principally of preparing yearly statements regarding intergovernmental collaboration in the field of commodity problems. On occasion, the Committee has advised the Secretary-General of the United Nations on specific problems in the field of intergovernmental commodity collaboration.

Chapter 4

United States Trade-Agreement Negotiations With Venezuela

HISTORY OF THE NEGOTIATIONS

On June 18, 1951, the Governments of the United States and Venezuela announced their intention to renegotiate the bilateral trade agreement that the two countries had concluded in 1939.

In accordance with United States trade agreements procedure, the Interdepartmental Committee on Trade Agreements on August 29, 1951, issued formal notice of the United States intention to negotiate with Venezuela to supplement and amend the bilateral trade agreement. At that time, the Trade Agreements Committee listed the imported commodities that the United States would consider for possible concessions in those negotiations. It also announced that the negotiations would encompass changes in the original 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.

As required by section 3 (the "peril point" provision) 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 the Trade Agreements 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 on the concessions that should be offered and requested in the negotiations.[1]

Negotiations between the United States and Venezuela began at Caracas on April 18, 1952; they were transferred to Washington on July 16, 1952. The supplementary trade agreement between the United States and Venezuela was signed at Caracas on August 28, 1952, and its provisions became effective on October 11, 1952.

The "peril point" provision of the Trade Agreements Extension Act of 1951 requires that if the President enters into a trade agreement which provides for greater reductions in duty than the Tariff Commission specified in its report, or which fails to provide for additional import restrictions specified in the Commission's report, he must transmit to the Congress a copy of the agreement, identifying the articles involved and stating his reasons for not conforming to the Commission's findings. Promptly thereafter, the Commission must send to the Congress copies of those portions of its peril-point report that deal with the articles identified by the President.

On August 29, 1952, the day after the supplementary trade agreement with Venezuela was signed, the President sent a message to the Secretary of the Senate and the Clerk of the House of Representatives, calling attention to the Commission's peril-point findings on certain petroleum products and to the concession that the United States had granted in the supplementary agreement on those products. In the Commission's peril-point report, 3 Commissioners found that the peril point for crude petroleum, topped crude petroleum, and fuel oil derived from petroleum was an import-excise tax of ¼ cent per gallon; the other 3 Commissioners found that the peril point for those products was the then existing tariff quota and rates of tax—¼ cent per gallon on imports within the quota and ½ cent per gallon on imports in excess of the quota.[2] The supplementary trade agreement with Venezuela provides for an import-excise tax of ⅛ cent per gallon on those products testing under 25 degrees API (American Petroleum Institute rating), and ¼ cent per gallon on those products testing 25 degrees API or more. Thus, for part of the United States imports of the petroleum products involved (that testing under 25 degrees API), the excise tax provided for in the supplementary agree-

[1] 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), ch. 4.

[2] The tariff quota, for the three commodities combined, was equal for each year to 5 percent of the quantity of crude processed in domestic refineries during the preceding calendar year.

ment is less than the lowest rate found to be the peril point by either group of Commissioners.

On September 2, 1952, the Tariff Commission sent to the House Committee on Ways and Means and to the Senate Committee on Finance copies of the portions of its peril-point report dealing with crude petroleum, topped crude petroleum, and fuel oil derived from petroleum.

CONCESSIONS GRANTED BY THE UNITED STATES

United States imports from Venezuela and United States exports to that country differ markedly. Whereas United States exports to Venezuela consist of a wide variety of agricultural and industrial commodities, imports from Venezuela comprise relatively few products. Two products—crude petroleum and fuel oil—accounted for nine-tenths of the total value of United States imports from Venezuela in 1950, and two others—coffee and cocoa beans—accounted for most of the remainder.

United States imports for consumption from Venezuela in 1950 were valued at 319.9 million dollars. As modified by the supplementary agreement of 1952, the United States-Venezuela trade agreement now provides for concessions by the United States to Venezuela on products included in 37 statistical import classes. United States imports of these commodities from Venezuela amounted to 315.2 million dollars in 1950, or about 98 percent of total United States imports from Venezuela in that year. Inasmuch as the United States had granted concessions in the 1939 agreement on the major commodities it imports from Venezuela, the trade coverage of the United States concessions in the original agreement was virtually the same as that in the amended agreement.

The concessions that the United States granted to Venezuela in the amended trade agreement may be divided into two groups: (1) Concessions granted in the supplementary agreement of 1952, some of which are on items that had previously been included in the schedule of United States concessions in the 1939 agreement, and (2) concessions granted by the United States in the 1939 trade agreement which were continued unchanged.

United States imports of commodities on which it granted concessions to Venezuela in the supplementary agreement were valued at 175.1 million dollars in 1950—56 percent of total imports of all concession items in the amended agreement. By far the most important concession made by the United States in the supplementary agreement was that on crude petroleum, topped crude petroleum, and fuel oil derived from petroleum. These products are free of duty under the Tariff Act of 1930, but are subject to an import-excise tax under the Revenue Act of 1932. The supplementary agreement provides for an import-excise tax of ⅛ cent per gallon on imports of the three products testing under 25 degrees API and ¼ cent per gallon on imports of the products testing 25 degrees API or more. The

1939 trade agreement with Venezuela had provided for an annual tariff quota for crude petroleum, topped crude petroleum, and fuel oil derived from petroleum equal to 5 percent of the quantity of crude processed in domestic refineries during the preceding calendar year; imports of the three products within the tariff quota were dutiable at ¼ cent per gallon, and those in excess of the quota were dutiable at ½ cent per gallon.[3] Total United States dutiable imports from Venezuela of crude petroleum, topped crude petroleum, and fuel oil derived from petroleum were valued at 287.3 million dollars in 1950. Based on import statistics for that year, however, that part of the imports of the three products which is subject to a reduced import-excise tax under the concession in the supplementary agreement was valued at an estimated 175 million dollars; this amount accounts for nearly all of the total imports in 1950 of United States concession items in the supplementary agreement.

In the supplementary agreement, the United States also bound the duty-free status of, or bound the existing duties (or import-excise taxes) on, iron ore, pig iron, granular or sponge iron, and a number of petroleum derivatives (such as petroleum asphalt, naphtha, kerosene, and gasoline). None of these products had been the subject of United States concessions in the 1939 agreement with Venezuela; most of them, however, were already covered by similar concessions granted by the United States in the General Agreement on Tariffs and Trade. Except for solid petroleum asphalt, of which United States imports from Venezuela were valued at $75,000 in 1950, the United States imported none of these products from Venezuela in 1950.[4]

Except for the concession on crude petroleum, topped crude petroleum, and fuel oil derived from petroleum, which was modified by the supplementary agreement, the concessions granted by the United States in the 1939 trade agreement with Venezuela were continued unchanged in the amended agreement. United States imports from Venezuela of commodities covered by these concessions amounted to 140 million dollars in 1950, or about 44 percent of total imports of all concession items in the amended agreement. This amount includes estimated imports of crude petroleum, topped crude petroleum, and fuel oil derived from petroleum on which the import-excise tax was not reduced as a result of the concession granted by the United States in the supplementary agreement. In terms of the amount of trade involved, the other major commodities covered by United States concessions in the 1939 agreement—in the order

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[3] During the period January 30, 1943, to January 1, 1951, the import-excise tax applicable to crude petroleum, topped crude petroleum, and fuel oil derived from petroleum was ¼ cent per gallon (without quota restrictions), pursuant to the provisions of the bilateral trade agreement with Mexico.

[4] In subsequent years, United States imports of iron ore from Venezuela have become substantial; in 1952 they amounted to 14.6 million dollars.

of their importance—include coffee, cocoa beans, fuel oil for supplies of vessels and aircraft, tonka beans, and gutta balata.

CONCESSIONS OBTAINED BY THE UNITED STATES

Because Venezuelan import statistics for recent years are not available, the data used in the following analysis of the concessions obtained by the United States in the supplementary trade agreement with Venezuela are those for United States exports to Venezuela in 1950. Most of the Venezuelan tariff items cannot be correlated precisely with United States statistical export classes. For some items, United States export classifications are broader than the Venezuelan classifications to which the concession applies; for others, the opposite is true. For these reasons, the statistical data in this section, though adequate for purposes at hand, should not be regarded as accurately measuring the value of the trade to which Venezuelan concessions applied.

United States exports to Venezuela in 1950 were valued at 389.4 million dollars. In the Venezuelan trade agreement, as modified by the supplementary agreement, the United States obtained concessions on 179 items in the Venezuelan tariff. United States exports of commodities included in these tariff items (as qualified above) amounted to 239.9 million dollars in 1950, or 62 percent of total United States exports to Venezuela in that year. In the 1939 trade agreement, the United States had obtained concessions from Venezuela on 96 tariff items; United States exports of products included in those items totaled 140.3 million dollars in 1950, or 26 percent of United States exports to Venezuela. Thus, under the supplementary agreement the trade to which the Venezuelan concessions to the United States applied was almost twice as high as under the 1939 agreement.

As shown in table 1, the concessions granted by Venezuela to the United States in the amended trade agreement may be divided broadly into two groups: (1) Concessions granted by Venezuela in the supplementary trade agreement, some of which are on tariff items that had previously been included in the schedule of Venezuelan concessions in the original trade agreement, and (2) concessions granted by Venezuela in the 1939 trade agreement which are continued unchanged.[5]

United States exports to Venezuela of commodities covered by Venezuelan concessions in the supplementary trade agreement amounted to 145.7 million dollars in 1950, or 61 percent of total exports of all concession

[5] As required by Venezuelan law, the concessions granted by Venezuela in the 1939 trade agreement that were not modified or withdrawn in the negotiations are nevertheless included in the Venezuelan schedule of concessions in the supplementary trade agreement. For clarity of analysis, however, the discussion above differentiates between those concessions and the concessions obtained by the United States for the first time in the supplementary agreement.

items in the amended trade agreement. As measured by the value of the trade to which they apply, about three-fourths of those concessions were on tariff items that had not been covered by the 1939 trade agreement, and about one-fourth involved the modification of concessions made by Venezuela in the earlier agreement.

TABLE 1.—*United States exports to Venezuela in 1950: Total, and exports of commodities on which Venezuela granted concessions to the United States in the 1939 bilateral trade agreement, as modified by the supplementary agreement of 1952*

Item	Value	Percent of total concession items
	1,000 dollars	
Total United States exports to Venezuela	389,357	----------
Concession items, 1939 agreement as modified by supplementary agreement	239,877	100.0
Concession items, supplementary agreement	145,681	60.7
Reduction of duty	28,052	11.7
25 percent or less	1,114	.5
26 to 50 percent	17,079	7.1
51 percent or more	9,859	4.1
Binding of duty against increase	99,167	41.3
Binding of duty-free status	12,068	5.0
Other commitments	6,394	2.7
Concession items, 1939 agreement, continued unchanged	94,196	39.3
Dutiable	90,677	37.8
Free of duty	3,519	1.5

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

The largest group of concessions obtained by the United States in the supplementary agreement consists of bindings of rates of duty against increase. These bindings apply to articles that accounted for United States exports to Venezuela valued at 99.2 million dollars in 1950—68 percent of total exports of Venezuelan concession items in the supplementary agreement. Some of the bindings relate to items on which Venezuela had granted concessions in the 1939 agreement. After the negotiation of the earlier agreement, Venezuela had at various times unilaterally reduced the rates of duty on several concession items below the level specified in its schedule of concessions. The rates on most of these items were bound against increase at the lower level in the supplementary agreement; United States exports of such items to Venezuela were valued at 16.7 million dollars in 1950—about 17 percent of exports of all concession items on which the rates of duty were bound in the supplementary agreement.

Reductions in duty granted by Venezuela in the supplementary agreement, most of which were reductions of more than 25 percent from previously existing rates, apply to United States exports amounting to 28.0 million dollars in 1950, or 19 percent of total exports of concession items in the supplementary agreement. About half of this group of concessions, accounting for United States exports valued at 15.2 million dollars in 1950, represent reductions in duty on items that had been covered by the Venezuelan schedule of concessions in the 1939 trade agreement. Bindings of duty-free treatment granted by Venezuela cover United States exports amounting to 12.1 million dollars in 1950, or about 8 percent of exports of all concession items in the supplementary agreement. All of these bindings of duty-free treatment relate to tariff items not included in the 1939 agreement, except for one item which Venezuela had unilaterally transferred from its dutiable list to its free list after the 1939 agreement was negotiated.

Other commitments that Venezuela made in the supplementary trade agreement apply to United States exports amounting to 6.4 million dollars in 1950, or about 5 percent of total exports of concession items included in the supplementary agreement. Venezuela had granted the United States concessions in the 1939 agreement on all the tariff items included in this group. In the supplementary agreement, the United States agreed to increases in the specific rates of duty applying to these items, and, at the higher levels, Venezuela bound the rates against increase. The increases ranged from about 30 percent to more than 300 percent of the rates specified in the original agreement. If these items classified as "other commitments" had not been included in the supplementary agreement, Venezuela would have been free to increase the rates of duty on them without limitation as to height. Under the agreement, however, Venezuela made specific commitments not to increase the rates of duty on the items involved above specified levels. It is in this sense that these commitments are listed as concessions.

Concessions obtained by the United States in the 1939 trade agreement which were continued unchanged in the amended agreement apply to commodities accounting for United States exports valued at 94.2 million dollars in 1950—39 percent of total exports of items covered by the amended agreement. Several tariff items on which Venezuela had granted concessions in the 1939 agreement, however, are not included in the amended agreement; United States exports of these items to Venezuela in 1950 amounted to 7.1 million dollars.

The concessions that the United States obtained in the supplementary trade agreement with Venezuela apply to a wide variety of agricultural and manufactured products. In terms of the amount of trade involved, the more important items on which Venezuela granted reductions in duty include scientific instruments and apparatus, transformers, airplane parts and accessories, generators, special foods for children, galvanized sheets, phonographs, and refrigerators. The major products on which Venezuela bound the existing duties against increase include barley malt, certain fresh fruits, oats, wheat flour, porcelain-coated steel manufactures, accessories for phonographs, instruments for the arts and crafts, electric lanterns, hydraulic pumps, miscellaneous machinery, electric plants and accessories, typewriter accessories, and motors and engines. Important commodities on which Venezuela bound the duty-free treatment include parts for textile machinery, tractors, and water heaters. The principal products on which Venezuela made other commitments include metal furniture, paints, and storage batteries. The more important articles on which Venezuela continued unchanged the concessions it granted in the 1939 agreement include prepared milk, hams, fruit juices, cigarettes, writing paper, automobiles, and pharmaceutical products. The major articles that were covered by the 1939 agreement but not included in the amended agreement are hog lard, canned pork, pork sausages, and absorbent and medicinal cotton.

GENERAL PROVISIONS OF THE AGREEMENT

The supplementary agreement between the United States and Venezuela also revised and supplemented the general provisions of the 1939 trade agreement. The major changes include insertion of the so-called standard escape clause in the agreement and modification of those articles in the general provisions that relate to quantitative restrictions, national treatment of imported products, and customs fees and formalities.

The Trade Agreements Extension Act of 1951 made it mandatory for an escape clause to be included in all trade agreements the United States may conclude in the future, and directed the President to insert such a clause, as soon as practicable, in all United States trade agreements currently in force. The clause must conform to the policy set forth in section 6 (a) of the act. In the supplementary agreement, the United States and Venezuela agreed to the insertion of an escape clause in the trade agreement between the two countries. The clause provides that if, as a result of unforeseen developments and of the effect of a tariff or other concession granted in the agreement, any product is being imported in such relatively increased quantities and under such conditions as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, the country concerned may suspend, withdraw, or modify the concession to the extent and for the time necessary to prevent or remedy such injury.[6]

[6] See also the section of ch. 5 on reports by the President to the Congress on the inclusion of escape clauses in trade agreements.

Article VI of the 1939 agreement prohibited in general the imposition by the United States or Venezuela of quantitative restrictions on products covered by their respective schedules of concessions. If "special circumstances" existed, however, either country could impose such restrictions on any scheduled product. If, after consultation, the two countries could not reach agreement regarding the restriction, the other country could then terminate the agreement. As amended by the supplementary agreement, article VI prohibits the imposition of quantitative restrictions by the United States or Venezuela on any scheduled product, except for restrictions on agricultural or fishery products if such restrictions are necessary to secure the effective operation of governmental measures regulating or controlling the production, market supply, quality, or prices of like domestic articles. If consultation between the two countries does not result in agreement regarding the proposed restriction, and if the restriction is imposed, the other country may terminate the agreement in whole or in part.

Article V of the original agreement provides that articles of United States or Venezuelan origin imported from either country into the other shall not be subject to internal taxes, fees, or charges other than or higher than those payable on like articles of national or foreign origin. The supplementary agreement adds a new article—V-bis—which extends the national-treatment provision to matters other than internal taxation. The new article provides that products of United States and Venezuelan origin that are covered by the respective schedules of concessions in the amended agreement shall be accorded treatment no less favorable than that granted to the like products of national origin with respect to all laws, regulations, and requirements affecting their internal sale, purchase, transportation, distribution, or use. Commodities procured by government agencies for government use, however, are exempted from the provisions of the new article.

Article XIII of the 1939 agreement provides, among other things, that the United States and Venezuela shall accord the most favorable treatment provided by law with respect to penalties for clerical errors made in the documentation of imports from each other. In the supplementary agreement, the two countries also recognize the desirability of limiting import and export fees (other than customs duties) to the approximate cost of the services rendered, as well as the desirability of reducing the number and diversity of such fees and of minimizing import and export formalities and documentation.

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Chapter 5

Actions of the United States Relating to Its Trade Agreements Program

On June 30, 1953, the United States was a party to trade agreements with 42 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 31 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]	Feb. 24, 1950
Belgium [1]	Do.	Luxembourg [1]	Jan. 1, 1948
Brazil [1]	July 31, 1948	Netherlands [1]	Do.
Burma	July 30, 1948	New Zealand	July 31, 1948
Canada [1]	Jan. 1, 1948	Norway	July 11, 1948
Ceylon	July 30, 1948	Pakistan	July 31, 1948
Chile	Mar. 16, 1949	Southern Rhodesia	July 12, 1948
Cuba [1]	Jan. 1, 1948	Union of South Africa	June 14, 1948
France [1]	Do.	United Kingdom [1]	Jan. 1, 1948
India	July 9, 1948		

(b) Countries (8) that acceded as a result of the negotiations at Annecy:

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

[1] The bilateral trade agreement previously concluded with the United States had been either suspended or terminated by June 30, 1953.

[2] Netherlands negotiated concessions on behalf of the Netherlands Indies at Geneva in 1947. On February 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] Not including the four countries that had withdrawn from the General Agreement before June 30, 1953—the Republic of China, Lebanon, Liberia, and Syria.

Czechoslovakia acceded to the General Agreement at Geneva and is still a contracting party thereto. On September 29, 1951, however, the United States, with the permission of the Contracting Parties, suspended all obligations between it and Czechoslovakia under the General Agreement; subsequently, effective November 2, 1951, the United States suspended the application of trade-agreement concessions to imports from Czechoslovakia.

(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] The bilateral trade agreement previously concluded with the United States had been either suspended or terminated by June 30, 1953.

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. These countries, together with the effective dates of the respective bilateral trade agreements, are 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 [2]	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 signed either the Annecy Protocol or the Torquay Protocol by June 30, 1953.

[2] A supplementary trade agreement between the United States and Venezuela became effective October 11, 1952.

ENTRY INTO FORCE OF TRADE-AGREEMENT CONCESSIONS

In October 1952 the United States placed in effect the concessions it granted to Venezuela in the supplementary trade-agreement negotiations with that country, which were concluded in August 1952.[2]

On July 1, 1952, the beginning of the period covered by this report, three countries with which the United States had concluded negotiations for new or additional tariff concessions at either Annecy or Torquay—Brazil, Korea, and Uruguay—had not yet signed the pertinent protocols. On February 19, 1953, Brazil signed the Torquay Protocol to the General Agreement; the concessions that the United States negotiated initially with Brazil at Torquay became effective on March 21, 1953. Korea did not sign the Torquay Protocol, and Uruguay did not sign the Annecy and Torquay Protocols, by June 30, 1953; the concessions that the United States negotiated initially with Korea and Uruguay, therefore, did not become effective during the period covered by this report.

[2] See ch. 4.

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.

As of June 30, 1952, the President had suspended the application of reduced rates of duty and import tax established pursuant to any trade agreement to imports from the following Communist-controlled countries or areas:[3]

Albania
Bulgaria
Any part of China which may be under Communist domination or control
Czechoslovakia
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
Poland and areas under Polish administration and control
Rumania
Southern Sakhalin
Tannu Tuva
Union of Soviet Socialist Republics

Subsequently, the President suspended the application of trade-agreement concessions to imports from Hungary, effective July 5, 1952, and to imports from Tibet, effective July 14, 1952. Effective February 19, 1953, the President also redefined the Soviet Union and Polish areas to which the suspensions apply, as follows:

Poland, and areas under the provisional administration of Poland (the former Free City of Danzig, and areas in Germany including the area in East Prussia); and Union of Soviet Socialist Republics, and the area in East Prussia under the provisional administration of the Union of Soviet Socialist Republics.

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[3] For the dates on which the suspension became effective for each country or area, see *Operation of the Trade Agreements Program* (fifth report), ch. 5.

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, which 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. Those prohibitions remained in effect during the period covered by this report.

Modification of Concession on Dried Figs

On August 16, 1952, the President signed a proclamation, effective after the close of business on August 29, 1952, modifying the concession on dried figs that the United States had granted in the General Agreement on Tariffs and Trade, as supplemented by the Torquay Protocol. 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.[4] As a result of the modification, the duty on dried figs became 4½ cents per pound. The rate that had been in effect pursuant to the concession that the United States had granted in the General Agreement was 2½ cents per pound.

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-agree-

[4] 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.

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

During the period covered by this report, the procedure for administering the escape clause was prescribed by sections 7 and 8 of the Trade Agreements Extension Act of 1951, and by Executive Order 10401.[5] Section 7 of the extension act of 1951 designates the Tariff Commission as the agency to make investigations to determine whether there is cause for invoking the escape clause. In ordinary circumstances, the Commission must complete its investigation (including a public hearing) and report to the President within 1 year after the application for investigation has been filed.[6] Section 8 of the extension act of 1951 provides that when the Secretary of Agriculture reports that a condition exists requiring emergency treatment because of the perishability of an agricultural commodity, the Commission's report to the President and the decision of the President must be made not more than 25 calendar days after the case is submitted to the Tariff Commission.[7] Under those circumstances, the President may take immediate action if he deems it necessary, without awaiting the report and recommendations of the Commission. Executive Order 10401, which is discussed fully in a later section of this chapter,[8] directs the Tariff Commission to review developments with regard to products on which trade-agreement concessions have been modified or withdrawn under the escape-clause procedure, and to make periodic reports to the President concerning such developments.

Reports by the President to Congress on Inclusion of Escape Clauses in Trade Agreements

As required by section 6 (b) of the Trade Agreements Extension Act of 1951, the President, on July 10, 1952, submitted to the Congress his

[5] Before June 1951 the procedure for administering the escape clause was prescribed by Executive Orders 9832, 10004, and 10082.

[6] The Trade Agreements Extension Act of 1953, which was signed by the President on August 7, 1953, provides that the Commission must complete its investigation and report to the President within 9 months after the application for investigation has been filed. See ch. 2.

[7] 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.

[8] See the section on periodic reports and review investigations on escape-clause actions.

second report on the inclusion of escape clauses in trade agreements, and, on January 9, 1953, his third report.

In his first report to the Congress pursuant to section 6 (b), submitted on January 10, 1952, the President stated that all but six trade agreements—those with Ecuador, El Salvador, Guatemala, Honduras, Turkey, and Venezuela—were in conformity with section 6 (a) of the extension act of 1951. In his second and third reports, the President informed the Congress of his subsequent actions relating to these six agreements, as follows: (1) The termination of the bilateral trade agreement with Turkey, effective August 4, 1952, following the accession of that country to the General Agreement on Tariffs and Trade; (2) the conclusion of a supplementary trade agreement with Venezuela on August 28, 1952, which provides for an escape clause in the bilateral agreement with that country, thus bringing the agreement into conformity with the policy established in section 6 (a); (3) discussions between the United States and Ecuador concerning various problems with relation to the existing trade agreement, including the possibility of inserting an escape clause in the agreement. As determined by the Interdepartmental Committee on Trade Agreements (for reasons set forth in the President's report), it had not been practicable to take action looking toward the inclusion of escape clauses in the bilateral agreements with El Salvador, Guatemala, and Honduras.

Applications for Investigations

On July 1, 1952, 12 escape-clause investigations were pending before the Tariff Commission; 2 investigations had been completed but the President had not yet acted on the Commission's recommendations. During the ensuing 12 months, the Commission instituted investigations on 9 additional escape-clause applications.[9] Of that total of 23 escape-clause investigations, the Commission, as of June 30, 1953, had completed 15 investigations [10] and had discontinued 1 investigation after the withdrawal of the application that requested it; the remaining investigations were in process. The nature and status of the individual escape-clause investigations that were pending before the Commission during the period July 1, 1952, to June 30, 1953, are shown in the accompanying list.

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[9] Between April 20, 1948, when the first application for an escape-clause investigation was made, and June 30, 1953, the Tariff Commission received a total of 44 applications. Lists of applications received before the period covered by this report and their status on various dates are given in earlier reports on the operation of the trade agreements program.

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

Escape-clause investigations pending before the Tariff Commission during the period July 1, 1952–June 30, 1953

Commodity	Name and address of applicant	Date received	Status
1. Jeweled watches and watch movements containing 7 jewels or more 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.
2. Spring clothespins (second application).	Clothespin Manufacturers of America, Washington, D. C.	Aug. 22, 1951	Investigation instituted Sept. 10, 1951. Hearing held Nov. 13, 1951. Investigation completed Aug. 21, 1952. No modification in concession recommended.
3. 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. Investigation completed Sept. 4, 1952. No modification in concession recommended.
4. Garlic	Robert S. Stapleton, Gilroy, Calif.	Oct. 8, 1951	Investigation instituted Oct. 15, 1951. Hearing 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.
5. 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. Investigation completed Oct. 9, 1952. No modification in concession recommended.

Escape-clause investigations pending before the Tariff Commission during the period July 1, 1952–June 30, 1953—Continued

Commodity	Name and address of applicant	Date received	Status
6. 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. Investigation completed Oct. 17, 1952. No modification in concession recommended.
7. 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. Investigation completed Nov. 26, 1952. No modification in concession recommended.
8. 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. Investigation completed Dec. 22, 1952. Modification in concession recommended to the President. President requested further study by Commission Feb. 18, 1953.
9. 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. Investigation completed Feb. 6, 1953. No modification in concession recommended.
10. Dried figs	California Fig Institute, Fresno, Calif.	Mar. 17, 1952	Investigation instituted Mar. 19, 1952. Hearing held Apr. 22–25, 1952. Investigation completed July 24, 1952. Modification in concession recommended to the President. Concession modified by Presidential proclamation of Aug. 16, 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 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.

Escape-clause investigations pending before the Tariff Commission during the period July 1, 1952–June 30, 1953—Continued

Commodity	Name and address of applicant	Date received	Status
11. 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. Investigation completed Mar. 27, 1953. No modification in concession recommended.
12. Pregnant mares' urine and estrogenic substances obtained or derived therefrom.	National P. M. U. Producers Association, Farmer City, Ill.	Apr. 8, 1952	Investigation instituted Apr. 16, 1952. Hearing held Jan. 27, 1953. Investigation completed Apr. 2, 1953. No modification in concession recommended.
13. 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. Investigation completed Apr. 9, 1953. No modification in concession recommended.
14. Screen-printed silk scarves.	Association of Textile Screen Makers, Printers and Processors, Inc., New York, N. Y.	Apr. 14, 1952	Investigation instituted Aug. 25, 1952. Hearing held Feb. 24–27, 1953. Investigation completed Apr. 13, 1953. Modification in concession recommended to the President. President requested further study by Commission June 10, 1953.
15. Woodwind musical instruments and parts.	Penzel, Mueller and Co., Inc., Long Island City, N. Y.	Apr. 29, 1952	Investigation instituted May 6, 1952. Hearing held Aug. 5, 1952. Investigation completed Apr. 28, 1953. No modification in concession recommended.
16. Hard-fiber cords and twines (except baler twine and binder twine).	Cordage Institute, New York, N. Y.; and others.	July 7, 1952	Investigation instituted July 11, 1952. Request for withdrawal of application granted; investigation discontinued and dismissed Jan. 14, 1953.
17. Cotton-carding machinery and parts.	American Textile Machinery Association, Whitinsville, Mass.	Aug. 12, 1952	Investigation instituted Aug. 21, 1952. Hearing held Mar. 9 and 10, 1953.

Escape-clause investigations pending before the Tariff Commission during the period July 1, 1952–June 30, 1953—Continued

Commodity	Name and address of applicant	Date received	Status
18. Rosaries, chaplets, and similar articles of religious devotion, made in whole or in part of gold, silver, platinum, gold plate, silver plate, or precious or imitation precious stones.	G. Klein & Son, New York, N. Y. H. M. H. Co., Inc., Pawtucket, R. I.	Sept. 15, 1952	Investigation instituted Sept. 19, 1952. Hearing held June 8, 1953.
19. Watch bracelets and parts thereof, of metal other than gold or platinum.	Watch Attachment Manufacturers Association, New York, N. Y.	Sept. 24, 1952	Investigation instituted Sept. 26, 1952. Hearing held June 15, 1953.
20. Handmade blown glassware.	Hand Division, American Glassware Association, New York, N. Y.	Sept. 25, 1952	Investigation instituted Sept. 26, 1952. Hearing held Mar. 2, 1953.
21. Mustard seeds....	Montana State Farm Bureau, Bozeman, Mont.	Feb. 9, 1953	Investigation instituted Feb. 12, 1953. Hearing held June 22, 1953.
22. Manicure and pedicure nippers, and parts. Scissors and shears, and blades therefor.	Shears, Scissors and Manicure Instruments Manufacturers Association, Newark, N. J.	Mar. 19, 1953	Investigation instituted Mar. 26, 1953. Hearing held June 29, 1953.
23. Fresh or frozen groundfish fillets (second application).	Massachusetts Fisheries Association, Inc., Boston, Mass.; and others.	May 27, 1953	Investigation instituted June 16, 1953. Hearing scheduled Oct. 20, 1953.

Investigations Completed

Watches, watch movements, watch parts, and watchcases

On February 13, 1951, the Elgin National Watch Co., of Elgin, Ill., and the Hamilton Watch Co., of Lancaster, Pa., filed an application with the Tariff Commission requesting it to conduct an escape-clause investigation under Executive Order 10082 with respect to jeweled watches and watch movements containing 7 jewels or more but not more than 17 jewels, and parts thereof. The application was subsequently endorsed in a communication that the Commission received on March 5, 1951, from the Trustees in Reorganization of the Waltham Watch Co. On March 22, 1951, the Commission instituted an escape-clause investigation, as requested by the applicants, but on its own motion extended the scope of the investigation to apply to all articles specified in paragraph 367 of the Tariff Act of 1930, as amended by the 1936 trade agreement with Switzerland. On May 9, 1951, the Watch Case Board of Trade, Inc., filed a brief requesting restoration of the preconcession rates of duty on watchcases; and on May 15, 1951, the Clock Manufacturers Association of America, Inc., requested restoration of the preconcession rates of duty on all articles specified in paragraph 367. A public hearing was held May 15–24, 1951. The Commission continued the investigation, in its status as of June 15, 1951, under section 7 of the Trade Agreements Extension Act of 1951.

All articles the subject of the investigation are included in the trade agreement with Switzerland, which became effective February 15, 1936. Pursuant to this agreement the rates of duty on nearly all watch movements were substantially reduced, as were the duties on most categories of watchcases and watch parts. Those rates provided for in paragraph 367 that were not reduced pursuant to the agreement were bound against increase.

In its report, submitted to the President on June 14, 1952,[11] the Commission unanimously found that no serious injury or threat thereof existed for the domestic industries concerned by reason of (a) imports of watch movements on which no reduction in duty—except for the duty on adjustments—was made pursuant to concessions granted in the trade agreement with Switzerland, (b) customs treatment reflecting the concession granted in the aforementioned trade agreement with respect to the duty imposed on adjustments on watch movements, (c) imports of watch parts, jewels, and watch dials, and (d) imports of watchcases.

The Commission found, however (Commissioners Ryder and McGill dissenting), that, partly as a result of the customs treatment reflecting the duty concessions granted in the trade agreement with Switzerland, those watch movements on which reduced rates of duty were imposed pursuant to such concessions were being imported in such increased quantities, both actual and relative, as to threaten serious injury to the domestic industries producing like or directly competitive products. In order to prevent this threat of injury from materializing, the Commission recommended that the reduced rates of duty specified above be increased for an indefinite period by 50 percent, but in no case to exceed the rates originally imposed under the Tariff Act of 1930. Commissioners Brossard, Durand, and Gregg were of the opinion that serious injury was already present; Commissioner Edminster believed that serious injury

[11] Later published as U. S. Tariff Commission, *Watches, Watch Movements, Watch Parts, and Watchcases: Report to the President on the Escape-Clause Investigation*, Rept. No. 176, 2d ser., 1953.

was not present but was threatened; and Commissioners Ryder and McGill held that injury was neither present nor threatened.

The President did not accept the Commission's findings and recommendations. As required by section 7 of the Trade Agreements Extension Act of 1951, the President on August 14, 1952, notified the chairmen of the Senate Committee on Finance and the House Committee on Ways and Means of his reasons for not accepting the recommendations of the Tariff Commission. As also required by section 7, the Commission on August 13, 1952, transmitted copies of its report to the chairmen of those committees.

Imports dutiable under paragraph 367 of the Tariff Act of 1930 consist principally of watches, watch movements, watch parts, and watchcases. The duty on a watch is the sum of the duties applicable separately to the watch movement and the watchcase. The duties on movements are specific and, in general, vary inversely with the width of the movement and directly with the number of jewels and adjustments which the movements incorporate. Certain features, such as those contained in self-winding watches, are subject to supplementary specific duties. In terms of value, about 90 percent of the watch parts imported have been subject to ad valorem rates of duty, and about 10 percent, to compound or specific rates. Watchcases are subject to compound rates of duty; the ad valorem portion is the same for all cases except those of base metal, but the specific portion depends on the kind of metal used and whether the cases are set with or prepared for jewels.

In the trade agreement with Switzerland reductions were made on most tariff categories of watch movements, watch parts, and watchcases. Reductions in the rates of duty applicable to watch movements ranged from 11 to 44 percent; reductions on watch parts specially provided for ranged from about 12½ to 44 percent; and reductions on watchcases averaged about 38 percent.

In 1935, before conclusion of the trade agreement with Switzerland, the ad valorem equivalent of the rate of duty on all watch movements was 80.7 percent; in 1937, the first full year after the trade agreement with Switzerland became effective, it was 68.3 percent. In 1950 the ad valorem equivalents of the rates of duty were 37 percent on all watch movements, 54 percent on watch parts (excluding jewel bearings, which are subject to an ad valorem duty of 10 percent), and 34 percent on watchcases.

Spring clothespins

On September 10, 1951, in response to an application filed by the Clothespin Manufacturers of America, of Washington, D. C., the Tariff

Commission instituted an escape-clause investigation on spring clothespins.[12] A public hearing was held on November 13, 1951.

In its report, issued on August 21, 1952,[13] the Commission found (Commissioners Brossard and Gregg dissenting) that spring clothespins were not being imported 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

The rate of duty originally established in the Tariff Act of 1930 on imports of spring clothespins was 20 cents per gross. Effective August 5, 1935, the rate of duty was reduced to 15 cents per gross pursuant to a concession made in the trade agreement with Sweden. It was further reduced to 10 cents per gross, effective January 30, 1943, pursuant to a concession granted in the trade agreement with Mexico. The trade agreement with Mexico was terminated on December 31, 1950. A concession which was negotiated with Sweden and Denmark under the General Agreement on Tariffs and Trade, and which became effective April 30, 1950, obligates the United States to refrain from imposing on spring clothespins a duty higher than 10 cents per gross. The rate of duty now in effect on spring clothespins is 10 cents per gross pursuant to the General Agreement on Tariffs and Trade.

Groundfish fillets

In response to an application filed on September 10, 1951, by the Massachusetts Fisheries Association, Inc., of Boston, Mass., and others, the Tariff Commission, on September 17, 1951, instituted an escape-clause investigation of groundfish fillets.[14] A public hearing was held November 26–29, 1951.

In its report, issued on September 4, 1952,[15] the Commission found (Commissioners Brossard and Gregg dissenting) that groundfish fillets were not being imported in such increased quantities, either actual or

[12] A previous investigation on spring clothespins was made under Executive Orders 10004 and 10082 to determine whether there were grounds for the withdrawal or modification o. the concession on spring clothespins under the escape clause of the trade agreement with Mexico. On December 20, 1949, the Commission reported to the President the results of this investigation, and made no recommendation for escape-clause action.

[13] Later published as U. S. Tariff Commission, *Spring Clothespins (1952): Report on the Escape-Clause Investigation*, Rept. No. 181, 2d ser., 1953.

[14] Cod, haddock, hake, pollock, cusk, and rosefish, all the foregoing, fresh or frozen (whether or not packed in ice), filleted, skinned, boned, sliced, or divided into portions.

[15] Later published as U. S. Tariff Commission, *Groundfish Fillets: Report on the Escape-Clause Investigation*, Rept. No. 182, 2d ser., 1953.

relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products. Accordingly, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

For duty purposes, groundfish fillets are provided for in paragraph 717 (b) of the Tariff Act of 1930. The rate of duty originally provided therein was 2½ cents per pound on all imports of these products. As a result of a concession granted in the trade agreement between the United States and Canada, signed November 17, 1938, the duty on groundfish fillets was reduced to 1⅞ cents per pound on an aggregate quantity of not in excess of 15 million pounds of such fillets entered, or withdrawn from warehouse, for consumption in any calendar year, with the proviso that if the average apparent annual consumption of such fillets during the 3 calendar years preceding the year in which such fillets are entered, or withdrawn from warehouse, for consumption, exceeds 100 million pounds, an additional quantity of such fillets equal to the amount by which 15 per centum of such average apparent annual consumption exceeds 15 million pounds may be entered, or withdrawn from warehouse, for consumption in that year at the reduced rate of 1⅞ cents per pound.

The 1938 agreement with Canada was suspended on January 1, 1948, when Canada and the United States became contracting parties to the General Agreement on Tariffs and Trade. In the General Agreement the United States agreed to continue the application of a duty of 1⅞ cents per pound on an annual tariff quota in the amount to be determined as previously provided for in the 1938 agreement with Canada. The General Agreement provides, however, that of the total quantity of groundfish fillets entitled to entry at a rate not to exceed 1⅞ cents per pound in any calendar year, not more than one-fourth shall be so entitled during the first 3 months, not more than one-half during the first 6 months, and not more than three-fourths during the first 9 months of that year. In addition to these provisions, the duty concession on groundfish fillets in the General Agreement includes an undertaking by the United States not to impose a rate higher than 2½ cents per pound on any imports of groundfish fillets.

Garlic

On October 15, 1951, in response to an application filed by Robert S. Stapleton, of Gilroy, Calif., the Tariff Commission instituted an escape-clause investigation of garlic. Public hearings were held on February 13, 1952, at San Francisco, Calif., and on February 26, 1952, at Washington, D. C.

In its report, submitted to the President on June 6, 1952,[16] the Commission found (Commissioners Ryder and Edminster dissenting) that, as a result in part of the customs treatment reflecting the concession granted in the General Agreement on Tariffs and Trade, garlic was being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing the like product.

In view of its finding, and in accordance with section 7 of the Trade Agreements Extension Act of 1951, the Commission recommended to the President that the concession with respect to garlic be modified to permit the United States, for an indefinite period, to limit to 12,869,150 pounds the quantity of garlic which might be entered, or withdrawn from warehouse, for consumption during each 12-month period beginning July 1, in the year 1952 and in each subsequent year. This quota is equal to 90 percent of the average annual quantity of garlic entered, or withdrawn from warehouse, for consumption during the 5 calendar years 1947 to 1951, inclusive. The Commission also recommended that, to prevent serious injury to the domestic industry concerned and to insure the equitable distribution of the permissible quota quantity among supplying countries, the quota for each 12-month period should be allocated among Mexico, Italy, Chile, Argentina, and "all other countries" on the basis of the shares which each furnished of the garlic which was entered, or withdrawn from warehouse, for consumption during the 5-year period 1947–51, inclusive.

Under this recommendation the duty of ¾ cent per pound, in effect pursuant to the concession granted at Geneva in the General Agreement on Tariffs and Trade, effective March 16, 1949, would have remained in effect on entries within the recommended quota.

The President did not accept the Tariff Commission's finding and recommendations on garlic. On July 21, 1952, as required by section 7 of the Trade Agreements Extension Act of 1951, he sent identical letters to the Senate Committee on Finance and to the House Committee on Ways and Means giving his reasons for not accepting the Commission's recommendations. As also required by section 7, the Commission thereupon transmitted copies of its report to those committees.

Under the Tariff Act of 1930 garlic was dutiable at 1½ cents per pound. The rate of duty was reduced to ¾ cent per pound pursuant to a concession granted in the trade agreement with Mexico, effective January 30, 1943. This reduced rate is now in effect pursuant to a concession granted at Geneva in the General Agreement on Tariffs and Trade.

[16] Later published as U. S. Tariff Commission, *Garlic: Report to the President on the Escape-Clause Investigation*, Rept. No. 177, 2d ser., 1953.

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Bicycles and parts

On October 15, 1951, in response to an application filed by the Bicycle Manufacturers Association of America and the Cycle Parts and Accessories Manufacturers Association, both of New York, N. Y., the Tariff Commission instituted an escape-clause investigation of bicycles and parts. A public hearing was held March 3–6, 1952.

In its report, issued on October 9, 1952,[17] the Commission unanimously found that bicycles and parts thereof were not being imported 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

Imported bicycles and parts covered by the investigation are dutiable under paragraph 371 of the Tariff Act of 1930, as modified. The duty originally established for all these products was 30 percent ad valorem. Pursuant to the trade agreement with the United Kingdom, effective January 1, 1939, rates of $2.50, $2.00, and $1.25 each were established for bicycles, depending upon the diameter of the wheels, and a rate of $1.25 each was established for frames; but in no case was the duty on the bicycles or frames to be less than 15 percent or more than 30 percent ad valorem. These rates were continued without change under the General Agreement on Tariffs and Trade, effective January 1, 1948, except for the rate on bicycles having wheels measuring over 25 inches in diameter, if weighing less than 36 pounds (without accessories) and not designed for use with tires having a cross-sectional diameter exceeding 1⅝ inches. For these bicycles a rate of $1.25 each but not less than 7½ percent or more than 15 percent ad valorem was specified. At foreign values prevailing since 1947, the specific rates and the maximum ad valorem rates on bicycles have seldom been applicable; virtually all imports have been assessed at the minimum ad valorem rates of 15 percent or 7½ percent. The average ad valorem equivalent of the duties on total imports of bicycles since 1947 has been about 11 percent.

On bicycle parts specified in paragraph 371, other than frames, the rate established in the Tariff Act of 1930 has remained unchanged, but it was bound against increase under the General Agreement on Tariffs and Trade, effective January 1, 1948.

Cherries, candied, crystallized, or glace

On October 31, 1951, in response to an application filed by the Maraschino Cherry and Glace Fruit Association of New York, N. Y., the Tariff Commission instituted an escape-clause investigation on cherries,

[17] Later published as U. S. Tariff Commission, *Bicycles and Parts: Report on the Escape-Clause Investigation*, Rept. No. 184. 2d ser., 1953.

candied, crystallized, or glace. A public hearing was held on March 10 and 11, 1952.

In its report, issued on October 17, 1952,[18] the Commission found (Commissioners Brossard and Gregg dissenting) that cherries, candied, crystallized, or glace, were not being imported 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

The Tariff Act of 1930 originally provided for a compound rate of duty of 9½ cents per pound plus 40 percent ad valorem on imports of cherries, maraschino, candied, crystallized, or glace, or prepared or preserved in any manner. The act also provided for duties of 5½ cents per pound on unpitted cherries, sulfured or in brine, and 9½ cents per pound on pitted cherries, sulfured or in brine. The specific part of the compound duty on imports of maraschino and glace cherries was intended to be compensatory for the duty on imports of sulfured cherries. The ad valorem part of the compound rate was intended to provide protection for the domestic processing operations involved in converting sulfured cherries to glace or maraschino cherries.

The rate of duty on imports of cherries, maraschino, candied, crystallized, or glace, first became the subject of a trade-agreement concession in the 1936 trade agreement with France. Pursuant to that agreement the rate was reduced to 9½ cents per pound and 20 percent ad valorem. As a result of negotiations under the General Agreement on Tariffs and Trade at Geneva in 1947, the rate of duty on this classification of cherries was further reduced, effective January 1, 1948, to 7 cents per pound and 10 percent ad valorem. The rates of duty on sulfured cherries, for which, as indicated above, the specific part of the duty on maraschino and glace cherries was intended to be compensatory, have not been reduced; they have remained 5½ cents per pound for the unpitted product and 9½ cents per pound for the pitted.

Bonito canned in oil, and tuna and bonito, canned, not in oil

In response to an application filed by the California Fish Canners Association, Inc., of Terminal Island, Calif., the Tariff Commission, on December 28, 1951, instituted an escape-clause investigation of bonito canned in oil, and tuna and bonito, canned, not in oil.[19] This application

[18] Later published as U. S. Tariff Commission, *Glace Cherries: Report on the Escape-Clause Investigation*, Rept. No. 185, 2d ser., 1953.

[19] Bonito, prepared or preserved in any manner, when packed (in air-tight containers) in oil or in oil and other substances; and tuna and bonito, prepared or preserved in any manner, when packed in air-tight containers weighing with their contents not more than 15 pounds each (except such fish packed in oil or in oil and other substances).

was followed at various dates by similar applications from other organizations within the industry. A public hearing was held from January 29 to February 4, 1952.

In its report, issued on November 26, 1952,[20] the Commission found (Commissioners Brossard and Gregg dissenting) that bonito canned in oil, and tuna and bonito, canned, not in oil, were not being imported 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

For tariff purposes bonito canned in oil is classified under the provision in paragraph 718 (a) of the Tariff Act of 1930 for "fish, prepared or preserved in any manner, when packed in oil or in oil and other substances." The duty originally imposed on such fish was 30 percent ad valorem. Effective January 13, 1934, the duty on bonito canned in oil and valued at not over 9 cents per pound (including the weight of the immediate container only) was increased to 44 percent ad valorem by Presidential proclamation following a cost-of-production investigation by the Tariff Commission under the provisions of section 336 of the Tariff Act of 1930. Bonito canned in oil and valued at over 9 cents per pound remained dutiable at the original rate of 30 percent ad valorem. Bonito canned in oil, the product of Cuba, was dutiable at a preferential rate of 24 percent ad valorem as long as the general rate was 30 percent. When the rate on bonito valued at not over 9 cents per pound was increased to 44 percent ad valorem, the rate on the Cuban product in this value bracket became 35.2 percent.

As a result of exclusive concessions granted to Cuba in the General Agreement on Tariffs and Trade, the duty on Cuban bonito canned in oil and valued at not over 9 cents per pound was reduced on January 1, 1948, to 22 percent ad valorem, and the duty on Cuban bonito canned in oil and valued at over 9 cents per pound was reduced to 15 percent ad valorem effective on the same date. Because of the margin-of-preference provision in article I of the General Agreement, this action necessitated the reduction of the general rates on those products to 30.8 percent ad valorem and 21 percent ad valorem, respectively, effective January 1, 1948. These rates continued in effect until October 7, 1951, when, as a result of the Torquay trade-agreement negotiations, the general rates on these products were reduced to the level of the rates on the Cuban products, thereby eliminating the Cuban preferences. The present duties reflecting trade-agreement concessions on bonito canned in oil are therefore 22 percent ad valorem on imports valued at not over 9 cents per

[20] Later published as U. S. Tariff Commission, *Bonito Canned in Oil, and Tuna and Bonito, Canned, Not in Oil: Report on the Escape-Clause Investigation*, Rept. No. 187, 2d ser., 1953.

pound, and 15 percent ad valorem on imports valued at over 9 cents per pound.

Tuna and bonito, canned, not in oil, are classified for tariff purposes under paragraph 718 (b) of the Tariff Act of 1930 under the provision for "fish, prepared or preserved in any manner, when packed in air-tight containers weighing with their contents not more than 15 pounds each (except fish packed in oil or in oil and other substances)." The duty originally imposed on these products was 25 percent ad valorem. Pursuant to the trade agreement with Iceland, which became effective November 19, 1943, the duty on tuna and bonito, canned, not in oil, was reduced to 12½ percent ad valorem. This rate was temporarily bound against increase under the General Agreement on Tariffs and Trade, but the concession involving this binding was withdrawn effective January 26, 1952, as a result of the withdrawal of the Republic of China (Nationalist China) from the General Agreement. However, the trade agreement with Iceland continues in force.

By reason of the preferential treatment of Cuban products under international agreements with that country, tuna and bonito, canned, not in oil, the product of Cuba, were originally dutiable under the Tariff Act of 1930 at 20 percent ad valorem. When the general rate of duty on these products was reduced to 12½ percent ad valorem pursuant to the trade agreement with Iceland, the rate on like products of Cuba became 10 percent ad valorem. Under the General Agreement on Tariffs and Trade the duty on Cuban bonito, canned, not in oil, continued to be 10 percent ad valorem, but the preferential treatment of Cuban tuna, canned, not in oil, was eliminated, with the result that the Cuban product became dutiable on January 1, 1948, at the 12½-percent rate established pursuant to the trade agreement with Iceland. Accordingly, the current duty reflecting trade-agreement concessions on tuna, canned, not in oil, is 12½ percent ad valorem, and the current duties reflecting trade-agreement concessions on bonito, canned, not in oil, are 10 percent ad valorem if the product of Cuba and 12½ percent ad valorem if not the product of Cuba.

Dried figs

On March 19, 1952, in response to an application filed by the California Fig Institute, of Fresno, Calif., the Tariff Commission instituted an escape-clause investigation of dried figs. A public hearing was held April 22–25, 1952.

In its report, submitted to the President on July 24, 1952,[21] the Commission unanimously found that, as a result in part of the customs treatment reflecting the concession granted in the General Agreement on

[21] Later published in U. S. Tariff Commission, *Figs, Dried: Report to the President (1952) on the Escape-Clause Investigation; Report to the President (1953) on the Investigation Under Executive Order 10401*, Rept. No. 188, 2d ser., 1953.

Tariffs and Trade, as supplemented by the Torquay Protocol, dried figs were being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such injury. The Commission also found that, for an indefinite period, application of a rate of duty of 4½ cents per pound on dried figs was necessary to prevent the continuance of such serious injury to the domestic industry.

In view of its findings, and in accordance with section 7 of the Trade Agreements Extension Act of 1951, the Commission recommended to the President the modification of the tariff concession that the United States granted on dried figs in the General Agreement. On August 16, 1952, the President issued a proclamation, effective after the close of business on August 29, 1952, modifying the concession.

Under the Tariff Act of 1930 dried figs were dutiable at 5 cents per pound. Pursuant to the trade agreement with Turkey, effective May 5, 1939, the rate of duty on dried figs valued at 7 cents or more per pound was reduced to 3 cents per pound. Effective March 9, 1950, the rate of duty on dried figs valued at less than 7 cents per pound was reduced to 3 cents per pound, pursuant to a concession negotiated originally with Greece under the General Agreement on Tariffs and Trade (Annecy). Effective October 17, 1951, the rate of duty on all dried figs, regardless of value, was further reduced to 2½ cents per pound, pursuant to a concession negotiated originally with Turkey at Torquay under the General Agreement on Tariffs and Trade. Modification of the concession establishes a rate of duty of 4½ cents per pound on dried figs.

Tobacco pipes and tobacco-pipe bowls of wood or root

On December 29, 1951, the American Smoking Pipe Manufacturers Association, of New York, N. Y., filed an application with the Tariff Commission requesting it to conduct an escape-clause investigation of certain tobacco pipes having bowls wholly or in chief value of brierwood. On January 10, 1952, the Commission instituted an escape-clause investigation, as requested by the applicants, but on its own motion expanded the scope of the investigation to include all finished and partly finished tobacco pipes and pipe bowls of wood or root. A public hearing was held on March 24 and 25, 1952.

In its report, submitted to the President on December 22, 1952,[22] the Commission found that, as a result in part of the customs treatment reflecting the concession granted in the General Agreement on Tariffs and Trade, tobacco-pipe bowls wholly or in chief value of brier wood or root and tobacco pipes having such bowls, valued at not more than $5 per

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[22] U. S. Tariff Commission, *Tobacco Pipes of Wood: Report to the President on the Escape-Clause Investigation*, 1952 (processed).

dozen, were being imported into the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such injury. The Commission also found that the application, for an indefinite period, of a rate of duty of 15 cents each, but not less than 2½ cents each and 40 percent ad valorem or more than 3¾ cents each and 60 percent ad valorem, to such pipes and bowls was necessary to prevent the continuance of serious injury to the domestic industry.

In view of its findings, and in accordance with section 7 of the Trade Agreements Extension Act of 1951, the Commission recommended to the President that the concession on tobacco-pipe bowls of brier wood or root and tobacco pipes having such bowls be modified to permit, for an indefinite period, the application of the rate of duty specified in its findings.

On February 18, 1953, in identical letters to the chairmen of the Senate Committee on Finance and the House Committee on Ways and Means, the President stated that he was not, at that time, giving effect to the recommendation of the Commission. The President stated that he was requesting further information from the Commission to assist him in arriving at his decision. Subsequently, the Commission forwarded copies of its original report of December 22, 1952, to the chairmen of the Senate Committee on Finance and the House Committee on Ways and Means.

The tobacco pipes and bowls of wood or root covered by the Commission's investigation are provided for in paragraph 1552 of the Tariff Act of 1930. The rate of duty originally imposed by that act was 5 cents each and 60 percent ad valorem. Pursuant to a tariff concession that the United States granted in the bilateral trade agreement with France, the duty on wholly finished brier pipes valued at less than $1.20 per dozen was reduced to 2½ cents each plus 40 percent ad valorem, effective June 15, 1936. In the bilateral trade agreement with the United Kingdom, which became effective January 1, 1939, the United States granted tariff concessions on all other articles provided for in the classification covered by the investigation. These concessions, together with the concession granted in the bilateral trade agreement with France, resulted in a rate of 2½ cents each plus 40 percent ad valorem on all pipes and bowls of wood or root, except those valued at $1.20 or more but not more than $5 per dozen, on which a concession in the trade agreement with the United Kingdom resulted in a rate of 5 cents each plus 50 percent ad valorem.

In the General Agreement on Tariffs and Trade, at Geneva, the United States granted tariff concessions on all tobacco pipes and bowls of wood. These concessions became effective January 1, 1948, on which date the bilateral trade agreements with France and the United Kingdom became inoperative. In the General Agreement on Tariffs and Trade, at Torquay, the United States granted a further concession, which became effective October 19, 1951, on pipes and bowls of wood or root other than brier, valued at less than $1.20 per dozen.

Pursuant to the Geneva and Torquay concessions, the rates of duty on the articles covered by the investigation are as follows: Brier pipes and pipe bowls valued at not more than $5 per dozen are dutiable at 2½ cents each and 40 percent ad valorem, and those valued at more than $5 per dozen, at 2½ cents each and 20 percent ad valorem. Pipes and pipe bowls of wood or root other than brier are dutiable at the same rates, except those valued at less than $1.20 per dozen, which are dutiable at 1¼ cents and 20 percent ad valorem.

Household china tableware

On February 15, 1952, in response to an application filed by the Vitrified China Association, Inc., of Washington, D. C., and the National Brotherhood of Operative Potters, of East Liverpool, Ohio, the Tariff Commission instituted an escape-clause investigation of certain kinds of household china tableware, kitchenware, and table and kitchen utensils. A public hearing was held June 23–26, 1952.

In its report, issued on February 6, 1953,[23] the Commission found that the chinaware covered by the investigation was not being imported 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

Under the Tariff Act of 1930, imported chinaware of the kinds under investigation was dutiable at 60 percent ad valorem plus 10 cents per dozen separate pieces, if plain, or 70 percent ad valorem plus 10 cents per dozen separate pieces, if decorated. Pursuant to concessions granted in the General Agreement on Tariffs and Trade, the chinaware involved in the investigation is subject to the following rates of duty: Decorated bone china, 35 percent ad valorem but not less than 30 percent ad valorem plus 5 cents per dozen separate pieces; undecorated bone china, 30 percent ad valorem but not less than 25 percent ad valorem plus 5 cents per dozen separate pieces; and feldspar china, whether or not decorated, 35 percent ad valorem plus 10 cents per dozen separate pieces.

Wood screws of iron or steel

On April 4, 1952, in response to an application filed by the United States Wood Screw Service Bureau of New York, N. Y., the Tariff Com-

[23] Later published as U. S. Tariff Commission, *Household China Tableware: Report on the Escape-Clause Investigation*, Rept. No. 186, 2d ser., 1953.

mission instituted an escape-clause investigation of wood screws of iron or steel.[24] A public hearing was held on June 30 and July 1, 1952.

In its report, issued on March 27, 1953, the Commission found (Commissioner Brossard dissenting) that wood screws of iron or steel were 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

The rate of duty originally established in the Tariff Act of 1930 on imports of wood screws of iron or steel was 25 percent ad valorem. To carry out a concession granted at Geneva in the General Agreement on Tariffs and Trade, the duty on wood screws was reduced to 15 percent ad valorem effective January 1, 1948. As a result of negotiations under the General Agreement at Torquay, the rate of duty was further reduced to 12½ percent ad valorem, effective June 6, 1951.

Pregnant mares' urine

On April 16, 1952, in response to an application filed by the National P. M. U. Producers Association, of Farmer City, Ill., the Tariff Commission instituted an investigation of pregnant mares' urine and estrogenic substances obtained or derived therefrom. A public hearing was held on January 27, 1953.

In its report, issued on April 2, 1953,[25] the Commission found that the products covered by the investigation were 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

The imported products covered by this investigation are classified for tariff purposes under the "drug paragraphs" of the tariff act. Pregnant mares' urine in its natural state and crude concentrates of the estrogenic

[24] This was the second escape-clause investigation of wood screws. As a result of the first investigation, which was completed on December 29, 1951, the Commission found (Commissioners Brossard and Gregg dissenting) that increased imports of wood screws were not causing or threatening serious injury to the domestic industry and that accordingly no recommendation to the President for action under sec. 7 of the Trade Agreements Extension Act of 1951 was warranted. The reports of both investigations were published as U. S. Tariff Commission, *Wood Screws of Iron or Steel: Reports on the Escape-Clause Investigations, December 1951, March 1953*, Rept. No. 189, 2d ser., 1953.

[25] U. S. Tariff Commission, *Pregnant Mares' Urine and Estrogens Obtained Therefrom (1953): Report on Escape-Clause Investigation*, No. 14, 1953 (processed).

substances, which are classified under the provision for crude drugs of animal origin, are free of duty under the Tariff Act of 1930. As the result of a concession in the General Agreement on Tariffs and Trade, the duty-free treatment of those products is bound. Estrogens obtained from pregnant mares' urine, which are classified under the provision for advanced drugs of animal origin, were originally dutiable at 10 percent ad valorem under the Tariff Act of 1930. Pursuant to a concession granted in the General Agreement, the rate of duty applicable to imports of such estrogens was reduced to 5 percent ad valorem.

Chalk whiting

On April 16, 1952, in response to an application filed by the Southwark Manufacturing Co. of Camden, N. J., the Tariff Commission instituted an escape-clause investigation of chalk or whiting or Paris white, dry, ground, or bolted. A public hearing was held on July 8, 1952.

In its report, issued on April 9, 1953,[26] the Commission found (Commissioner Brossard dissenting) that chalk whiting 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

Under the Tariff Act of 1930, chalk whiting was dutiable at $\frac{4}{10}$ cent per pound. Pursuant to a concession granted in the bilateral trade agreement with Belgium, effective May 1, 1935, the duty was reduced to $\frac{2}{10}$ cent per pound. This trade-agreement concession was superseded by a concession granted in the General Agreement on Tariffs and Trade, pursuant to which the duty was further reduced to $\frac{1}{10}$ cent per pound, effective January 1, 1948.

Screen-printed silk scarves

On August 25, 1952, in response to an application filed by the Association of Textile Screen Makers, Printers and Processors, Inc., of New York, N. Y., the Tariff Commission instituted an escape-clause investigation of screen-printed silk scarves. A public hearing was held February 24–27, 1953.

In its report, submitted to the President on April 13, 1953,[27] the Commission unanimously found that, as a result in part of the customs treatment reflecting the concession granted in the General Agreement on Tariffs and Trade, screen-printed silk scarves were being imported into

[26] U. S. Tariff Commission, *Chalk Whiting: Report on Escape-Clause Investigation*, No. 15, 1953 (processed).

[27] U. S. Tariff Commission, *Screen-Printed Silk Scarves: Report to the President on Escape-Clause Investigation*, No. 19, 1953 (processed).

the United States in such increased quantities, both actual and relative, as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such injury. The Commission also found that the application, for an indefinite period, of a rate of duty of 65 percent ad valorem on screen-printed silk scarves was necessary to prevent the continuance of serious injury to the domestic industry.

In view of its findings, the Commission recommended to the President that the concession granted on screen-printed silk scarves in the General Agreement be modified to permit, for an indefinite period, the application of a duty of 65 percent ad valorem on such scarves.

On June 10, 1953, in identical letters to the chairmen of the Senate Committee on Finance and the House Committee on Ways and Means, the President reported that he was not, at that time, giving effect to the recommendation of the Commission. The President stated that he had questions concerning certain matters relating to the manufacture and distribution of silk scarves, and that he was requesting the Tariff Commission to make a further examination of the case and report its findings to him. Subsequently, the Commission forwarded copies of its escape-clause report on screen-printed silk scarves to the chairmen of the Senate Committee on Finance and the House Committee on Ways and Means.

Under the Tariff Act of 1930, imports of screen-printed silk scarves were originally dutiable at 65 percent ad valorem. As the result of a concession granted at Geneva in the General Agreement on Tariffs and Trade, the duty on such scarves was reduced to 35 percent ad valorem, effective January 1, 1948. Pursuant to a concession granted at Torquay in the General Agreement, the duty was further reduced to 32½ percent ad valorem, effective June 6, 1951.

Woodwind musical instruments

On May 6, 1952, in response to an application filed by Penzel, Mueller and Co., Inc., of Long Island City, N. Y., and others, the Tariff Commission instituted an escape-clause investigation of woodwind musical instruments and parts thereof. A public hearing was held on August 5, 1952.

In its report, issued on April 28, 1953,[28] the Commission found that woodwind musical instruments and parts were 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, in the judgment of the Commission no sufficient reason existed for a recommendation to the

[28] U. S. Tariff Commission, *Woodwind Musical Instruments and Parts Thereof: Report on Escape-Clause Investigation*, No. 16, 1953 (processed).

President under the provisions of section 7 of the Trade Agreements Extension Act of 1951.

Under the Tariff Act of 1930, imports of woodwind musical instruments and parts were originally dutiable at 40 percent ad valorem. Pursuant to a concession granted in the bilateral trade agreement with France, the duty was reduced to 30 percent ad valorem, effective June 15, 1936. As the result of concessions negotiated at Geneva and at Torquay in the General Agreement on Tariffs and Trade, the duty was further reduced to 20 percent ad valorem, effective January 1, 1948, and then to 15 percent ad valorem, effective June 6, 1951.

Periodic Reports and Review Investigations on Escape-Clause Actions

Under the terms of the standard escape clauses in trade agreements and of section 7 of the Trade Agreements Extension Act of 1951, escape-clause action withdrawing, suspending, or modifying a trade-agreement concession is to be taken only "for the time necessary to prevent or remedy" the injury or threat thereof to the domestic industry concerned. To implement this requirement, Executive Order 10401, which was signed by the President on October 14, 1952, directs the Tariff Commission to review developments with regard to products on which trade-agreement concessions have been modified or withdrawn under the escape-clause procedure, and to make periodic reports to the President concerning such developments. Such a report must be made first in each case not more than 2 years after the action becomes effective, and thereafter at intervals of a year as long as the concession remains modified or withdrawn in whole or in part. In addition, whenever in the Commission's judgment changed conditions warrant it, or upon request of the President, the Commission must institute a formal investigation to determine whether, and, if so, to what extent, the escape-clause action needs to be continued in order to prevent or remedy serious injury or the threat thereof to the domestic industry concerned. Upon completion of the investigation (including a public hearing), the Commission is to report its findings to the President.

Women's fur felt hats and hat bodies

Effective December 1, 1950, after an escape-clause investigation and report by the Tariff Commission, the President withdrew the concession granted by the United States in the General Agreement on Tariffs and Trade on women's fur felt hats and hat bodies valued at more than $9 and not more than $24 per dozen, and restored the compound rates of duty specified in the Tariff Act of 1930 on those products. As required by Executive Order 10401, the Commission on November 26, 1952, submitted to the President a periodic report on developments with respect to the fur felt hats and hat bodies involved in the escape action.

Dried figs

Effective August 30, 1952, after an escape-clause investigation and report by the Tariff Commission, the President modified the concession that the United States had granted in the General Agreement on Tariffs and Trade on dried figs, and increased the import duty on such figs from 2½ cents to 4½ cents per pound.

On March 10, 1953, in response to a request by the President, the Commission, under Executive Order 10401, instituted an investigation to review the escape-clause action taken by the United States on dried figs. A public hearing was held on April 14, 1953.

In its report, submitted to the President on June 3, 1953,[29] the Commission found that the modification of the concession granted in the General Agreement, pursuant to which an import duty of 4½ cents per pound was applied to dried figs, remained necessary in order to prevent serious injury to the domestic industry producing the like or directly competitive product. In a letter dated June 25, 1953, the President informed the Chairman of the Tariff Commission that he concurred in the Commission's finding.

QUANTITATIVE RESTRICTIONS ON IMPORTS INTO THE UNITED STATES

During all or part of the last half of 1952 and the first half of 1953 the United States applied quantitative restrictions to imports of the following commodities: (1) Cotton, wheat and wheat flour, and shelled filberts, 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 dairy products, fats and oils, and rice and rice products, under section 104 of the Defense Production Act of 1950, for various purposes; and (4) 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, as part of a program to gradually eliminate United States tariff preferences 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 importa-

[29] Published in U. S. Tariff Commission, *Figs, Dried: Report to the President (1952) on the Escape-Clause Investigation; Report to the President (1953) on the Investigation Under Executive Order 10401*, Rept. No. 188, 2d ser., 1953.

tion of gold or silver; to facilitate customs enforcement; to protect patents, trade-marks, 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 the Commission's fourth report on the operation of the trade agreements program.[30]

For convenience, the following section on restrictions under section 22 of the Agricultural Adjustment Act includes a discussion of the Tariff Commission's investigations of tree nuts, wool, certain dairy products, certain oilseeds and oils derived from them, and oats, under that provision of law. These investigations covered products on which the United States had made concessions in trade agreements.

Restrictions Under Section 22 of the Agricultural Adjustment Act

During the period July 1, 1952, to June 30, 1953, the United States continued to apply quantitative restrictions (quotas[31]) on the importation of cotton and wheat and wheat flour, continued to impose a fee on imports of shelled and blanched almonds, and imposed a quota on imports of shelled filberts under the provisions of section 22 of the Agricultural Adjustment Act, as amended. Effective July 1, 1953, after an investigation by the Tariff Commission under the provisions of section 22, the President imposed various quotas and fees on imports of certain dairy products, flaxseed, linseed oil, peanuts, and peanut oil.

Section 22 authorizes the President to restrict imports of any commodity, by imposing either import fees or quotas, 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

[30] Ch. 7.

[31] 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.

the Tariff Commission.[32] In such circumstances, however, the President is authorized to take immediate action if he deems it necessary, without awaiting the Commission's recommendations.[33]

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 $1\frac{1}{8}$ inches (except harsh or rough cotton having a staple of less than $\frac{3}{4}$ inch); for long-staple cotton $1\frac{1}{8}$ inches and longer; and for certain wastes, consisting of card strips and of comber, lap, sliver, and roving wastes. In 1940 the restrictions on imports of cotton having a staple of $1\frac{11}{16}$ inches or more were suspended; in 1942, those on imports of card strips made from cotton having a staple of $1\frac{3}{16}$ inches or more were also suspended. In 1946, quotas were imposed on imports of harsh or rough cotton having a staple of less than $\frac{3}{4}$ inch. Supplemental quotas have also 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 after investigations and reports by the Tariff Commission. During the period covered by this report, however, the Commission made no investigations relating to cotton under section 22.

The quotas on short-staple cotton (cotton having a staple of less than $1\frac{1}{8}$ inches) and on cotton wastes have regularly not been filled, although some countries have supplied their full allocations.[34] Similarly, the global quota on harsh or rough cotton having a staple of less than $\frac{3}{4}$ 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 with the quotas for most postwar years, the quota on long-staple cotton for the 12 months ending January 31, 1954, had not been filled by the end of the first 5 months of the quota year.

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[32] Sec. 8 provides for investigation by the Commission (and decision by the President) under the provisions of either sec. 7 of the Trade Agreements Extension Act of 1951 (the escape clause) or sec. 22 of the Agricultural Adjustment Act, whichever is applicable.

[33] The Trade Agreements Extension Act of 1953, which was signed by the President on August 7, 1953, provides that the President may take immediate action under sec. 22, without awaiting the Commission's recommendations, in any case where the Secretary of Agriculture reports to the President that a condition exists requiring emergency treatment. Such action is to continue in effect pending the report and recommendations of the Tariff Commission. See ch. 2.

[34] The quotas on cotton having a staple of less than $1\frac{1}{8}$ inches (except harsh or rough cotton having a staple of less than $\frac{3}{4}$ 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.

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 wheat products. Both quotas have been allocated almost entirely 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 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 filled 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 under section 22 for imposing restrictions on imports of the tree nuts involved. The Commission advised the President, however, that it was continuing the investigation.

In September 1951 the Commission held a second public hearing, and on November 28, 1951, made its second report to the President. The Commission recommended in its second report that, in addition to the duties imposed under the Tariff Act of 1930, there be imposed a fee of 10 cents a pound but not more than 50 percent ad valorem on imports of shelled almonds and blanched, roasted, or otherwise prepared or preserved almonds entered, or withdrawn from warehouse, for consumption during the period October 1, 1951, to September 30, 1952, in excess of an aggregate quantity of 4,500,000 pounds, provided that not more than 500,000 pounds of the fee-free quota might consist of blanched, roasted, or otherwise prepared or preserved almonds. On December 10, 1951, the President issued a proclamation giving effect to the Commission's recommendation.

In its 1951 report, as in its 1950 report, the Commission advised the President that it was continuing the investigation. After a third public hearing, held July 28–30, 1952, the Commission reported to the President on September 25, 1952, its findings and recommendations with regard to the need for restrictions on imports of tree nuts to prevent interference with programs of the Department of Agriculture for the 1952 crops of tree nuts. In its report, the Commission recommended the imposition of a fee on imports of shelled almonds and an absolute quota on imports of shelled filberts during the period October 1, 1952, to September 30, 1953.

The President accepted the Commission's recommendation with respect to almonds. On September 27, 1952, he issued a proclamation imposing a fee of 5 cents per pound on shelled almonds and blanched, roasted, or otherwise prepared or preserved almonds entered, or withdrawn from warehouse, for consumption during the period October 1, 1952, to September 30, 1953, until 7,000,000 pounds of such almonds had been so entered or withdrawn, and a fee of 10 cents per pound on such almonds entered, or withdrawn from warehouse, during the period specified in excess of 7,000,000 pounds—these fees to be collected in addition to the regular duties imposed by the tariff act.

In its report the Commission recommended that imports of shelled filberts during the period October 1, 1952, to September 30, 1953, be restricted by an absolute quota to 4,500,000 pounds. Commissioners Brossard and Gregg recommended that the quota should be not more than 4,000,000 pounds. On October 20, 1952, President Truman stated that he was not acting upon the Commission's recommendation to impose additional restrictions on imports of shelled filberts. On June 10, 1953, however, President Eisenhower issued a proclamation imposing an absolute quota of 4,500,000 pounds on imports of shelled filberts during the year ending September 30, 1953.[35]

In its third report, the Commission recommended no action on unshelled almonds and filberts, or on walnuts, brazil nuts, or cashews. As in its previous reports, the Commission also advised the President that it was continuing the investigation and that it would report again if further action was found to be necessary to carry out the purposes of

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[35] For the Commission's three reports and the Presidential proclamations with respect to edible tree nuts, see U. S. Tariff Commission, *Edible Tree Nuts: Reports to the President, November 1950, November 1951, September 1952*, Rept. No. 183, 2d ser., 1953.

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section 22. On June 30, 1953, the Commission ordered a fourth public hearing in the investigation, to be held on August 24, 1953.

Wool

On September 2, 1952, by direction of the President, the Tariff Commission instituted an investigation of sheep's wool, carbonized wool of the sheep, and tops of sheep's wool, under the provisions of section 22 of the Agricultural Adjustment Act, as amended. The purpose of the investigation was to determine whether these commodities 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, the price-support program undertaken by the Department of Agriculture with respect to sheep's wool. The Commission held a public hearing September 29–October 1, 1952.

On June 25, 1953, the President advised the Commission that a report from it would serve no useful purpose inasmuch as the price-support program for wool in effect when the investigation was ordered had ended April 30, 1953. He directed the Commission, however, to keep under constant review the Department of Agriculture's programs for wool and wool tops, and developments relating to those programs.

Certain dairy products and certain oilseeds and their oils

On April 10, 1953, by direction of the President, the Tariff Commission instituted an investigation of certain dairy products, flaxseed and linseed oil, peanuts and peanut oil, and tung nuts and tung oil, under the provisions of section 22 of the Agricultural Adjustment Act, as amended. The investigation was ordered to determine whether, in the event that section 104 of the Defense Production Act of 1950, as amended, expired on June 30, 1953, the articles specified, imports of which were then restricted under section 104, 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, programs undertaken by the Department of Agriculture with respect to any of such articles, or with respect to any product from which any of such articles are processed, or to reduce substantially the amount of any such articles processed in the United States from any agricultural commodity with respect to which any program of the Department of Agriculture was being undertaken. Public hearings were held on May 4, 5, 7, and 8, 1953.

On June 1, 1953, the Commission reported to the President its findings and recommendations.[36] On the basis of its investigation under section

[36] For details of the Commission's findings and recommendations, see U. S. Tariff Commission, *Specified Manufactured Dairy Products, Flaxseed and Linseed Oil, Peanuts and Peanut Oil, Tung Nuts and Tung Oil*, 1953 (processed).

22, the Commission found (Commissioner Edminster dissenting in part [37]) the need for, and recommended to the President the imposition of, the following quantitative limitations and fees:

Item	*Quota (for each 12-month period beginning July 1) or fee*
Butter	707,000 pounds.
Dried whole milk	7,000 pounds.
Dried buttermilk	496,000 pounds.
Dried cream	500 pounds.
Dried skimmed milk	1,807,000 pounds.
Malted milk, and compounds or mixtures of or substitutes for milk or cream (aggregate quantity).	6,000 pounds.
Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese (aggregate quantity).	2,780,100 pounds.
Edam and Gouda cheese (aggregate quantity)	4,600,200 pounds.
Blue-mold (except Stilton) cheese, and cheese and substitutes for cheese containing, or processed from, blue-mold cheese (aggregate quantity).	4,167,000 pounds.
Italian-type cheeses, made from cow's milk, in original loaves (Romano made from cow's milk, Reggiano, Parmesano, Provoloni, Provolette, and Sbrinz) (aggregate quantity).	9,200,100 pounds.
Peanuts, whether shelled, not shelled, blanched, salted, prepared, or preserved (including roasted peanuts, but not including peanut butter) (aggregate quantity).	1,709,000 pounds: *Provided*, That peanuts in the shell shall be charged against this quota on the basis of 75 pounds for each 100 pounds of peanuts in the shell.
Peanut oil	25 percent ad valorem on peanut oil entered, or withdrawn from warehouse, for consumption during any 12-month period beginning July 1 in excess of 80,000,000 pounds.
Flaxseed (except flaxseed approved for planting pursuant to the Federal Seed Act).	50 percent ad valorem.
Linseed oil, and combinations and mixtures in chief value of such oil.	50 percent ad valorem.

By proclamation of June 8, 1953, the President imposed the restrictions recommended by the Commission, to become effective July 1, 1953, if section 104 of the Defense Production Act should expire on June 30,

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[37] Commissioner Edminster concurred in the findings and recommendations of the Commission except with respect to the annual quota that should be imposed on certain of the articles involved. The articles in question and the quotas which he determined to be proper to carry out the purpose of sec. 22 of the Agricultural Adjustment Act, as amended, were as follows: Butter, 897,000 pounds; Cheddar cheese, and cheese and substitutes for cheese containing, or processed from, Cheddar cheese, 6,376,000 pounds; blue-mold (except Stilton) cheese, and cheese and substitutes for cheese containing, or processed from, blue-mold cheese, 5,000,000 pounds; whole milk, dried, 4,467,000 pounds; malted milk, and compounds or mixtures of or substitutes for milk or cream, 204,000 pounds; and peanuts, 2,223,862 pounds. Although Commissioner Edminster concurred in the Commission's recommendation regarding Edam and Gouda cheese, he did not concur in the Commission's choice of the representative period with respect to imports of such cheese.

1953.[38] Since section 104 did expire on the latter date, the restrictions became effective July 1, 1953.

Besides the articles listed above, the Commission's investigation covered butter oil, tung nuts, and tung oil. In its report, the Commission found that there was at that time no basis under section 22 for imposing restrictions on imports of those products; it therefore did not recommend that any restrictions be imposed on imports of butter oil, tung nuts, and tung oil.

Oats

On June 10, 1953, by direction of the President, the Tariff Commission instituted an investigation of oats under the provisions of section 22 of the Agricultural Adjustment Act, as amended. The purpose of the investigation is to determine whether oats, hulled or unhulled, and unhulled ground oats are being or are 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, the price-support program undertaken by the Department of Agriculture with respect to oats, or to reduce substantially the amount of products processed in the United States from domestic oats. A public hearing was scheduled for July 7, 1953.

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. On September 1, 1951, the President approved legislation (Public Law 140, 82d Cong.), which became effective January 1, 1953, to extend the Sugar Act of 1948, in amended form, for 4 years.

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 the 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 the continental United States and its outlying territories and possessions, and in 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

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

the Virgin Islands) and the Philippines are absolute quantities, and the remainder of the total amount determined each year by the Secretary of Agriculture is allocated proportionately to Cuba (96 percent) and to other foreign countries exclusive of the Philippines (4 percent).[39] Hence, any increment in the total estimated requirement as a result of expanded consumption would be conferred almost entirely on Cuba unless, of course, Cuba would not be able 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.

Restrictions Under the Defense Production Act of 1950

Section 104 of the Defense Production Act of 1950, which was in effect from July 31, 1951, to June 30, 1953, provided that no imports of certain specified commodities could be admitted to the United States during that period, whenever the Secretary of Agriculture determined that such imports would (1) impair or reduce the domestic production of any such commodity below the then current production levels, or below such higher levels as the Secretary of Agriculture might 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 program.[40]

The products specified in section 104 were fats and oils,[41] peanuts, butter, cheese and other dairy products, and rice and rice products. During all or part of the period covered by this report, the Secretary of Agriculture, under the provisions of section 104, imposed import controls on the following commodities: Butter; butter oil; casein or lactarene, and

[39] Before January 1, 1953, Cuba's share of the amount allocated to foreign countries other than the Philippines (under the Sugar Act of 1948) was 98.64 percent, and that of foreign countries other than Cuba and the Philippines was 1.36 percent.

[40] 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.). Subsequently, sec. 104, in modified form, was extended for the period July 1, 1952, to June 30, 1953, by the Defense Production Act Amendments of 1952 (Public Law 429, 82d Cong.). In most respects the provisions of sec. 104, as modified, did not differ from the original provisions, described above in the text. Under the modified provisions, however, the Secretary of Agriculture could impose import restrictions on specific types or varieties of commodities, such as on specific kinds of cheese; moreover, when he deemed it necessary (after considering "the broad effects upon international relationships and trade"), the Secretary could permit additional imports of each type or variety of the commodities concerned, not in excess of 15 percent of the import restriction established thereon under sec. 104.

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

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; dried skimmed milk (nonfat dried milk solids); dried whole milk; dried buttermilk; dried cream; 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; rice starch; tung nuts; and tung oil. Pursuant to the General Agreement on Tariffs and Trade or to bilateral trade agreements, the United States has concessions in effect on all these commodities except the following: Linseed oil and 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; cleaned Patna rice, for use in canned soups; tung nuts; and tung oil.

Under section 104, imports of the commodities listed above were controlled by licenses issued by the Department of Agriculture. The effect of these controls varied markedly from one product to another. Under the licensing system, imports of some commodities—such as butter—were virtually excluded, and imports of other commodities—such as certain kinds of cheese—were sharply curtailed. 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.

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 to full-duty status, the Philippine Trade Act of 1946 [42] established absolute quotas on imports of certain commodities from the Philippines: 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.

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[42] 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.

Besides the quotas specifically provided for, the Philippine Trade Act of 1946 authorizes the President to establish 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. During 1952, none of the quotas provided for in the Philippine Trade Act of 1946 were filled.

Chapter 6

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

INTRODUCTION

All the countries with which the United States has trade-agreement obligations have the right to restrict their imports as long as they are having difficulty in acquiring sufficient foreign exchange to pay for all the foreign goods and services that their nationals would import in the absence of import restrictions. As in earlier postwar years, most of these countries continued in 1952–53 to be in external-payments difficulties, especially with respect to dollar payments, and therefore continued to restrict imports for balance-of-payments reasons. In permitting the use of exchange controls and quantitative restrictions for balance-of-payments reasons, the General Agreement on Tariffs and Trade and the bilateral trade agreements to which the United States is a party also provide that the countries which find it necessary to use such forms of trade control shall relax them as their balance-of-payments position improves, and shall abandon them entirely when their external-payments problems cease to exist.

Countries that are in a position to exercise their right to restrict imports for balance-of-payments reasons are less subject to pressure to increase their import duties for protectionist reasons than they would be if they were not free to restrict imports by other means. The restriction of imports through the use of exchange controls, licensing, quotas, prohibitions, and other forms of quantitative restriction is itself highly protective to most domestic producers of articles subject to import competition. Consequently, as long as these methods may be used, tariff revisions are not generally resorted to.

TARIFF CHANGES

In 1952–53, as in earlier postwar years, member countries of the European Payments Union and the sterling area adjusted their import trade to their external-payments capacity almost entirely by changes in their exchange controls and quantitative restrictions. Relatively few import duties were increased; some duties were reduced or temporarily suspended. Some countries reiterated their adherence to the protectionist principle and indicated their intention of retaining protective duties, or even of increasing them, once they are no longer permitted (as under the terms of the General Agreement on Tariffs and Trade) to employ exchange controls and quantitative restrictions.

The Indian customs tariff underwent a major revision in 1952; the changes became effective in February 1953, to remain in effect through the fiscal year ending March 31, 1954. Duties were reduced on some items, including scientific and surgical instruments, numerous drugs and medicines, and a few canned and prepared foods. The increases in duty applied to a wide variety of items (chiefly luxury manufactures), including a number of fabrics, assembled automobiles, certain canned fruits and fruit juices, nonspirituous patent medicines, certain precious stones, a variety of toilet preparations, clothing, earthenware, chinaware, glassware, luggage, lead pencils, and umbrellas.

In 1953 hearings were begun in New Zealand on proposals for a general tariff revision; the New Zealand tariff has not been substantially revised for about 20 years.

Western Hemisphere countries (especially the Latin American countries) showed a somewhat greater disposition to increase tariff duties and other charges on imports in 1952–53 than did the member countries of the European Payments Union or of the sterling area. However, those Latin American countries that employ exchange controls and quantitative restrictions sparingly or not at all (the dollar countries) showed but little more tendency, if any, to increase charges on imports than the nondollar countries, which continued to restrict imports both quantitatively and through exchange controls, for balance-of-payments reasons.

In the dollar group, Cuba increased import duties on certain cheeses and automobiles, and established new taxes on imported and domestic luxury goods; it also increased the tax on imported textiles from 6 percent to 8 percent. The Dominican Republic increased its consumption tax on imported and domestic sugar. Honduras increased a few import duties. A United Nations mission to Ecuador made recommendations for a revision of the Ecuadoran tariff system; not all these recommendations were acceptable to the Ecuadoran Government, which desired more protection than that already afforded by its tariff. Early in 1953, Ecuador raised its duties on all imports and exports. Some Venezuelan duties were increased as a result of the supplementary trade agreement negotiated with the United States,[1] but others were reduced or bound against increase. Haiti exempted from import duties certain materials and equipment needed for the country's economic development. Canada, which is out-

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[1] See ch. 4.

ranked only by the United States as a dollar country, freed numerous imports of duties and lowered the duties on some other goods, particularly raw materials.

In the nondollar group of Latin American countries, Brazil increased its import duties on certain petroleum products, and Chile increased its excise tax on imports. Paraguay and Uruguay appear to have done very little toward increasing charges on imports. Peru, however, while exempting some mining equipment from import duties, increased the duties on numerous fabrics and articles of clothing, on various soap, paper, and glassware products, and on numerous other items. Not covered by these increases were items included in Peru's list of concessions under the General Agreement. By decree early in 1953 Peru established a temporary additional import duty of 50 percent ad valorem on more than 800 items classified as not essential. This step was taken to strengthen the exchange rate, but the decree was soon rescinded on the ground that other measures to strengthen the exchange rate had been successful.

EXCHANGE CONTROLS AND QUANTITATIVE RESTRICTIONS

For a survey of their use of quantitative trade restrictions and exchange controls, the 42 foreign countries with which the United States had trade agreements in effect on June 30, 1953, may be classified into four major groups, within each of which the countries exercise control of foreign trade in a somewhat similar way. These groups are as follows: (1) The European Payments Union (EPU); (2) the sterling area; (3) various nondollar countries (other than those in groups 1 and 2), most of which rely heavily upon multiple-exchange-rate systems for control of their trade; and (4) certain dollar countries, including Canada and several countries in Latin America, which now exercise a minimum of control over their trade with other countries.

Nearly all of the countries in the groups mentioned above, except those in the dollar group, have for several years imposed restrictions on their import trade for balance-of-payments reasons. These restrictions have applied not only to imports from the United States and other dollar countries but also, in many instances, to imports from nondollar countries. The imposition of restrictions on imports from certain sources but not from others, or the application of more stringent restrictions to imports from some sources than to imports from others, results in discrimination. The General Agreement on Tariffs and Trade, however, permits such discrimination for balance-of-payments reasons, provided that the discriminatory application of quantitative restrictions and the restrictions themselves, whether discriminatory or not, shall be relaxed as soon as the external-payments position of the country applying them permits. Gradual relaxation of the restrictions is intended to lead eventually to their complete removal, on the assumption that this will become possible when the general convertibility of currencies is realized. Similar provisions regarding the temporary use of quantitative import restrictions for balance-of-payments reasons are also contained in the bilateral trade agreements which the United States still has with certain countries.

Countries that have employed quantitative import restrictions for balance-of-payments reasons have done so, for the most part, as one means of solving their "dollar" problem—that is, to narrow or close the gap between their earnings and their expenditures of dollars. These restrictive practices have enabled many countries to restore a greater degree of balance between their dollar earnings and their dollar expenditures, chiefly by reducing the amount of imports that must be paid for in dollars. The balance thus gained, however, is at the expense of trade expansion, and unless steps are taken to counteract this effect while the trade restrictions are still being applied, the difficulties of expanding international trade tend to increase rather than to decrease. Such groups as the EPU and the sterling area represent cooperative efforts of the member countries to relax or abolish quantitative restrictions on trade and to achieve general currency convertibility within their respective groups. Realization of these objectives is intended, in turn, to facilitate the solution of their dollar problems, so that removal of restrictions against dollar goods can be expedited and their currencies made freely convertible with dollar currencies at an earlier date than would otherwise be possible.

There has been a general improvement in the world payments position in recent years. The total gold reserves and dollar holdings of Western Europe (which includes all the continental EPU countries) increased from 6 billion dollars in 1949 to 8.4 billion at the end of 1952. This represents an increase of about 30 percent in gold holdings, of more than 60 percent in dollar holdings, and thus of 40 percent in total gold and dollar holdings. The improvement in the payments position of the sterling area,[2] although quite substantial, was less pronounced than that in the payments position of Western Europe; between 1949 and 1952, the gold holdings of the sterling area increased by 12 percent, the dollar holdings by 40 percent, and gold and dollar holdings together, by about 20 percent. The improvement was less pronounced for the United Kingdom and its dependencies than for other countries of the sterling area. Canada's holdings of gold and dollars increased during the same period by 80 percent. Indonesia's overall position and that of other Asiatic countries improved by more than 50 percent. The position of Latin American countries (nonagreement as well as agreement countries) showed less improvement

[2] The sterling area consists of all countries of the British Commonwealth (except Canada), and Burma, Iceland, Iraq, Ireland, Jordan, and Libya.

than that of any other group of countries—an increase of only 10 percent. In summary, the gold holdings of all foreign countries combined increased by about 20 percent between 1949 and 1952, their dollar holdings increased by more than 50 percent, and their total holdings of gold and dollars increased by 33 percent.

Improvement of the general payments position is one of the principal conditions necessary for the ultimate convertibility of currencies and the removal of quantitative restrictions on international trade. A primary objective of the International Monetary Fund is to establish a multilateral system of payments with respect to current transactions between members, and to eliminate foreign-exchange restrictions that hamper the growth of world trade.[3] While it is the primary responsibility of each member of the Fund to build up a strong payments position in order to establish and maintain the convertibility of its currency, it has been recognized that international collaboration is necessary for the solution of payments problems. Such collaboration is necessary to assure a country undertaking to establish convertibility, by building up its dollar holdings, that other countries will not seek, by placing restrictions on imports from it, to reverse unfavorable trade balances and thus convert more of their current earnings into dollars by draining them off in this way instead of earning them directly by expanding their own exports to dollar countries.

Another and more deep-seated problem associated with attempts of countries to establish and maintain convertibility of their currencies by building up their reserves is to prevent dissipation of those reserves. The General Agreement on Tariffs and Trade permits contracting parties that are in balance-of-payments difficulties to restrict imports by quantitative means (such as quotas) in order to safeguard their reserves. From the point of view of the International Monetary Fund, countries that are in balance-of-payments difficulties have relied too much on quantitative import restrictions to protect a given payments position, and not enough on measures that would build up their productive capacity and improve the competitive position of their goods in export markets. That is, they have relied more on negative measures than on positive ones. In particular, they have been slow to recognize the importance of sound fiscal and monetary policies in the conduct of their affairs. As the Monetary Fund's annual report for 1953 pointed out, "Immediately after the war the widely accepted goal was to adjust fiscal and monetary policies in such a manner as to ensure high levels of domestic activity, while, if

[3] Art. XV of the General Agreement on Tariffs and Trade provides for consultation with the Fund in all cases "in which the Contracting Parties are called upon to consider or deal with problems concerning monetary reserves, balances of payments or foreign exchange arrangements."

necessary, external accounts were balanced by other more direct measures; among these measures restrictions became the most extensively used." [4]

The use of fiscal and monetary policies to insure high levels of employment and real income resulted in an intensification of domestic demand in some countries. This, in turn, led to strong inflationary pressures—to such an extent that the advantages gained from these measures were more than offset by disadvantages connected with external trade. In other words, inflation tended to raise the costs of production and to discourage high productivity to an extent which made it increasingly difficult for countries following such policies to compete on favorable terms in export markets with countries that restricted credit and adopted other measures to better their competitive positions and thus improve their balances of payments. As explained by the Monetary Fund, "The main purpose of monetary policy is to keep domestic demand within proper limits and, in particular in countries with balance of payments deficits, to limit it in such a way as to contribute to an improvement in the balance of payments." [5]

Countries that fail to keep domestic demand within limits conducive to improving their international competitive positions and their balance of payments have invariably found it necessary to resort to quantitative import restrictions as the only alternative way of safeguarding their payments positions. In their 1953 report, the executive directors of the International Monetary Fund state: "Both governments and the public increasingly recognize that restrictions are an unsatisfactory way of coping with balance of payments difficulties, not only in the long run, because of their unfavorable effects on the international division of labor and productivity, but even in the short run (from the standpoint of objectives immediately in mind), because they do not contribute to any fundamental strengthening of the payments position." [6]

The Monetary Fund does not take the position, however, that monetary policy is a satisfactory solution for all problems connected with external-payments difficulties. For example, it regards the setback to production in 1952 as a reaction to the "scare buying," intensified defense efforts, and speculative trading that followed the outbreak of the Korean conflict, rather than a consequence of restrictive monetary policies that were applied in 1952.

The outbreak of hostilities in Korea in June 1950 was followed by several months of intense trade activity throughout the world, and the external-payments position of most countries improved. During 1950–51

[4] International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1953*, Washington, p. 35.

[5] Ibid., p. 37.

[6] Ibid., p. 39.

there was a general relaxation of trade restrictions. In 1951–52 the worldwide demand for stockpile materials, which had accounted for much of the increased trade activity in the preceding period, slackened, and the prices of raw materials declined sharply. Countries that supply primary goods soon found themselves with serious trade deficits. Likewise, several Western European countries began to experience renewed balance-of-payments difficulties; these difficulties were caused in large part by new requirements for armament and, in some countries, by additional strains placed on their economies by inflation. The general response of governments to these developments in 1951–52 was to intensify their quantitative trade restrictions as the most readily available means of reducing their trade deficits and of achieving a more balanced payments position. The intensification of import restrictions had the immediate effect of curtailing demand for foreign goods—particularly dollar goods—in these countries.

At the beginning of 1952–53, on the other hand, the situation in the United States was such as to contribute substantially to the movement toward a more balanced payments position in countries that were undertaking to improve their payments position by curtailing imports. United States expenditures abroad increased, thus adding considerably to the world supply of dollar exchange. These expenditures were devoted largely to meeting defense requirements, and included the purchase of large quantities of foreign goods and services for United States forces stationed abroad. Domestic expenditures for personal consumption also increased, thus contributing to an increased demand for foreign goods.

Thus, as a result of intensified foreign restrictions on dollar expenditures and of increased United States demand for foreign goods and services, the payments position of the world as a whole continued to improve in 1952–53. Many countries, on the other hand, still continued to have serious payments difficulties and therefore either maintained or intensified their restrictions on trade. Unless offset by increased income from exports, this generally meant a further reduction in their level of imports and in their standard of living. In 1952–53, as in 1951–52, many countries sought to increase their exports, particularly to dollar markets, by devices associated with exchange manipulation. Some countries substantially increased their rates of duty on imports (except rates fixed in trade agreements), but the principal devices for the control of foreign trade continued to be those long associated with quantitative restrictions and exchange control.

The use of quantitative import restrictions for protectionist purposes (or for any purposes other than to counteract and correct balance-of-payments difficulties) is prohibited under the general provisions of the General Agreement and the bilateral agreements to which the United

States is a party. Rates of duty not fixed in trade agreements are, of course, subject to any change an individual country may care to make. Actually, as long as a country may legally use quantitative import restrictions to protect its payments position, it has less incentive to seek protection for domestic industries by making tariff adjustments.

The European Payments Union

The United States has encouraged countries to which it has given financial aid in increasing trade among themselves or with other nondollar countries in order to reduce their dependence on continuance of such aid, and, at the same time, to maintain or to improve their dollar position by expanding exports to the United States, Canada, and other dollar countries rather than by restricting imports from these countries. The establishment of the European Payments Union, with financial assistance from the United States, has been one of the major efforts of this and other countries to achieve these objectives and to move more rapidly toward restoring the general convertibility of currencies.

The establishment of the European Payments Union, and the major developments during its first 2 years of operation (July 1, 1950–June 30, 1952), were discussed in chapter 6 of the Commission's fifth report on the operation of the trade agreements program. The European Payments Union was established as a mechanism for coping with the trade-and-payments problems faced by the members of the Organization for European Economic Cooperation (OEEC).[7] Almost all the OEEC countries had been in chronic deficit in their balance of payments with the dollar area—and more especially with the United States—for a number of years. The United States Government undertook to alleviate the balance-of-payments problem created by the shortage of dollars, by granting financial assistance to a number of countries, including most of those in Western Europe. The European countries, for their part, established the Organization for European Economic Cooperation to provide a unified basis on which to carry on their trade with each other and to make the most efficient use of the dollar aid they had received. The ultimate purpose was to make Europe independent of United States financial assistance.

After some preliminary, but not entirely satisfactory, efforts at eco-

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[7] The OEEC countries are 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. The United States has trade agreements with all these countries except Ireland, Portugal, and Trieste. The United States and Canada, although not members of OEEC, participate in its work.

nomic cooperation, the OEEC established the European Payments Union,[8] which began operations on July 1, 1950. When EPU was created, it was expected to be a major instrument in restoring trade to a multilateral basis and in creating conditions that would permit the general convertibility of currencies. Although its operations were limited to a relatively small number of countries, the expectation was that once these countries were able to make clearings among themselves on a multilateral basis, the system could be extended to include other countries. Eventually, when the restoration of multilateral trade and payments had become general, EPU would be abandoned. The creation of a common market among the participating countries, free of quantitative restrictions on trade and without discrimination, was the immediate objective of the system.

Establishment of the EPU payments mechanism, and the associated plan for freeing trade from quantitative restrictions, represented an attempt to supplement in Western Europe the work of the International Monetary Fund and the General Agreement on Tariffs and Trade. The EPU payments mechanism went beyond the Fund mechanism in providing a multilateral basis for greater liquidity in payments transactions, and also in providing definite incentives for a deficit country to correct any imbalance in its payments position. The trade-liberalization plan of the EPU likewise went considerably beyond the General Agreement in that it made a direct attack on quantitative trade restrictions. The General Agreement had been more successful in obtaining reductions in tariff duties than in eliminating quantitative restrictions.

Under the system of automatic compensations established as the basis of EPU operations, the currencies of members are accepted without discrimination and thus become transferable among the members. At the close of each accounting period, each member makes only one settlement of its balance (credit or debit); that is, it settles directly with the Payments Union instead of with other members separately. Thus a member that, on balance, has more payments due it from other members than it owes them becomes a creditor with the Payments Union and is entitled to

[8] The countries participating in the operations of EPU do so on the basis of quotas (see text) allotted to them. Although Belgium and Luxembourg have separate membership in OEEC, they have a combined quota position in EPU as the Belgo-Luxembourg Economic Union (BLEU); the Belgian Congo, as part of the Belgian monetary area, is included in the BLEU quota with EPU. Likewise, Trieste is in the Italian monetary area; the Netherlands West Indies and Surinam are in the Netherlands monetary area; French and Portuguese dependencies are in the French and Portuguese monetary areas; and British dependencies and countries in the sterling area (except Iceland) are covered by the United Kingdom's quota in EPU. No individual quota was allotted to Ireland, which is in the sterling area, but Iceland, although also in the sterling area, has a separate position in EPU.

306549 –54——9

receive from the Payments Union the net balance due it. Conversely, a member becomes a net debtor with the Payments Union by accumulating more deficits with other members than it accumulates in credits.

The EPU system of compensations is "automatic," in that the settlement of the balances of members is made in accordance with a prearranged scale of payments. Because the payments position of no OEEC country except Switzerland was strong enough to permit the settlement of balances entirely in gold, it was necessary to create a system which would economize in the use of gold; this objective was achieved by enabling members of EPU to settle their balances partly in gold and partly in credit.[9] To provide a basis on which the amounts of gold and credit settlements could be calculated, each EPU member was assigned a quota; all the quotas except those for Belgium-Luxembourg and Switzerland [10] were determined on the basis of about 15 percent of each member's transactions on current account with all other member countries (including the associated monetary areas of those that had such areas) during 1949. The quota represents, for each member, the limit within which credit facilities are automatically provided for the settlement of its cumulative accounting surplus or deficit with the Payments Union.

The total resources represented by the individual quotas originally amounted to 3,950 million "units of account," [11] each unit being equivalent to the gold content of the United States dollar.[12] The country quotas vary greatly. The United Kingdom and its associated monetary area (the entire sterling area) was allotted 1,060 million units, or more than one-fourth of the total number of units with which EPU began operations; the United Kingdom's quota is used to finance trade between the continental EPU members and the entire sterling area (except Iceland). France, with the next largest quota, was allotted 520 million units; the Federal Republic of Germany, 500 million; Belgium-Luxembourg, 360 million; and the Netherlands, 355 million. Those with very small quotas are Austria (70 million), Turkey (50 million), Greece (45 million), and Iceland (15 million).

[9] Actually, dollars have been the final means of settling balances within EPU. Under the articles of EPU, a member's obligation to settle its deficit by a transfer of gold may 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 made in dollars.

[10] At the request of Belgium-Luxembourg and Switzerland, the former was given a smaller quota and the latter a larger quota than the 15-percent formula prescribed.

[11] Subsequently the quotas of Germany and the Netherlands were increased, bringing the total resources of EPU to 4,155 million units.

[12] The U. S. 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. One of the purposes of this fund is 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 was obligated to pay out.

Each member of EPU was granted a line of credit by the Payments Union. This line of credit was equal to 60 percent of its quota, and each country in turn stood prepared 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. Any member in a deficit position with EPU is subject to a rising scale of gold payments as it uses an increasing share of its quota in settlement of deficits with the Payments Union. This system is designed to discourage such a country from accumulating deficits by overimporting, and to stimulate it to increase its exports to other members. Creditor countries, on the other hand, receive gold from the Payments Union as part of their compensation for being in a creditor position.

The scale of gold payments in operation during the first 2 years of EPU proved to have less deterrent effect on debtor members than had been anticipated, and the scale for debtors was revised.[13] As already mentioned, balances that are not settled in gold are settled by a grant or receipt of credit. Although the scale of gold payments is not the same for creditor as for debtor members, both scales of payments provide the same results by the time the quotas are exhausted—that is, 60 percent will have been utilized in credits extended or received, and 40 percent in gold payments extended or received.

Debtor countries are required to settle deficits in excess of their quotas wholly in gold or dollars. A debtor country that is unable to make such a settlement of its obligations to EPU may request aid from the special assistance fund set aside by the United States Economic Cooperation Administration. In granting such aid, ECA has the authority—which it may or may not exercise—to grant such assistance on condition that the recipient makes changes in its commercial policy with a view to improving its balance-of-payments position within the EPU. The managing board of EPU[14] decides how settlement shall be made by creditors with surpluses beyond the quotas. Up to June 30, 1953, the general solution had been to settle with creditors on the basis of half credit and half gold—the same basis as for settlement within their quotas.

Surpluses or deficits that exceed the quota represent extreme positions that call for corrective measures to bring about better equilibrium in the balance of each member with the group as a whole. As their deficits rise toward their quotas, extreme debtors may have difficulty in making the gold settlements required, and may have even greater difficulty in settling their deficits entirely in gold after their quotas are exhausted. If an extreme deficit position appears to be caused by internal inflation, the

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[13] See *Operation of the Trade Agreements Program* (fifth report), p. 146.

[14] The managing board of EPU is made up of seven members appointed by the council of OEEC from persons nominated by the contracting parties to OEEC. ECA is represented on the board by a nonvoting observer.

country is expected to restrict credit and take other necessary steps which, by making its products more competitive in foreign markets, will stimulate exports. Liberalization measures previously applied in order to free imports of quantitative restrictions are to be withdrawn only as a last resort. As a primary means of correcting or preventing an extreme deficit position, however, some members have relied more on curbing imports than on adopting internal measures to encourage exports.

The EPU agreement provides an exception to the rule of nondiscrimination by permitting members to restrict imports from a member that has become a creditor of the Payments Union in excess of its quota. A debtor country with a deficit in excess of its quota may temporarily suspend the measures it has taken to liberalize trade. It may not, however, discriminate against other members—that is, it may not withdraw its liberalization measures for some members and leave them in force for others.

Extreme creditors, being required to grant large credits to the Payments Union in lieu of receiving all of their balance in gold or dollars, may find it inconvenient to forgo full settlement in gold or dollars, particularly if they are already in a deficit position with respect to dollars. The corrective measure most frequently applied in this situation—and one which creditors are anxious to avoid—is the imposition or increase by debtor countries of quantitative restrictions on imports from extreme creditors. Creditor countries may, however, ease their internal credit situation as a means of encouraging imports.

On June 30, 1953, there were 7 creditor members of EPU, and 8 debtor members. The 7 creditors were Austria, Belgium-Luxembourg, the Federal Republic of Germany, the Netherlands, Portugal,[15] Sweden, and Switzerland. All these members—except Austria, which had been in a deficit position—had been in a surplus position with the Payments Union during the previous year. The surpluses of Belgium-Luxembourg, Portugal, and Sweden were lower than in the preceding year, whereas the surpluses of Germany, the Netherlands, and Switzerland were higher. After operations were completed on June 30, 1953, Austria, Portugal, and Sweden were within their quotas; the other members were beyond their quotas, and thus required "beyond quota" settlements in gold and credit.

The 8 debtor members on June 30, 1953, were Denmark, France, Greece, Iceland, Italy, Norway, Turkey, and the United Kingdom. Of these, Italy had had a large credit balance in the previous year, and Norway, a very small credit balance; all the other countries had been debtors. France, Greece, and Turkey were in excess of their quotas and made their beyond-quota settlements entirely in gold. Those countries

[15] The United States has no trade agreement with Portugal. However, in the interest of a more complete analysis of EPU operations, reference is occasionally made to Portugal's position in EPU.

having larger deficits on June 30, 1953, than they had had a year earlier were Denmark, France, Greece, and Turkey. Iceland's position remained substantially the same as before. Only the United Kingdom had a smaller deficit on June 30, 1953, than it had had a year earlier.

For EPU as a whole, 1952–53 was a much more successful year with respect to internal operations than either of the 2 preceding years. The extreme position (credit or debit) of some of the members was reduced during 1952–53, and the trend of others toward disequilibrium was checked. The improvement in the financial position of the group as a whole is indicated by the reduction in the total net balance of the Payments Union from 2,301 million units of account in 1951–52 to 897 million in 1952–53. This overall improvement does not indicate, however, that EPU had by any means reached the position of internal equilibrium and unrestricted trade expansion that had been anticipated when the system was established. Quantitative import restrictions on private trade within the EPU area affected a larger volume of trade in 1952–53 than in the first year or so of the experiment. In fact, some of the members of EPU with the larger quotas had restored restrictions which they formerly had removed, in order to reduce extreme positions with the Payments Union. The "dollar shortage," which the system had been expected to correct, was still acute. The gold and dollar reserves of various EPU countries had increased, but this increase had been attained by restrictions on imports payable in dollars rather than by increased exports to dollar countries. United States financial aid still remained an important factor in enabling the countries of Western Europe to meet their demand for dollar imports. That part of the demand that could not be met by this means, or by dollar-earning exports of goods or services, continued to be severely curtailed by quantitative import restrictions and the rationing of foreign exchange. Countries that are members of EPU and also contracting parties to the General Agreement on Tariffs and Trade are permitted to use quantitative import restrictions only for balance-of-payments reasons.[16] In various instances, however, countries appear to have used quotas and other restrictive devices to protect certain domestic industries—that is, they have adopted or retained such measures in the absence of serious payments difficulties.

The system of settling balances on a multilateral basis and of transferring currencies freely within the structure of the Payments Union was intended to make it possible for EPU members to conduct trade with each other without applying quantitative restrictions and without discrimination, only within the limits they had agreed upon to free their mutual trade from restrictions. Commodities that were freed from restrictions and that had previously had a limited market or no market

[16] See the section in ch. 3 on quantitative restrictions for balance-of-payments reasons.

306549—54——10

at all were now to be given access to a "single market," that is, the whole trade area covered by EPU. The amount of trade to be liberalized was fixed as a specified percentage (based on 1948 values) of each member's imports on private account. At the beginning of EPU operations in 1950, 60 percent was agreed upon as the percentage of private trade that would be freed from such restrictions; during the first year the figure was increased to 75 percent. Import quotas accounted for most of the quantitative restrictions to be eliminated.

As of July 1, 1953 (after the close of EPU's third year of operations), member countries of EPU could be classified in three groups according to the percentage of their private trade with EPU that was reported as free from quantitative import restrictions based on 1948 values.[17]

The first group consisted of EPU creditors that had freed from quantitative restrictions more than 75 percent of their private import trade with EPU. These EPU creditors were Belgium-Luxembourg (87.2 percent), the Federal Republic of Germany (90.1 percent), Italy (99.7 percent), Portugal (92.4 percent), the Netherlands (92.3 percent), Sweden (91.4 percent), and Switzerland (91.4 percent). In 1952 these seven accounted for 52 percent of total intra-EPU trade.

The second group consisted of those countries that were debtors in EPU and that had a liberalization of about 75 percent—Denmark, Ireland, and Norway. These countries accounted for 11 percent of total intra-EPU trade in 1952.

In the third group were those members—also in a deficit position with EPU—that either had no trade liberalization at all or, like the United Kingdom, had less than 75 percent liberalization. The United Kingdom, the only country in the latter category, had increased its trade liberalization from 45 percent in 1952 to 58 percent in March 1953. The countries with no liberalization on July 1, 1953, were Austria, France, Greece, Iceland, and Turkey. All of these countries except Greece, however, had liberalized their trade to a considerable extent during the early period of EPU, but had later withdrawn the liberalization measures. Shortly before July 1, 1953, Greece removed quantitative restrictions on approximately 90 percent of its imports from EPU sources, but this step was regarded as experimental and the OEEC was not officially notified of it. Austria likewise announced liberalization measures affecting about 35 percent of its private EPU imports (based on 1952 values), but these measures did not become effective until after July 1. The United Kingdom alone accounted for 20 percent of total intra-EPU trade in 1952, and the other five countries in this group, for 17 percent.

The willingness or ability of an EPU member to free its trade with other members increasingly from quantitative restrictions depends on a

[17] Except Germany, for which the basis of calculation is 1949, and Austria, for which it is 1952.

number of conditions. Countries in a creditor position with EPU are naturally in a better position to remove such restrictions than debtors are, since the creditor countries wish to encourage imports, particularly if they are beyond their quotas or are approaching the limit of automatic settlement established by their quotas. Instead of liberalizing their imports still further—particularly if they have already achieved a high degree of liberalization—creditors may seek to decrease their surpluses by taking internal measures to discourage exports. The principal inducement to reduce surpluses is that they are entitled to receive a larger proportion of their settlement in gold or dollars when they are within their quotas.

On June 30, 1953, Belgium-Luxembourg, Germany, the Netherlands, and Switzerland were all beyond-quota creditors; creditor countries still within their quotas on that date were Austria and Sweden. With a view to correcting their surpluses with EPU, all these members maintained or even increased the amount of private imports freed from quantitative restrictions. Most of them adopted internal measures (such as more liberal credit policies) to encourage imports and to discourage exports. The increased import restrictions applied by some of the large EPU debtors, such as France and the United Kingdom, were effective in blocking the exports of the creditor countries.

Countries that are in an extreme deficit position with EPU find it difficult to continue freeing their imports from quantitative restrictions unless they (1) take effective internal measures to encourage exports, (2) are in a strong dollar position as a result of an excess of exports over imports in their trade with the dollar area, or (3) receive special United States aid. In 1952–53, France, Greece, and Turkey had deficits in excess of their quotas; countries in a debtor position, but not beyond their quotas, were Denmark, Iceland, Italy, Norway, and the United Kingdom.

Early in 1952, when France was experiencing a rapidly increasing deficit, it withdrew all the measures of trade liberalization which it had earlier applied to imports from EPU countries; it continued to withhold them in 1952–53. However, France also restricted credit and took other internal measures to discourage imports and to stimulate exports. Nevertheless, rearmament, the prosecution of the war in Indochina, and increasing loss of confidence in the currency—together with the resulting speculative activity—placed a burden on the French economy which could not be overcome by the measures taken. Consequently, France has continued to increase its deficits with EPU and has greatly exceeded its quota. The persistence of heavy current deficits with the dollar area has been another strong factor in France's inability to improve its position within the Payments Union.

Greece has sought to improve its extreme deficit position in the Payments Union by anti-inflationary measures, particularly restrictions on credit. Its position has also been made easier by devaluation of the currency, by good crops, and by direct United States aid. These developments enabled Greece, late in the 1952–53 period, to withdraw quantitative restrictions on approximately 90 percent of its imports from the EPU area. Turkey's debtor position also was relieved to some extent by United States aid, as well as by special efforts by Turkey to expand its production and exports. Turkey's controls on imports from EPU countries have remained highly restrictive.

Although Denmark has been a chronic debtor to the Payments Union, it has managed to keep safely within its quota and to increase the percentage of its trade liberalization. A decline in its deficits with the dollar area has helped to ease its position in the Payments Union. Improvement in Norway's balance of payments with the dollar area in 1952–53 likewise helped Norway to finance its deficits with the Payments Union and to increase the percentage of its trade liberalization on EPU goods.

Italy reversed its position with the Payments Union from that of an extreme creditor in 1951–52 to that of a debtor in 1952–53. In 1951, while in a creditor position, Italy removed virtually all its quantitative import restrictions, and, in an effort to encourage imports, also decreed a temporary reduction of almost all customs duties by one-tenth. While these policies were effective in reducing Italy's surplus with the Payments Union, Italy also moved rapidly toward a debit balance as a result of difficulties placed in the way of Italian exports by countries that had withdrawn or greatly reduced their trade-liberalization measures. As Italy's surplus declined, the Council of the OEEC urged other EPU members to adopt policies which would facilitate an increase in their imports from Italy.

The deficit of the United Kingdom with the Payments Union, a deficit which in 1951–52 had been considerably in excess of that country's quota, was brought within the quota in 1952–53. As already mentioned, the United Kingdom had decreased its degree of trade liberalization from 90 percent to about 45 percent in March 1952, when it was in an extreme deficit position with the Payments Union, but increased it to 58 percent in March 1953 as its position improved. A number of other countries in the sterling area also relaxed their import restrictions during 1953. The United Kingdom's position with the Payments Union was also improved by internal measures, including restrictions on credit and the reduction of tourist allowances to travelers abroad.

The Sterling Area

The countries of the sterling area cooperate, through the United Kingdom, in the efforts of the European Payments Union to release trade from quantitative restrictions and to move toward currency convertibility; they also cooperate in the solution of their common problems arising from trade with the United States and other countries outside the Payments Union. The United Kingdom's quota in EPU is used to finance trade between the sterling area (except for Iceland, which has a separate quota) and the continental members of EPU. The sterling area's "dollar" pool, which is controlled from London, is likewise used to finance the area's trade with the dollar countries.

Each independent member of the British Commonwealth formulates its own commercial and trade policies. Through meetings of the Commonwealth finance ministers, however, these policies are coordinated with those adopted by the United Kingdom, which serves as the central clearinghouse for all international transactions in sterling. Early in 1952 the Commonwealth finance ministers agreed that the sterling area as a whole should undertake to achieve an overall balance in its trade with the rest of the world. Each member was to adopt measures to reduce its deficit, including restrictions on imports, and internal measures to safeguard the value of currency. The managing board of OEEC agreed that the United Kingdom was justified in adopting temporary measures to restrict imports, but it also recommended (and the United Kingdom agreed) that all reasonable measures should be taken to increase production, particularly production of commodities for which export markets existed.

Another Commonwealth economic conference was held in December 1952. All of the Commonwealth Governments agreed to continue their efforts to curb inflation. The conference agreed that the level of reserves, although increasing, was still too low to warrant any substantial relaxation of restrictions on imports from countries outside the sterling area.[18] Agreement was also reached on the importance of facilitating and increasing the flow throughout the Commonwealth of investment capital from the United Kingdom, and of making conditions in sterling-area countries more attractive to investments from nonsterling countries, particularly the United States.

The overall balance-of-payments position of the sterling area in 1952–53 showed a considerable improvement over that in 1951–52. For several months before the autumn of 1952 the area had regularly incurred large deficits with the European Payments Union, and its losses of gold and dollars to other parts of the world were barely offset by receipts of United States financial aid. From September 1952 through June 1953 the sterling area regularly had surpluses with EPU, and its gold and dollar reserves increased substantially. The transactions which resulted in

[18] For both the United Kingdom and the outer sterling area, the improvement in their balance-of-payments positions with continental OEEC countries between 1951 and 1952 was achieved by a reduction in imports from these countries, rather than by an expansion of exports; thus a decline in the total volume of trade resulted.

this improvement, however, were unevenly divided between the United Kingdom and the rest of the sterling area. Actually, the United Kingdom had a trade deficit in 1952–53; this deficit was greater in the first half of 1953 than in the last half of 1952. The overall deficit (in trade and invisible transactions combined) of the United Kingdom was likewise larger in the first 6 months of 1953 than in the last 6 months of 1952, chiefly because of a worsening of its balance with other countries of the sterling area. The countries of the outer sterling area, therefore, accounted for the overall improvement in the reserves of the entire sterling area; their gold and dollar reserves increased, and their position vis-a-vis EPU countries changed from a small deficit to a surplus.

Continued direct financial aid from the United States in 1952–53 was an important factor in enabling the sterling area to increase its gold and dollar reserves. To improve their balances with the dollar area, however, the countries of the sterling area continued to depend chiefly on quantitative restrictions on dollar imports, and on internal measures to curb inflation, raise production, and stimulate exports. The United Kingdom's position was improved somewhat by a decline in import prices. Reduced income resulting from a decline in raw-material prices in the countries of the outer sterling area reduced the export earnings of these countries, but this, in turn, reduced the demand for imported goods.

In 1952–53, as in previous years, all the British Commonwealth countries of the outer sterling area continued to impose strict controls on imports payable in dollars, because of their persistent tendency to run deficits with the dollar area. Such improvement as took place in earnings of gold and dollars resulted largely from the continued use of quantitative import restrictions. Early in 1953, as their dollar position improved under these restrictions, some of the countries of the sterling area (for example, India, the Union of South Africa, and Southern Rhodesia) began to relax their restrictions on dollar imports. Other sterling-area countries—Australia, New Zealand, Ceylon, and Pakistan—tightened their quantitative restrictions on imports from the dollar area in order either to conserve their small dollar balances, or to build them up still further before relaxing the restrictions.

All the Commonwealth countries of the outer sterling area, except Southern Rhodesia, also restrict imports payable in sterling. In general, they follow the policy of placing or increasing restrictions on nonsterling imports before applying similar measures to sterling imports, and of relaxing restrictions on sterling imports before relaxing them on dollar and other nonsterling imports.

To a considerable extent, the severe import restrictions placed on dollar imports by countries of the sterling area in 1952–53 represented a reaction from the comparatively liberal treatment of dollar goods in 1950–51 and during much of 1951–52. United States financial aid, combined with heavy United States purchases from sterling countries after the outbreak of the conflict in Korea, had resulted in a sudden and large improvement in the dollar earnings of the sterling countries, thus enabling them to relax their quantitative restrictions on dollar goods. This period of heavy dollar earnings was followed by a sharp decline in dollar income, when prices of raw materials fell and the emergency buying declined.

The countries of the sterling area generally felt that they had gone too far in 1950–52 in removing restrictions on dollar imports, and that their action in 1952–53 in restoring or increasing the restrictive measures was more consistent with the longer run expectations of trade outside the sterling area. The earlier general optimism with respect to the imminent restoration of trade on a multilateral basis under convertible currencies tended to give way to preoccupation with month-to-month or half-year to half-year concern with the immediate balance-of-payments position. Fairly moderate changes were made at frequent intervals in import quotas, licensing, and other trade-control measures, in order to maintain balance-of-payments positions neither so far on the deficit side as to call for a sharp increase in quantitative import restrictions, nor so far on the surplus side as to give rise to demands for relaxation that might, as in 1950–52, bring about too great trade liberalization.

Australia

Largely because of a drastic decline in the price of wool, Australia had a trade-and-payments deficit with the dollar area in the fiscal year ending June 30, 1952, in contrast to a surplus in the preceding year. It financed this deficit partly from its own resources, partly by drawing on the sterling-area dollar pool, and partly by borrowing from the International Bank for Reconstruction and Development. In order to improve its dollar position in 1952–53, Australia in mid-1952 placed increased restrictions on imports of dollar goods and on credit. Beginning in early 1953, Australia relaxed its import restrictions on goods from countries other than Japan and those in the dollar area, thus further increasing the degree of discrimination against dollar goods. The relaxation followed a considerable increase in Australia's sterling reserves, which had been seriously depleted in 1952. The commodities chiefly affected by the relaxation were motor chassis, barbed wire, various chemicals, textiles, certain foodstuffs, office equipment, crude drugs, raw cotton, and crude rubber.

New Zealand

In the calendar year 1952 New Zealand had a net deficit in its balance of payments, in contrast to net surpluses in 1950 and 1951. The deficit with the sterling area increased, and the surplus with the dollar area, EPU, and other parts of the world declined. The general deterioration in New Zealand's balance was due principally to increased sterling imports and a sharp decline in the value of exports of wool and butter to the dollar area. The sharp decline in the price of wool (the major dollar-earning export) was the principal single factor in worsening New Zealand's dollar position.

New Zealand, like Australia, sought to overcome its trade deficit by the strict application of exchange restrictions and other import-control measures. It greatly reduced exchange allocations for private imports payable in sterling and other soft currencies; exchange allocations, however, do not apply to motor vehicles, which are subject to licensing control, from whatever sources they come. Sterling-area imports for which licenses already had been allocated were assured of the necessary exchange. Dollar imports were continued under strict licensing control in 1952 and 1953. Dollar exchange formerly had been granted automatically up to the value of licenses issued on the basis of essential requirements, but under the 1952–53 budget the Government ceased to give assurance that exchange would automatically be provided for licenses issued for imports payable in exchange other than sterling.

For 1953, specified imports from the United States and Canada, all subject to licensing control, were placed on the same quota basis as for 1952, or on a lower one; included were printed books, cash registers, wooden tool handles, sausage casings of animal origin, essential artificers' tools, and engines and service parts for motor vehicles. Licenses for other imports from the United States and Canada were to be granted only for highly essential goods not obtainable from the sterling area or other soft-currency sources.

Application of stricter exchange controls, licensing, and quantitative restrictions was credited with bringing about a considerable improvement in New Zealand's external-payments position in the first 6 months of 1953. Reduced demand subsequent to the heavy imports of 1951–52 was also a factor. Export earnings from wool, meat, and dairy products were higher in 1952–53 than in the previous year.

Ceylon

Ceylon had an overall trade deficit in 1952 (compared with surpluses in 1950 and 1951); this deficit continued into 1953. Although Ceylon had a trade surplus with the United States, this surplus was much smaller in 1952 than in the 2 preceding years. Both the volume and the price of Ceylon's principal dollar-earning exports (chiefly tea, rubber, and coconut products) declined, and purchases from the dollar area increased. In order to correct its adverse balance, Ceylon in August 1952 tightened its controls on imports of a variety of goods, principally from the dollar area and EPU countries. The increased restrictions on dollar imports were applied to enable Ceylon to save dollar exchange for the purchase of increased imports of food items (principally rice)from the United States. For 19 of 197 categories of goods formerly imported from the dollar area without restriction, the open general license was replaced by specific, or individual, licenses. The principal items affected were textiles and luxury articles such as refrigerators, radios, and radio equipment. More stringent exchange-control measures also were introduced.

India

For a number of years, and especially after the worldwide intensification of demand for raw materials resulting from the Korean conflict, India found itself in a strong sellers' market with respect to some of its principal export commodities. In order to prevent domestic scarcities, the Indian Government restricted exportation of a number of commodities, by quotas and licensing, and it prohibited exports of some other commodities. It also placed heavy export taxes on a number of commodities, thus taking advantage of the strong foreign demand as an opportunity to raise revenue. Commodities placed under export control included cotton, cotton waste, cotton piece goods, wool, wool waste, silk waste noils, jute and jute products, kyanite ore, peanuts and peanut oil, cottonseed oil, castor oil, linseed oil, creosote oil, and a number of metal manufactures. As the sellers' market gradually gave way to a buyers' market in 1952–53, India abolished the export duty on some commodities and reduced it on others; it also increased certain export quotas and relaxed some of its export-licensing requirements. These actions appear to have been a factor in reducing India's trade deficit in the second half of 1952 and the first half of 1953.

With reference to imports, India improved its payments position in mid-1952 by tightening its quantitative restrictions on imports. This action affected mainly the United States, which is the principal source of India's imports. Import quotas remained unchanged for most items, but the previous open general license, which permitted imports from any source, was replaced by an open general license for dollar imports and one for soft-currency imports. The purpose of this change was to enable the Government to be more strict with imports from the dollar area than with imports from other areas. For example, about 50 items that could formerly be imported under license from any source could now be imported only from soft-currency sources. The new policy was made operative from July 1, 1952, to March 31, 1953. Another feature of the new policy was that the period of validity of import licenses for certain commodities was reduced from 12 months to 6 months. Some items not previously under license at all were also placed under license, and imports of still others were prohibited. The general policy was to discourage imports of luxury items, particularly from the dollar area, and to prohibit or greatly restrict the importation of commodities that could be produced locally in quantities sufficient to supply domestic requirements. India did, however, permit the importation of a small number of items on the restricted list, in order to stimulate domestic producers to improve the quality of their competitive products.

India's trade balance improved during 1952–53, and import restrictions were relaxed to a considerable extent for the first half of 1953. Some items not previously permitted to enter from hard-currency countries were now allowed to enter under specific quotas; quotas already in existence were increased for some items and left unchanged for others. The policy of reducing import quotas on commodities not considered essential or on those produced by Indian industry was continued.

The United States products affected—first by the tightening of the Indian restrictions, and later by the relaxations—consisted of a wide variety of manufactured goods, such as leather belting, roller bearings, parts for gasoline engines, certain power pumps, parts for radios and typewriters, certain optical goods and other scientific instruments, and various drugs, medicines, chemicals, alloys, and machines.

Pakistan

Pakistan's difficulties in maintaining a satisfactory balance-of-payments position, as well as the steps it has taken to reduce deficits by stimulating exports and restricting imports, have followed very closely the experience of India. In the first half of 1952 Pakistan had its first overall trade deficit since its separation from India. Its largest individual deficits were those with the sterling area, the dollar area, India, and Japan; it had a surplus with the OEEC countries. As a result of the adverse developments in its balance-of-payments position, Pakistan tightened its exchange controls and import restrictions. It suspended its open general license system, and, after November 23, 1952, required specific licenses for all imports. The principal countries adversely affected by this change were nondollar countries—the United Kingdom, Japan, India, China, and Italy. The principal items for which specific licenses became necessary—items supplied largely by those countries—were cotton piece goods and cotton twist and yarns. These items constituted about one-third of Pakistan's total imports.

Dollar imports were not so widely or so seriously restricted by Pakistan's licensing changes of November 1952 as nondollar imports were. In March 1953, however, Pakistan announced a new import policy that heavily curtailed imports from the dollar area. Goods the importation of which was prohibited from the dollar area included such important items as new automobiles and station wagons, motorcycles, radios and parts, household refrigerators, unmanufactured tobacco, and certain types of oil engines. Items that could be imported from the dollar area under license included a number of iron and steel construction materials, certain tools, chemicals, metals, drugs and medicines, dyes, electrical apparatus, office machines, bearings, machinery, oils, and tires and tubes.

Union of South Africa

The Union of South Africa had deficits in its balance of payments beginning about the middle of 1951 and continuing into 1953. The Union Government had greatly relaxed its import controls early in 1951 to enable importers to build up stocks of commodities that were becoming scarce as a result of the uncertain international situation. The resulting large increase in imports created current foreign-payments obligations that were considerably greater than the combined proceeds from exports of merchandise and gold, the inflow of investment capital (mainly from the sterling area, the United States, and Switzerland), and drawings under loans from the International Bank and under revolving dollar credits.

Since the Union of South Africa regarded the relaxation of import controls in 1951 as the principal reason for its growing deficits, in 1952 it began to restrict imports by restoring some of the controls previously relaxed and by applying new ones. Quotas for the importation of industrial raw materials and maintenance parts were established at 75 percent of the respective import quotas for 1951; the new quotas became effective about the middle of 1952, for the remainder of the year, and later were extended with some modification into 1953. The Government did, however, leave the way open to consider requests for additional quotas under exceptional circumstances. Quotas were also established for imports of consumers' goods during 1953. These included allocations for imports of consumers' goods at 45 percent of the value of such imports in 1948; allocations amounting to 30 of this 45 percent had already been issued to importers by March 1953. Of the remaining 15 percent, imports of one-third were allowed under general permits valid for purchases from any source, and imports of the remaining two-thirds, under permits valid only for purchases from soft-currency areas. Provision was made to enable importers to increase their purchases under the quota system by taking advantage of certain permit-conversion schemes.

The principal consumers' goods affected by the more restrictive import policy were textiles and wearing apparel. Under the import-license relaxations of early 1951, licenses were issued freely for imports of any quantity of piece goods from any source. In February 1952 the free-import privilege was withdrawn for piece goods from the dollar area, and from then on piece goods could be imported from the dollar area only with exchange allocated to importers for consumers' goods. Early in 1953 the Union of South Africa eased the restrictions on imports of piece goods from the dollar area by making it possible for importers to increase imports from this area by 10 percent of their total imports of these goods in 1948. Domestic price ceilings on piece goods and a number of other consumers' goods had already been lifted in July 1952. In October 1953 the Union of South Africa announced that at the beginning of 1954 it would abolish discrimination against goods imported from the dollar area.

Southern Rhodesia

In 1947 Southern Rhodesia applied controls to imports from the dollar area, and, in 1951, to imports from all other sources except the sterling area. These steps were taken to correct a strong tendency toward deficits in its dollar and other nonsterling trade. The allocation of exchange for dollar imports was slightly greater in 1952 than in 1951, and again greater in 1953 than it was in 1952. The allocation of nonsterling, nondollar exchange, on the other hand, was considerably smaller in 1953 than in 1952. The dollar allocations were made principally for the purchase of petroleum, fibers, minerals, metals and manufactures, oils and paints, drugs and chemicals, tires, timber, paper, dental and optical instruments, and foodstuffs.

Other Nondollar Countries

The nondollar countries (other than those in the European Payments Union and the sterling area) with which the United States had trade agreements on June 30, 1953, were Argentina, Iran, Paraguay, and Uruguay (all parties to bilateral agreements), and Brazil, Chile, Indonesia, Finland, and Peru (all contracting parties to the General Agreement on Tariffs and Trade). All of these 9 countries except Finland operate multiple-exchange-rate systems as an important element in their control of trade,[19] and all except Argentina are members of the International Monetary Fund.

The use of multiple exchange rates as a method of trade control is more characteristic of Latin American countries than it is of other countries of the world. A similar practice—the use of currency-retention quotas—has been employed in recent years by a number of European countries, but this practice has been much less important in the trade-control systems of European countries than multiple exchange rates have been in numerous Latin American countries.

Argentina

Argentina maintains three different rates at which exchange is sold: A low fixed rate (5 pesos per United States dollar) for "preferred" imports, including coal, coke, fuel oil, and crude petroleum; an intermediate fixed rate (7.50 pesos per dollar) for essential imports; and a fluctuating free-market rate (13.95 pesos per dollar) for nonessential and luxury imports, invisibles, and capital. Exchange licenses are required for all imports, and individual quotas are established for certain essential im-

[19] All references to exchange rates in this section of the report are based on the International Monetary Fund's *Fourth Annual Report on Exchange Restrictions* (Washington, 1953). Unless otherwise noted, the rates are as of December 31, 1952.

ports. Possession of an exchange license entitles the holder to purchase the necessary foreign exchange. There are four types of exchange licenses. Only those issued for the importation of commodities considered most essential to the Argentine economy carry an immediate right to foreign exchange. The other types apply to (1) "open account" imports, which may be paid for through the free market when and if exchange conditions permit; (2) imports for which payment is made on a deferred-payment (long-term credit) basis; and (3) imports that are permitted "without use of exchange"—that is, by licenses to be used when applicants have private funds abroad with which to make payment.

On the buying side Argentina maintains 6 effective exchange rates—3 fixed rates, a fluctuating free-market rate, and 2 "mixing" rates that result from a combination of fixed and fluctuating rates. The 2 mixing rates and 1 of the fixed rates were introduced in 1952, thus adding to the complexity of Argentina's multiple-exchange-rate system. The lowest rate (5 pesos per dollar) is paid for currencies, other than United States dollars and sterling, obtained for exports of such products as wool,[20] raw sheepskins, grains, fresh and frozen meats, hides, and mineral products. A more advantageous rate (6.25 pesos per dollar) is paid for United States dollars or sterling obtained from exports of wool and raw sheepskins; this new fixed rate was added in 1952. For foreign-currency proceeds from so-called minor exports, 3 different rates are provided: 7.50 pesos per dollar for certain processed meats, tanned leather, and designated manufactures; 10.08 pesos per dollar for cheese, butter, casein, and quebracho; and 10.73 pesos per dollar for salted and cured beef. The 10.08 and 10.73 rates, which are the "mixing" rates added in 1952, result from paying the 7.50 rate for part of the proceeds and the free-market rate (13.95 pesos per dollar) for the other part. The free-market rate itself is paid for proceeds from so-called marginal exports, including such items as woolen and leather manufactures, crushed bone and bonemeal, eggs, preserved fruits, and certain processed meats; invisibles and capital are also in this category. Some exports are controlled to insure that domestic requirements will be satisfied.

The frequent changes in the rates at which the Argentine Government permits the purchase of foreign-currency proceeds are nearly always made for the purpose of stimulating exports. Thus proceeds from exports of greasy and washed wool, proceeds which formerly had to be surrendered at the rate of 5 pesos per United States dollar, were assigned an effective rate of 6.25 pesos per dollar (resulting from mixing the 5-peso rate with the 7.5-peso rate then in effect). The 6.25-peso rate was established in March 1952 in order to stimulate the exportation of the accumulated wool clip of about 200,000 tons. The new rate at first applied only to

[20] In February 1953 (see discussion in next paragraph) this rate was changed to 6.25 pesos per dollar for proceeds from exports of wool in all currencies.

United States dollar and sterling proceeds from sales of wool. In February 1953, in a further effort to move the still-unsold wool stocks, the new rate was applied to proceeds in all currencies. The 6.25-peso rate represented a 20-percent devaluation of the former rate (or a 25-percent increase in peso proceeds) on wool exports. Similar devaluations were reflected in the new rates established in 1952 for exports of meat, packinghouse byproducts, tanning materials, and certain other products.

Brazil

At the end of 1952 Brazil's exchange-rate structure was substantially the same as it had been a year earlier. In January 1953, however, some important changes were made. Brazil's exchange-rate system has been simpler than those of Argentina and most other Latin American countries. As of December 31, 1952, Brazil had no free rate. It had one fixed buying rate (18.38 cruzeiros per United States dollar) for all incoming exchange, but multiple exchange rates resulted from the requirement that 20 percent of the export proceeds be invested in negotiable treasury bills. On the selling side, a rate of 18.72 cruzeiros per dollar was in effect for service of the foreign public debt and for imports of specified essential foodstuffs, fuels, petroleum, lubricants, newsprint, and book paper. All other payments were made at the above-mentioned rate plus an 8-percent tax (increased from 5 percent in June 1951), or an effective selling rate of about 20.22 cruzeiros per dollar.

In January 1953 (effective in February), Brazil established a free-market rate for most capital and invisible transactions and for some trade transactions.[21] Under certain conditions, exchange proceeds were exempted from the requirement that they be surrendered, and thus they could be sold on the free market. Exchange transactions in the free market were exempted from the 8-percent exchange tax, but not from the 20-percent compulsory-investment requirement. All free-market transactions were exempted from exchange licensing, but both exports and imports continued to be subject to licensing. The value of the cruzeiro in relation to the United States dollar was 37.50 cruzeiros per dollar when the free rate was established. By the end of March 1953 the value had declined to 47 per dollar, but later in the year it increased to approximately 40 per dollar.

For some months before the new legislation was adopted, Brazil had been very short of foreign exchange—not only dollars, but sterling and other currencies. Exports were overpriced (at the fixed buying rate of 18.38 cruzeiros per dollar) and therefore could not be readily sold in the world market. Import requirements (at the low official-exchange selling rate of 18.72 cruzeiros per dollar) for such highly essential dollar commodities as petroleum, wheat, and industrial raw materials remained

[21] Trade transactions were removed from the free market late in 1953.

high. The devaluation of the cruzeiro, which was certain to be reflected in the free-market rate, was intended, among other things, to stimulate exports. Imports, which would be more costly under the free-market rates, also remained subject to the stringent import controls already employed.

For licensing purposes, Brazilian imports fall into several categories. A high priority exists for the granting of import licenses for commodities that are regarded as essential to the domestic economy and that are regularly required. Special licensing requirements are imposed for imports of wheat, fuel, and newsprint. Less essential imports have a lower priority in the licensing system. Before 1953, various imports were permitted under barter, or private compensation, agreements, but under the law of January 1953 the licensing of exports and imports on a barter basis was no longer permitted.

Proceeds from exports, part of which proceeds could be sold in the newly established free exchange market, included those from the sale of cotton yarns, cotton piece goods, brazil nuts, Amazon woods, raw or tanned hides and skins, bananas and other fruits, and numerous other commodities. Proceeds from the exportation of coffee, which is by far Brazil's principal export commodity, could be sold at the official rate, in accordance with a requirement in the new legislation. This requirement was, in general, that proceeds from products constituting more than 4 percent of the total value of exports during the preceding 3 years were not to be sold in the free market.

The list of essential commodities that could be licensed for importation at the official exchange rate of 18.72 cruzeiros per dollar, as announced soon after the free market was established, was much smaller than it had formerly been. It included fuels, essential foodstuffs, drugs, miscellaneous raw materials, fertilizers, agricultural machinery, electrical equipment, cement, newsprint, books, periodicals, scientific and laboratory equipment, iron and steel products, and certain other industrial equipment. The new list excluded most automotive vehicles and parts and accessories, and various types of machinery; these became importable at the free rate. Furthermore, the total annual value of imports that could be licensed for payment at the official rate was reduced by more than half, compared with the value of imports in either 1951 or 1952. In March 1953 Brazil suspended the acceptance of new import-license applications, pending the introduction of a new licensing system on July 1.

Chile

At the end of 1952 Chile's highly complicated multiple-exchange-rate system consisted of 12 buying rates and 8 selling rates.[22] The 12 rates

[22] For a discussion of Chile's exchange rates as of December 31, 1951, see *Operation of the Trade Agreements Program* (fifth report), ch. 6.

that applied to proceeds from exports of goods and services consisted of 5 fixed official rates, 2 free-market rates, 3 "mixing" rates (resulting from a combination of fixed and free rates), and 2 special rates resulting from arrangements whereby proceeds from exports of wine and newly mined gold could be used only for the purchase of specified luxury imports. The 8 selling rates consisted of 4 fixed official rates, 2 free-market rates, and 2 rates at which the proceeds from exports of wine and newly mined gold could be used for purchasing the specified luxury imports mentioned above.

Chile relies heavily on preferential exchange rates to stimulate certain export commodities, to penalize certain imports, and to encourage certain other imports. The lowest fixed buying rate (19.37 pesos per United States dollar) is for proceeds from exports of copper and iron—commodities that are usually marketed abroad without difficulty. Higher rates (about 50 pesos per dollar) are paid for proceeds from exports of hides, skins, and wool, and—for the first half of 1952—of nitrate and iodine. A still higher rate (60 pesos per dollar) is paid for proceeds from exports of certain agricultural products, and of nitrate and iodine (second half of 1952). Proceeds from exports of beans and lentils are accorded still higher rates. On the buying side, the free rates consist of a banking free-market rate of 118 pesos per dollar (applicable to proceeds from medium and small mining, agricultural, and industrial exports, and from crude petroleum and private capital) and a nonbanking free-market rate (applicable to travel receipts). Proceeds from exports of wine are sold at 138 pesos per dollar (the banking free-market rate plus 20 pesos per dollar), and proceeds from exports of newly mined gold are sold at a fluctuating gold-market rate (155 pesos per dollar on December 31, 1952, compared with 135 pesos per dollar a year earlier).

The selling rates start at 31.10 pesos per United States dollar (compared with the lowest buying rate of 19.37 pesos per dollar) for imports of drugs, sugar, newsprint, and tallow, for certain invisible foreign-trade transactions, and for certain Government imports. The rate for imports of raw cotton and a few other commodities is 43.10 pesos per dollar; that for imports of wheat, rice, gasoline, ships, and certain other items and invisibles is 50.10 pesos per dollar. The other fixed official rate, 60.10 pesos per dollar, is for imports of a variety of items, including crude oil, tea, antibiotics, kerosene, rubber, jute, and industrial and agricultural machinery. The banking free-market rate—118 pesos per dollar, the same as the buying rate—is for imports of machines and tools, chemical products, and some other products, and for profits and dividends on foreign capital. The nonbanking free-market rate of 128.50 pesos per dollar—for travel expenses—is the same as the buying rate for travel receipts. Commodities that may be imported at the rate of 138 pesos per dollar, which is paid for proceeds from exports of wine, and those that may be imported at the rate of 155 pesos per dollar, which is paid for exports of newly mined gold, consist of certain specified luxury goods. The items officially listed for the second half of 1952 (later extended to December 31, 1953) that could be imported with proceeds from exports of wine ("wine dollars") included certain fabrics and articles of clothing and certain table and crystal ware. Those that could be imported with proceeds from exports of gold ("gold dollars") included a wide range of luxury items, such as automobile accessories and parts, household refrigerators, liquors, and watches.

Besides the trade controls inherent in its multiple-exchange-rate system, Chile maintains quantitative restrictions on imports and exports. These restrictions, like the exchange rates, are modified in response to changes in Chile's balance-of-payments position. Chile has had serious balance-of-payments problems for several years, not only with respect to dollars but also with respect to other currencies; restrictions on dollar imports have been particularly stringent. All imports are subject to licensing, and imports of certain luxury goods and of goods of a type produced in Chile are prohibited. Import quotas are fixed on the basis of available exchange of various kinds. All exports except copper, iron, nitrate, and iodine are subject to license; the exportation of some commodities is prohibited. The items subject to import and export restrictions are frequently shifted from one category to another in the official control lists.

Chile also levies a "duty surcharge" for computing import duties, warehousing fees, loading and unloading charges, and other charges connected with importing goods into the country. This surcharge is designed to compensate for the disparity in value between gold pesos, in which customs duties are stated, and paper pesos, in which the duties are actually collected. Early in 1953 the surcharge was about 2,400 percent of the duties and other charges as stated in terms of gold pesos.

In recent years there have been numerous proposals to eliminate the multiple-exchange-rate structure and to adopt a single flexible rate of exchange that would equalize internal and external prices. Adoption of any such proposals would make it necessary for Chile to rely more heavily than it now does on quantitative restrictions as long as its balance-of-payments position remains seriously on the deficit side.

Paraguay

Paraguay has had serious external-payments problems for several years and has made frequent changes in its rates of exchange, in its multiple-exchange-rate system, and in its quantitative trade controls. In March 1951 the guarani was devalued from 3.09 to 6 per United States dollar, and 2 official fixed exchange rates were established to replace the 4 previously in use. A fluctuating free-market rate—applicable to

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transactions not covered by either of the official rates—also was established. Because of a severe dollar shortage, however, the Bank of Paraguay found it impossible to maintain this free-market rate. During the first half of 1952 it became increasingly difficult for traders to obtain dollars and other currencies in exchange for guaranies.

During this period the International Monetary Fund made recommendations for relieving Paraguay's dollar shortage. Effective August 1, 1952, the Government of Paraguay extensively revised its exchange-control system, and before the end of the year made additional changes in it. The revised multiple-exchange-rate system announced for 1953 consisted, on the buying side, of a single rate of 15 guaranies per United States dollar for all exports and registered capital, and a controlled free-market rate of 49 guaranies per dollar for invisibles and nonregistered capital. The selling rates were as follows: (1) 15 guaranies per dollar for imports "absolutely essential" for farming, livestock raising, manufacturing industries, public health, and Government imports and transactions (group I); (2) 21 guaranies per dollar (15 guaranies plus a 40-percent surcharge) for essential imports other than those classified in group I (group II); (3) 30 guaranies per dollar (15 guaranies plus a 100-percent surcharge) for semiessential imports (group III); (4) 30 guaranies per dollar (15 guaranies plus a 100-percent surcharge) plus an additional (fluctuating) auction surcharge for nonessentials and luxuries (group IV).[23] Group IV—a new classification—replaced a list of prohibited imports which was eliminated by the new legislation. Automobiles were on the prohibited list from 1950 to 1952, but under the new regulations, their importation on a limited scale was authorized, beginning about the middle of 1953.

An exchange "contract," which is in effect an import and exchange license, is required before imports may enter Paraguay. Likewise, to insure the return of exchange proceeds to the Central Bank, an exchange "contract" is required for all exports.

Certain Paraguayan export products are subject to export taxes based on arbitrary valuations established by the Central Bank and adjusted periodically to conform to current prices in world markets. A list issued in August 1952 included salted cattle hides (with an export tax of 9 percent); quebracho extract (13 percent); and processed animal hair and certain wild-animal skins and furs (20 percent). Paraguay also employs export subsidies, which are established in the same manner as the export taxes. A list issued in August 1952 included subsidies ranging from 18 to 21 percent (on certain oils) to 60 percent (on tobacco and on

[23] Under the auction system, which was discontinued in 1949 and reintroduced at the beginning of 1953 for group IV imports, the Central Bank grants available exchange for these imports to the highest bidder. Under the previous auction system the auction premium usually amounted to about 10 percent.

railway crossties). Under the Paraguayan system, any changes in valuations, taxes, or subsidies to conform to current international market prices raise or lower the effective exchange rates applicable to these commodities.

Peru

Peru maintains no official rate of exchange, but has two fluctuating exchange rates. The first—an exchange-certificate rate for buying and selling certificates of foreign currency, issued by the Central Reserve Bank of Peru—applies to most exports and imports; the second—a free-market rate—applies to other trade and most nontrade transactions. Under a decree of January 31, 1951, any foreign goods may be imported without discrimination (with occasional exceptions); no licenses are required and there are no other restrictions on payments for imports. All exports require licenses, and foreign exchange derived from exports must be converted in whole or in part into exchange certificates. Payment for exports is authorized only in United States dollars, pounds sterling, French francs, and Argentine pesos. In May 1953 the Peruvian Government decreed an additional import tax of 50 percent ad valorem on more than 800 items that were considered nonessential. This step, which was taken to correct Peru's adverse balance of payments and to strengthen the exchange rate, was soon abandoned as unnecessary because of the success of other measures to check the drain on foreign-exchange reserves. Peru's balance-of-payments position also was improved by increased investment of foreign capital and by an increase in exports.

Uruguay

In recent years developments in the trade restrictions maintained by Uruguay have been of special interest to the United States because of the way in which Uruguayan exchange controls have been applied to exports of wool. The general situation with respect to trade and trade controls in Uruguay was very much disturbed in 1951–52, but in 1952–53 it became stabilized and showed little change.

To control its export and import trade, Uruguay relies mainly on a complicated multiple-exchange-rate system. There are 3 fixed buying rates: the 2 lowest rates apply to the proceeds from the sale of commodities that can be readily disposed of abroad (such as wool, wheat, hides and skins, and meat and other packinghouse products), and the highest rate applies to the proceeds of less readily marketable products (woolen manufactures, leather, shoes, and other manufactured products). Likewise, there are 3 fixed selling rates: a low rate for Government payments and for imports of newsprint, inks, cardboard matrix, and seed potatoes; an intermediate rate for essential imports; and a higher rate for nonessential and luxury imports. In addition, a fluctuating free-market rate applies to invisibles and capital for both buying and selling.

These multiple rates are operated in connection with exchange quotas for various currencies and for various categories of imports. Licenses are required for all exports, and for virtually all imports. Global exchange quotas are established for the various currencies, according to their availability; these quotas are allocated to importers, and import licenses are issued up to the limit of their respective quotas.

During recent years exports of wool to the United States have been Uruguay's greatest single source of dollar exchange, and the relaxation or intensification of Uruguay's import restrictions has followed very closely any notable change in the amount of exchange derived from exports of wool. Exports of raw wool have long been subject to the lowest (basic) rate of 1.519 pesos to the dollar. Wool tops, however, have been granted rates considerably above the basic rate ever since Uruguay began to increase its combing capacity. The resulting advantageous differential rate on wool tops had the result, as intended, of greatly increasing Uruguay's exports of wool tops, and of reducing exports of raw wool. The rate applicable to wool tops was 2.35 pesos to the dollar (55 percent higher than the basic rate) from October 1949 to April 1952, when it was suspended temporarily to permit a study of the equitableness of the rate. In April 1952 the Uruguayan Government also temporarily suspended the exportation of wool tops, and all imports from dollar areas. The suspension of dollar imports reflected Uruguay's difficult dollar-exchange situation. Also faced with a decline in its sterling reserves, Uruguay undertook to meet the situation by returning to the system of prior import permits. These prior permits replaced a system of sworn declarations for imports from all countries; under this system imports of essential goods had been permitted from the sterling area without restrictions.

In May 1952 the rate on wool tops was lowered from 2.35 to 2.15 pesos to the dollar and exports of tops to the United States were resumed; imports from the dollar area also were resumed. During 1952–53 Uruguay's economic position improved. Exports of wool increased, but the main outlet was the United Kingdom instead of the United States; the latter had been the chief outlet in previous years. The United States continued to be the most important supplier of Uruguay's imports.

Finland, Indonesia, and Iran

Finland, Indonesia, and Iran cannot be classified in any of the major groups of countries discussed in this chapter, all of which operate more or less on a common-currency basis within each group. The balance-of-payments problems of these three countries are quite similar to those of the other nondollar countries discussed in this section. Their methods of handling these problems are also quite similar, especially those of Indonesia and Iran. Finland and Indonesia are contracting parties to the General Agreement on Tariffs and Trade, and Iran is a party to a bilateral trade agreement with the United States. Finland and Iran are members of the International Monetary Fund. Indonesia applied for membership in the Fund, and its application was approved in September 1952, but as of September 1953 it had not joined the Fund. Finland has a single rate of exchange; Indonesia and Iran both operate multiple-exchange-rate systems. Finland's economy and trade have been greatly influenced by its relations with the Soviet Union, particularly because of the heavy reparations payments Finland was obliged to make to the Soviet Union after World War II. Indonesia has experienced special problems in connection with its political separation from the Netherlands. Difficulties associated with the expropriation of British oil properties in Iran, as well as internal political disturbances, have created special problems in Iran's foreign-trade relations.

Finland's balance-of-payments difficulties center on the East-West division of its foreign trade. Finland exports heavily to the Soviet Union and other markets in Eastern Europe, but is unable to obtain suitable imports from these sources. On the other hand, it lacks the foreign exchange to import commodities that could be supplied from Western Europe, particularly by Norway, Sweden, Western Germany, and France. Finland's dollar earnings have always been small relative to its import requirements, and have been used largely for purchases of coffee. Finland's economic difficulties became increasingly serious in 1952–53 because of the severe decline in export prices of forest products; these products alone account for as much as 90 percent of Finland's total exports.

For balance-of-payments reasons, Finland restricts imports by subjecting all imports to licensing. Licenses are allocated mainly on the basis of the past import experience of individual importers. Licenses are also required for all exports, and foreign exchange derived from exports must be surrendered to the authorities. Finland has numerous trade-and-payments agreements, and export licensing is necessary to assure that exports conform to the terms of these agreements. Finland formerly granted preferential import rights to exporters receiving United States dollars or free Swiss francs; however, this type of currency-retention transaction was abolished at the end of 1952.

Indonesia's multiple-exchange-rate system—and the categories of imports to which the various rates apply—was modified considerably in 1952 and again early in 1953. Under legislation of January 1953, five categories of imports were established. Four different rates of exchange apply to four of these categories; the fifth category consists of luxury goods for which exchange is not made available, except under special circumstances. The rates are as follows (in rupiah per United States dollar): 11.40, for essential imports; 15.20 (official rate increased by 33⅓ percent), for less essential imports; 22.80 (official rate increased by 100 percent), for other less essential imports; and 34.20 (official rate increased by 200 percent), for semiluxury imports. The percentages of 33⅓, 100, and 200 added to the official rate for the second, third, and fourth categories of imports represent "inducement" certificates, that is, a sales tax levied on imports and given as inducements to exporters of certain marginal exports.

Import licenses, required for all permissible imports, are issued only when proof is submitted that advance arrangements have been made for the necessary exchange. As its external-payments position improved early in 1953, Indonesia liberalized the issuance of import permits, but in May of that year the foreign-exchange expenditures for imports were again reduced.

On December 31, 1952, the buying rate for foreign exchange in Indonesia consisted of an official rate of 11.355 rupiah per United States dollar, applicable to proceeds in nondollar exchange, and an effective rate of 11.53 rupiah per dollar, applicable to proceeds in dollar exchange. The rate of 11.53 rupiah is the official buying rate plus 70 percent of a "dollar export certificate" of 0.25 rupiah per dollar. This premium, amounting to 0.175 rupiah per dollar, is paid to sellers of dollars (both Canadian and United States), and represents an inducement to earn dollar exchange. All exports are subject to license. Some exports are prohibited (for example, rice) as emergency measures to conserve domestic supplies.

During the first half of 1953, the Iranian Government was reported to be considering some fundamental changes in its foreign-exchange system. However, it still continued to operate the system of multiple exchange rates as they existed at the end of 1952. Iran's import restrictions had been made more rigid at the end of 1951, mainly through changes in effective exchange rates on imports, subsequent to loss of income from exports of petroleum after the nationalization of the oil industry. On December 31, 1952, the multiple-exchange-rate system consisted of an official buying rate of 32 rials per United States dollar, and an official selling rate of 32.50; there was also a special buying rate of 41 rials per dollar applicable to dollar invisibles and capital earnings. The official buying rates were applicable only to invisibles, and the official selling rates, to nontrade transactions (Government payments, etc.).

Imports into Iran fall into two classes, essential and less essential, but there is very little difference in the rates applicable to these categories. The effective rate for essential imports is 86.75 rials per United States dollar; that for less essential imports, 87.25 rials. These rates represent the official selling rate plus a fluctuating exchange-certificate rate. Likewise, there are two classes of exports: nonpriority exports, which the Government does not seek to stimulate by any special exchange inducement, with an effective rate of approximately 83.54 rials per dollar (the official rate plus a fluctuating certificate rate); and priority exports, which the Government seeks to encourage, with an effective rate of 84.01 rials per dollar (the official rate plus a fluctuating certificate rate). The certificate rate arises from the fact that exporters are required to surrender their proceeds from exports; for these they receive rials at the official rate, plus an exchange certificate equivalent in value to 95 percent of the surrendered exchange. The exchange certificate can then be sold to importers.

Both classes of permissible imports (essential and less essential) may be imported freely once the exchange requirements have been met. There are frequent changes in the lists of goods that can be imported at the different rates of exchange, or for which proceeds from different classes of exports may be used. Importation of a large number of commodities is prohibited. The exportation of some commodities is also prohibited.

Dollar Countries

On June 30, 1953, the United States had trade agreements with 10 countries that operate on the basis of "dollar" (freely convertible) exchange, and exercise relatively little quantitative control over their trade with other countries. The dollar countries with which the United States has obligations under the General Agreement on Tariffs and Trade are Canada, Cuba, the Dominican Republic, Haiti, and Nicaragua; those with which the United States has bilateral trade agreements are Ecuador, El Salvador, Guatemala, Honduras, and Venezuela.[24]

In recent years the Latin American countries in the dollar group have been in a position—at least most of the time—to obtain enough dollars in their trade with the United States and Canada to more than meet their requirements for dollar goods. These countries, therefore, have been able to conduct their trade with a minimum of controls on trade and exchange. Such trade controls as they do employ are maintained primarily as emergency measures or for reasons relating to the internal distribution of foreign goods. Some of these countries require the licensing of specified imports for statistical and registration purposes, or to facilitate the internal distribution of goods that are rationed or allocated in some way. Import licensing also may be employed to enable officials to distinguish between imports that are permissible and those that are prohibited. In the absence of exchange problems, exchange controls may be employed to assure official approval for imports from countries with which payments agreements are in force or for imports from countries having exchange controls that affect the trade of the importing country, or to attain similar pur-

[24] Dollar countries with which the United States has no trade agreements are Bolivia, Colombia, Costa Rica, Mexico, Panama, and the Republic of the Philippines. Some countries in the dollar group—for example, Cuba, Ecuador, Nicaragua, and Venezuela—employ multiple exchange rates, but not for balance-of-payments reasons.

poses. Multiple exchange rates may result simply from the application of an exchange tax on the selling rate but not on the buying rate; in such instances the primary objective is revenue. The existence of more than one rate of exchange usually necessitates import licensing for the purely administrative purpose of distinguishing between transactions that are entitled to the various exchange rates. If this is the primary purpose, there is usually no difficulty in obtaining the necessary exchange, once the import permit has been granted.

Canada

Canada is the only British Commonwealth country that is not included in the sterling area. Canada participates with the United States in the work of the Organization for European Economic Cooperation with a view to assisting the members of that organization, through the European Payments Union, to achieve a larger measure of multilateral trade and general currency convertibility. After World War II, Canada itself had serious difficulties in achieving a satisfactory balance-of-payments position with the United States. By 1947 its deficit with the United States had grown so large that Canada imposed severe restrictions on the use of United States dollar exchange and on the licensing of imports from the United States. As its payments position improved, however, Canada relaxed its controls; by the end of 1951 it had removed virtually all of them. Canada still maintains a long list of commodities that are subject to export permit; this list is revised from time to time. Except for a few items, however, export permits are not required for shipments to the United States if the United States is the country of ultimate destination; Europe and the Far East are the areas mainly affected by these restrictions. The purpose of the restrictions is to conserve supplies for domestic use.

Cuba

Cuba requires the licensing of certain imports (for example, wheat and wheat flour, and tires and tubes) for statistical and registration purposes, and requires official approval only for payments to France and Spain in accordance with arrangements with those two countries. Cuba also employs a very limited multiple-exchange-rate system, resulting from the application of a 2-percent exchange tax on all remittances abroad; no corresponding tax is imposed on the purchase of foreign exchange.

Ecuador

Ecuador employs an official rate of exchange for some goods and a free rate for others. Import licensing is required in order to restrict imports to permissible goods—that is, goods in three official classes: essential, semiessential, and luxury. Imports of commodities not listed in these groups are prohibited. Ecuador has no quantitative restrictions on permissible imports.

Nicaragua

Nicaragua maintains no quantitative restrictions or prohibitions on imports. It does, however, employ two official rates of exchange and applies various surcharges to these rates. Imports are classified in three categories—essential, semiessential, and nonessential. A different exchange rate applies to each category, and import licenses are required in order to insure that the proper rate will apply to each category.

Venezuela

Venezuela employs a multiple-exchange-rate system; it also requires import licensing for a few imports and exports. Its exchange-control regulations serve the primary purpose of insuring that the various exchange rates are applied to the goods for which they are intended. The relatively few items subject to prior import licensing are mainly of the kinds produced by domestic industries to which the Government wishes to give protection; for some of these imports, licenses are issued only on condition that the importer purchase quantities of domestic products equal to a specified percentage of the amount to be imported. Venezuela imposes no quantitative import restrictions on goods other than these, and maintains no restrictions on payments.

Dominican Republic, El Salvador, Guatemala, Haiti, and Honduras

The other dollar countries—the Dominican Republic, El Salvador, Guatemala, Haiti, and Honduras—maintain a single rate of exchange. Thus they do not have the same reasons to apply exchange restrictions as the countries have that employ multiple rates of exchange. Some of these five countries, however, maintain exchange control and licensing of imports for other reasons. None imposes quantitative restrictions for balance-of-payments reasons.

The Dominican Republic requires "recommendations to import" for all imports, in order to insure the equitable distribution of goods imported under quotas allocated to it by the supplying countries. Exchange is licensed, but there are no restrictions on payments made abroad or on those received from other countries; the licensing is maintained for statistical purposes. Prior import licenses are required for a few items, but the purpose is administrative.

Guatemala prohibits imports of most printed, lithographed, and silk-screen-process materials except under special authorization, and it requires that importers of beef, mutton, or synthetic tallow must purchase domestic tallow in quantities equal to 20 percent (10 percent before December 2, 1952) of their imports. There is no exchange control.

DEVELOPMENTS IN THE USE OF CURRENCY-RETENTION QUOTAS AND SIMILAR PRACTICES

The Commission's fifth report on the operation of the trade agreements program discussed the system of currency-retention quotas that certain European countries employ to encourage exports.[25] Currency-retention quotas result when a country requires, as a general policy, the surrender to governmental authorities of all but a specified portion of the foreign exchange derived from exports. Under this system, exporters are permitted to use the share of the foreign exchange they retain to purchase imports or, if they so elect, to transfer this privilege to others. If import restrictions are relaxed on goods for which the retained foreign-currency proceeds may be used, the original holder stands to make a profit from the importation of goods that command premium prices in the domestic market; or the profit that he may make from the sale of the retained-exchange proceeds to other importers may make it possible for him to quote lower export prices.

These practices have been criticized on the grounds that they represent a form of selective currency devaluation that operates to the disadvantage of those countries that do not employ similar systems, and that they all possess discriminatory features. There is also a tendency for such practices to be adopted as retaliatory measures, and thus to become increasingly widespread. 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 they are similar to the more widespread and more openly operated multiple-currency practices employed by a number of Latin American countries.

The currency-retention plans used by certain European countries have generally been an exceptional, and not a particularly prominent, feature of their total trade-control systems; the trade affected does not generally exceed 10 percent of the country's total trade, and in most cases is considerably smaller. Furthermore, the premiums paid for the retained currencies have tended to decline as imports of commodities purchased with the retained currencies have increased. Currency-retention quotas have been used primarily to promote exports to the dollar area and other hard-currency areas, but they have also been used to promote exports to soft-currency areas. "Switch" or "shunting" transactions have also resulted from the use of this device; that is, exporters who receive the benefit of currency-retention privileges purchase goods in foreign countries for resale in third countries.

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[25] See *Operation of the Trade Agreements Program* (fifth report), ch. 6. The principal currency-retention systems discussed were those of Austria, Denmark, France, the Federal Republic of Germany, Italy, and the Netherlands.

In May 1953 the executive directors of the International Monetary Fund, which is responsible for maintaining certain standards and procedures with respect to practices that constitute exchange restrictions, multiple-currency practices, or discriminatory currency arrangements, issued a statement based on an examination of the use of currency-retention quotas. The statement declared: "Members should work toward and achieve as soon as feasible the removal of these retention quotas and similar practices, particularly where they lead to abnormal shifts in trade which cause unnecessary damage to other countries. Members should endeavor to replace these practices by more appropriate measures leading to currency convertibility." [26] The executive directors also stated that the Fund would enter into consultation with any member concerned, with a view to developing a program for the removal of retention quotas and similar devices.

As pointed out in the Commission's fifth report on the operation of the trade agreements program, Norway, Finland, Sweden, and Greece have abandoned the use of retention quotas. In May 1953 Austria ceased to use its form of currency retention, known as "linked transactions."

Western European countries that still employed currency-retention quotas or similar devices on December 31, 1952,[27] were Denmark, France, the Federal Republic of Germany, Italy, and the Netherlands; Iceland, Indonesia, and Turkey also continued to operate such devices. Germany abolished its currency-retention system as of July 1, 1953, but announced that it would require until March 31, 1954, to liquidate transactions begun under this system. Denmark and the Netherlands have both indicated their intention of abolishing practices of a similar nature.

After investigating currency-retention quotas and similar systems in all the countries that employ them, the executive board of the Fund concluded that it was not practicable to deal with these practices on a general basis, and that they would have to be considered on an individual basis. It continued, therefore, to discuss these practices with the countries that still maintained them.

MISCELLANEOUS MATTERS REGARDING TRADE-AGREEMENT OBLIGATIONS

Various kinds of problems that arise between contracting parties to the General Agreement on Tariffs and Trade are examined by the Contracting Parties at their periodic sessions. For the period July 1, 1952–June 30, 1953, such problems are discussed in chapter 3 of this report.

[26] The argument had been advanced in some quarters that the facilitation of trade, particularly transit trade, by the use of such special exchange devices as retention quotas helps to restore world trade to the multilateral basis essential for general convertibility.

[27] As reported in the International Monetary Fund's *Fourth Annual Report on Exchange Restrictions* (Washington, 1953).

Problems that arise between the United States and any country with which it has a bilateral trade agreement are, of course, taken up directly between the interested parties. In general, countries have been careful to exempt concession items from the application of new import duties, and most of them have adhered to their obligations regarding the use of other import charges and quantitative import restrictions.

In its previous reports on the operation of the trade agreements program, the Commission reviewed the status of several matters then at issue between the United States and various countries with which it has bilateral trade agreements, including (in its fifth report) matters at issue with Argentina, Guatemala, Paraguay, and Turkey.[28] The matters therein reported as not having been settled with Argentina, Paraguay, and Turkey remained unresolved in 1952–53. In recent years Guatemala has violated its agreement with the United States in a number of instances and, except with respect to an issue involving the classification of certain cheese items, has not discontinued the violations.

Argentina

The failure of Argentina to apply lower rates of duty (as provided in its trade agreement with the United States) 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 both 1947 and 1948. Despite the requests of the United States Government, Argentina has never applied the lower rates of duty prescribed in the 1941 bilateral trade agreement. Only 28 out of 113 schedule I duties would be subject to reduction should Argentina take the action promised in the agreement; most of the items involved are automotive products. The adoption of lower rates on these items, however, would probably be offset by stricter application of Argentina's quantitative import restrictions as long as that country has balance-of-payments difficulties.

Guatemala

Guatemala has failed in several instances to respond to United States Government requests to remove certain restrictions Guatemala placed on the importation of trade-agreement items in contravention of its commitments in the 1936 trade agreement with the United States. For the most part, the products included in Guatemala's schedule of concessions under that agreement have not been subjected to restrictive measures. For several years, however, Guatemala has followed a policy designed to

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[28] Action by Uruguay in applying a new ad valorem tax on concession items, which would have violated its agreement with the United States, was corrected by Uruguay, as reported in the Commission's fourth report.

make the country increasingly self-sufficient. Since it does not maintain exchange controls and does not require import licenses for more than a few commodities, Guatemala relies principally on its tariff and other charges on imports and to some extent on such devices as mixing regulations to carry out its protectionist policy. Article 6 of the trade agreement between the United States and Guatemala provides that Guatemala will not impose "any prohibition, import or customs quotas, import licenses or any other form of quantitative regulation . . . on the importation or sale of any article the growth, produce or manufacture of the United States of America, enumerated and described in Schedule I . . ." (concessions granted by Guatemala). The United States assumed similar obligations with respect to schedule II (concessions granted by the United States).

Since 1949 Guatemala has continued to apply various restrictions to imports of wheat flour, a trade-agreement item. At first Guatemala prohibited the importation of wheat flour, but later (April 1949), after the United States had protested that this action violated the provisions of the trade agreement, it replaced the prohibition by regulations permitting the importation of hard wheat flour if importers purchased a quantity of domestic flour equal to a specified proportion of the quantity of flour imported. The ratio of required purchases of domestic flour to imports of flour has been changed from time to time. In November 1952, for example, the ratio was increased from 50 percent to 70 percent. In May 1953 the ratio was reduced to 50 percent.[29] While these mixing requirements are less restrictive of imports of flour from the United States than a complete prohibition would be, they are nevertheless in conflict with the terms of the trade agreement. Protests by the United States Government against such practices have not thus far resulted in remedial action by Guatemala.

Another instance of Guatemala's use of mixing regulations relates to cotton textiles. In September 1952 Guatemala established restrictions on the importation of certain cotton-textile products (which are trade-agreement items) by requiring importers to purchase similar domestic products in specified proportions to imports. This requirement involves the same kind of violation of article 6 of the trade agreement as the mixing regulation for wheat flour does. Despite United States protests, however, Guatemala had not by June 30, 1953, taken action to correct the violation.

In November 1952 the Guatemalan Congress levied a tax on importers amounting to 6 percent of the total customs duties and surcharges paid by them on all merchandise, except gasoline and lubricants, that they imported into Guatemala. In December 1952 the United States pro-

[29] The ratio was again increased to 70 percent in January 1954.

tested this action as a violation of article 1 of the trade agreement, which provides that all articles grown, produced, or manufactured in the United States and enumerated in Guatemala's schedule of concessions shall be exempt from ordinary customs duties in excess of those set forth in the schedule, and from all other duties, taxes, fees, or charges imposed in connection with such importation. Guatemala does not regard this tax, which it considers essential to its plan for the country's economic development, as a violation of the agreement, since it takes the view that the tax is not on imports as such, but represents a "contribution" from importers for the purpose of improving port facilities. Guatemala, therefore, has refused to accede to the requests of the United States that the tax be removed.

The previously reported violation by Guatemala with respect to certain cheese items appears to have been remedied. In February 1951, Guatemala reclassified "unspecified cheese in unspecified containers" (a trade-agreement item) as "unspecified cheese in closures or containers hermetically sealed." The ruling was protested by the United States because Guatemala's interpretation of the term "hermetically sealed" was felt to be unreasonably broad and because it resulted in an increase in import duties for the cheese covered by Guatemala's concession. A Guatemalan customs ruling of December 21, 1953, evidently nullifies the 1951 ruling, thereby making way for restoration of the customs procedure in force before that date. The ruling states that the term "hermetically sealed" should be restricted to closures made of soldered tinplate or rubberized, waterproof cellophane, sealed in such a manner as not to permit the entrance of air or other gases.

Paraguay

Soon after the bilateral trade agreement between the United States and Paraguay became effective in 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 application of this fee, on the ground that it has increased the effective rates of duty established in the trade agreement for United States products. The Government of Paraguay, however, has taken no corrective action and the matter is still at issue.

Turkey

A longstanding issue between Turkey and the United States relates to a discriminatory tax on imported motion-picture films that was imposed when Turkey was party to a bilateral trade agreement with the United States; Turkey is now a contracting party to the General Agreement. 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 of 25 percent when they exhibit domestic films only. 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. Turkey has not thus far removed the discrimination, but it has expressed an intention to introduce legislation designed to eliminate the discrimination. The issue therefore still remains unresolved.

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