

# EXTENDING RECIPROCAL TRADE AGREEMENT ACT

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## HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FIFTH CONGRESS

FIRST SESSION

ON

### H. J. Res. 96

A JOINT RESOLUTION TO EXTEND THE AUTHORITY  
OF THE PRESIDENT UNDER SECTION 350 OF  
THE TARIFF ACT OF 1930  
AS AMENDED

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#### PART 1

FEBRUARY 10, 1937

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Printed for the use of the Committee on Finance



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# EXTENDING RECIPROCAL TRADE AGREEMENT ACT

WEDNESDAY, FEBRUARY 10, 1937

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
Washington, D. C.

The committee met, pursuant to call, in the committee room, Senate Office Building, at 10 a. m., Senator Pat Harrison (chairman) presiding.

The CHAIRMAN. The committee will come to order. I desire to place in the record a copy of House Joint Resolution 96 and a copy of the Reciprocal Trade Agreement Act, Public, No. 316, Seventy-third Congress.

[H. J. Res. 96, 75th Cong., 1st sess.]

JOINT RESOLUTION To extend the authority of the President under section 350 of the Tariff Act of 1930, as amended

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the period during which the President is authorized to enter into foreign-trade agreements under section 350 of the Tariff Act of 1930, as amended by the Act (Public, Numbered 316, Seventy-third Congress) approved June 12, 1934, is hereby extended for a further period of three years from June 12, 1937.*

Passed the House of Representatives February 9, 1937.

Attest:

SOUTH TRIMBLE,  
Clerk.

[PUBLIC—No. 316—73D CONGRESS]

[H. R. 8687]

AN ACT To amend the Tariff Act of 1930

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Tariff Act of 1930 is amended by adding at the end of title III the following:*

## "PART III--PROMOTION OF FOREIGN TRADE

"Sec. 350. (a) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly hardening and restricting

the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

"(1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and

"(2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder. No proclamation shall be made increasing or decreasing by more than 50 per centum any existing rate of duty or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly, or indirectly: *Provided*, That the President may suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts or policies which in his opinion tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation. The President may at any time terminate any such proclamation in whole or in part.

"(b) Nothing in this section shall be construed to prevent the application, with respect to rates of duty established under this section pursuant to agreements with countries other than Cuba, of the provisions of the treaty of commercial reciprocity concluded between the United States and the Republic of Cuba on December 11, 1902, or to preclude giving effect to an exclusive agreement with Cuba concluded under this section, modifying the existing preferential customs treatment of any article the growth, produce, or manufacture of Cuba: *Provided*, That the duties payable on such an article shall in no case be increased or decreased by more than 50 per centum of the duties now payable thereon.

"(c) As used in this section, the term 'duties and other import restrictions' includes (1) rate and form of import duties and classification of articles, and (2) limitations, prohibitions, charges, and exactions other than duties, imposed on importation or imposed for the regulation of imports."

SEC. 2. (a) Subparagraph (d) of paragraph 369, the last sentence of paragraph 1402, and the provisos to paragraphs 371, 401, 1650, 1687, and 1803 (1) of the Tariff Act of 1930 are repealed. The provisions of sections 336 and 516 (b) of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this Act, or to any provision of any such agreement. The third paragraph of section 311 of the Tariff Act of 1930 shall apply to any agreement concluded pursuant to this Act to the extent only that such agreement assures to the United States a rate of duty on wheat flour produced in the United States which is preferential in respect to the lowest rate of duty imposed by the country with which such agreement has been concluded on like flour produced in any other country; and upon the withdrawal of wheat flour from bonded manufacturing warehouses for exportation to the country with which such agreement has been concluded, there shall be levied, collected, and paid on the imported wheat used, a duty equal to the amount of such assured preference.

(b) Every foreign trade agreement concluded pursuant to this Act shall be subject to termination, upon due notice to the foreign government concerned, at the end of not more than three years from the date on which the agreement comes into force, and, if not then terminated, shall be subject to termination thereafter upon not more than six months' notice.

(c) The authority of the President to enter into foreign trade agreements under section 1 of this Act shall terminate on the expiration of three years from the date of the enactment of this Act.

SEC. 3. Nothing in this Act shall be construed to give any authority to cancel or reduce, in any manner, any of the indebtedness of any foreign country to the United States.

SEC. 4. Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Com-

mission, the Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate.

Approved, June 12, 1934, 9:15 p. m.

I would like to have the clerk read a letter that I have just received from the Secretary of State with reference to the extension of the trade agreement Act.

(The letter is as follows:)

MY DEAR SENATOR HARRISON: May I supplement the statements which will be made before your committee by Assistant Secretary Sayre and others by offering brief comment on the joint resolution now pending, which extends, for another period of 3 years, the President's authority under the Trade Agreements Act of June 12, 1934? So important do I regard the subject matter of this resolution that I cannot let this occasion pass without setting forth my thoughts with respect to it in the light of actual experience since my appearance before your committee, nearly 3 years ago, in connection with your consideration of the original measure.

I urged upon your committee speedy enactment of that measure as a means of enabling our country to bring its influence to bear upon the imperatively pressing task of achieving a removal or at least a reduction of the numberless barriers to international trade which had arisen during the depression. I urged its enactment as an extraordinary method of dealing with extraordinary conditions. I urged it because I was firmly convinced that a vigorous initiative on our part in the field of foreign trade was an indispensable element in the drive which we were then making, on many fronts, to bring about a recovery from the most severe economic depression which our country had ever experienced.

To anyone who looks back on the events of the past few years it should now be perfectly clear what would have been the trend of affairs in the world if the trade-agreements measure had failed of enactment. During the depression trade barriers had risen to unprecedented heights, and, in consequence, international commerce had become drastically curtailed in both volume and value. What remained of the formerly prosperous international trade of the world was being rapidly diverted away from its accustomed channels of economic advantage by the multiplication of preferential and discriminatory commercial arrangements. In the sphere of international economic relations, a war of unheard-of destructiveness was in full progress. And under the impact of these international conflicts, the domestic forces of economic activity were handicapped and impaired.

Under these conditions there were three courses of action open to us. We could have sat back, done nothing, and merely watched our export trade supplanted by the trade of other countries. We could have embarked upon the same type of policy as some of the other nations and engaged in a tooth-and-claw struggle for vanishing trade opportunity. Or we could have made a determined effort to use our influence for the purpose of bringing about a reversal of the then prevalent drift toward suicidal economic nationalism.

We chose the third course. By means of the Trade Agreements Act we announced to the world our determination to put our own house in order as regards the foreign-trade relations of this country. We made clear our desire and our eagerness to place these relations with any country, willing to meet us in the same spirit, upon the peaceful and friendly basis of equality of treatment and mutual advantage.

Experience has already demonstrated that this appeal to the common sense and enlightened self-interest of an economically war-torn world proved to be a call of leadership rather than a voice crying in the wilderness. There is striking evidence, accumulating on every side, that an expansion of international trade, rather than its artificial and arbitrary reduction through the creation of obstructive barriers to its flow, is being increasingly recognized as the road to full recovery and the way of sustained prosperity. The tide in international economic affairs is definitely setting in the direction of economic peace rather than economic war.

I am convinced that, by our policy and our action, we have contributed in no small measure to this happy and wholly beneficial trend. Through the negotiation of 15 reciprocal trade agreements and through other channels of influence open to us we have helped to divert the economic thinking and action of the nations from search for isolation or for narrowly selfish exclusive advantage to a rebuilding of mutually profitable trade based upon friendliness and fair-dealing.

I shall not dwell upon any particular features of the agreements we have negotiated nor on the manner in which the executive branch of the Government has carried out the clear and unequivocal mandate of the Congress in entrusting to

it the task and the responsibility of trade negotiations. Assistant Secretary Sayre and other officials of the Government charged with the duty of carrying on the work involved are prepared to place before you any information in this respect that you may desire.

My main purpose in addressing you today is to reiterate my firm conviction—which I expressed to you 3 years ago and which has become continuously strengthened by the experience of the intervening years—that an expansion of international trade is indispensable to full and balanced economic recovery. Had we chosen not to embark upon the course of action which we have pursued, the kind and degree of recovery which has in the meantime been attained in the United States and elsewhere in the world scarcely would have been possible. We would have been seriously handicapped, in every phase of our broad attack upon the depression, by the spreading destruction of an ever-sharpening international economic war.

Our recovery, broad and comprehensive as it has been, will be neither full nor secure unless we make sure that the task of normalizing international trade relations, which we have thus auspiciously begun, is carried to completion. And it goes without saying that a recrudescence of international economic warfare will spell unimaginable disaster to the whole recovery process.

There is not the slightest doubt that our abandonment of the trade-agreements program at this juncture would mean a resumption of international economic warfare which is now showing such marked signs of abatement. Renewed economic warfare would inevitably mean an intensification of the present-day political tension which is already pushing many nations in the direction of military conflict.

If such a conflict should break out, we shall, of course, do everything humanly possible to make certain that we shall not be involved in war. But even if we escape the doom of actual hostilities, we cannot avoid being hurt by the profound economic upheaval which must inevitably accompany a widespread military conflict anywhere in the world. There is, of course, only one sure way for us to be spared the damage wrought by war, and that is for war not to occur.

There is no more dangerous cause of war than economic distress, and no more potent factor in creating such distress than stagnation and paralysis in the field of international commerce. In the years which lie immediately ahead, an adequate revival of international trade will be the most powerful single force for easing political tensions and averting the danger of war. The most basic interests of our Nation will be betrayed unless we are able to continue, for some time ahead, to pursue the same policy for bringing about such a trade revival as we have so far pursued under the Trade Agreements Act. Neither constructive thought nor actual experience has suggested any alternative method of attaining this vital objective.

The CHAIRMAN. May I say that Secretary Hull says that if we want him here he will be very glad to come. He appeared before the House Ways and Means Committee and all his testimony is in that hearing. Dr. Sayre?

#### STATEMENT OF HON. FRANCIS B. SAYRE, ASSISTANT SECRETARY OF STATE

The CHAIRMAN. Doctor, you have been in close touch, of course, with all these trade agreements and negotiations?

Mr. SAYRE. Yes.

The CHAIRMAN. Have you a statement to read?

Mr. SAYRE. I have, sir.

The CHAIRMAN. Would you prefer that you read the statement before you subject yourself to questions?

Mr. SAYRE. I would suggest doing so, sir, if it is agreeable to the committee.

Three years ago I had the pleasure of appearing before this committee when you were considering the passage of the Trade Agreements Act "for the purpose of expanding foreign markets for the products of the United States." Today Congress is faced with the

question of whether or not the legislation then passed has proved wise and fruitful of results, and whether in the light of the experience of the past 3 years it should be extended for another temporary period. In discussing this question, may I lay before you as simply and objectively as I can, first, the situation confronting Congress in 1934, which the act was designed to remedy; second, the achievements recorded to date as a result of the administration of the act; and, third, the conditions which we confront today in the field of foreign trade.

#### I. THE CONDITIONS IN 1934 WHICH THE TRADE AGREEMENTS ACT WAS DESIGNED TO REMEDY

Because of America's high productive capacity, upon which our standard of living in large part depends, this country normally produces more of certain types of crops and livestock products than can profitably be sold in the domestic market. These surplus products, from the very first days of the Nation, have been marketed abroad. For instance, we are normally dependent upon foreign markets for the sale of more than half of our cotton crop. Similarly, in 1929 we were selling abroad about a fifth of our wheat, two-fifths of our leaf tobacco, a third of our lard, a third of our rice, almost half of our dried fruits.

Unless we can export and sell abroad our surplus production, we must face a violent dislocation of our whole domestic economy. Many of our strongest industries are naturally those in which, because of climate, soil, natural resources, aptitude of labor, mass production possibilities, or otherwise, we can produce better products and sell them more cheaply in the markets of the world than our competitors. These are, generally speaking, the industries or occupations in which American labor can produce most effectively. To cut foreign markets away from them is to cripple our strongest and most rewarding forms of production.

Furthermore, even though the proportion of our total production sold abroad is comparatively small, the prostration of important sections of our economy and the effect of unsalable surpluses on domestic prices may often be disastrous. Contraction of domestic purchasing power and unsold surpluses, which by glutting home markets demoralize the prices received for that part of the output or crop sold at home, spread havoc and cause economic dislocation throughout the industry or occupation. The resulting repercussions are Nation-wide and affect producers who themselves do not sell abroad.

Our national economy has been geared to support millions of workers in occupations which have come to be vitally dependent upon foreign markets. The cutting off of foreign trade means starvation wages and growing unemployment for home industries. It means city dwellers walking the streets, hungry, unable to find work. It means farmers worrying how to pay their bills and prevent mortgage foreclosures, unable to buy the manufactured goods they need and want. Economic dislocation and disaster all along the line.

That is in fact the situation in which we found ourselves during the period following the crash of 1929. The trade highways of the world had become blocked with impossible barriers. Traffic had become choked. International trade fell to a third of its 1929 value.

The United States could not escape the effects of this world-wide shrinkage of international trade. From 1929 to 1933 the value of American exports declined by 68 percent.

Senator BAILEY. How much was the decline in volume? That is, the price.

Mr. SAYRE. I would be glad to have material inserted in the record showing that, sir. Might I suggest that I discuss the matter further after I complete my prepared statement, sir?

Senator BAILEY. That is the test. It is the volume, not the price.

Mr. SAYRE. Both declined, sir, and I shall be glad to have statistics inserted in the record showing that.

Here are the figures as to value. It declined from \$5,157,000,000 to only \$1,647,000,000.

Senator CONNALLY. Was that the figure for the preceding—

Mr. SAYRE. Those were the figures for the years 1929 and 1933, sir. And, as the Senator asks, I shall be glad to have inserted in the record the volume figures. There was a very material decline in both volume and price.

Senator BAILEY. Do you have the volume in the domestic trade so we can compare it?

Mr. SAYRE. You mean the total domestic production?

Senator BAILEY. No; the shrinkage in the volume.

Mr. SAYRE. For those 2 years? I think I can get those figures.

Senator BAILEY. I would like to get them for the whole period. I take it this is the same address that you made to the House committee?

Mr. SAYRE. It is very much cut down, sir, but it contains the substance of the other. I would be glad to have those figures inserted, sir.

(The matter referred to follows:)

*Annual index of changes in quantity of total exports of United States merchandise and in the volume of industrial production in the United States, 1929-35*

[1929=100]

Year	Exports, quantity index	Industrial production, combined index manufactures and minerals <sup>1</sup>	Year	Exports, quantity index	Industrial production, combined index manufactures and minerals <sup>1</sup>
1929.....	100	100	1933.....	52	64
1930.....	83	81	1934.....	56	66
1931.....	67	68	1935.....	59	76
1932.....	52	54			

<sup>1</sup> Covers industries which, according to the 1923 Biennial Census of Manufacture, represented directly and indirectly about 80 percent of total industrial production.

Sources: Quantity Index from Foreign Trade of the United States, 1935, p. 23, Bureau of Foreign and Domestic Commerce; U. S. Department of Commerce, adjusted to 1929 as 100. Volume of Industrial Production, compiled by Board of Governors of the Federal Reserve System, Division of Research and Statistics, adjusted to 1929 as 100.

Mr. SAYRE. Our share of the fast-diminishing export trade of the world declined from 15.62 percent in 1929 to 10.90 percent in 1933. During that period the value of our raw cotton exports fell by almost half. Shipments of meat products decreased in value by 67 percent, and those of wheat and flour by 90 percent.

Every reduction in a foreign market means a corresponding lessening of production in the home area. To the resulting losses in farm income due to lessened sales must be added the losses due to the sharp reduction in domestic prices caused by the glutting of home markets

with unsalable surpluses diverted from foreign shipment. The economic prostration of the farmer had a direct and devastating effect upon the livelihood of merchants, bankers, those in the service trades, professional men, and others in our small agricultural towns. Meanwhile exports of manufactured goods, other than foodstuffs, declined by \$2,400,000,000, or more than 70 percent. Suffering throughout the country became intense. It was evident that something had to be done.

In a time of such emergency, such Nation-wide peril, it became evident that the Government must take some constructive step. To an impartial observer it was clear beyond dispute that there could be no lasting or stable domestic recovery unless and until we found a way to restore our seriously curtailed export markets. Trade barriers instituted by foreign governments, provoked to a large extent, it must be confessed, by our own Hawley-Smoot Tariff Act of 1930, were cutting us off from the foreign markets without which our return to domestic prosperity was impossible. Private merchants and traders were powerless to combat them. Some form of governmental action was vitally necessary. Congress recognized this; and the question of method was long and carefully considered.

The mere unilateral reduction of such of our own rates of duty as were excessively high, no matter how wisely effected, could have given no assurance that the formidable barriers to our commerce created by foreign nations, would likewise be modified. On the other hand, the intricate complexities of foreign trade and the differing commercial policies of various nations at the time made any general or multi-lateral approach seem hopeless.

From time to time in the past we had sought to stimulate our foreign commerce by reciprocal trade arrangements with individual countries—with Canada in 1854, with various countries under the McKinley Tariff Act of 1890 and the Dingley Tariff Act of 1897, and with Cuba in 1902. To this method, as the only practicable one open for meeting the world-wide emergency, Congress turned its attention. Only through such a method could the reduction of foreign trade barriers be assured; only thus could the elimination of foreign discrimination against American goods be practically gained.

Successful bargaining required authority to act promptly and definitively. Other nations—either through the vesting of authority in the executive or by virtue of the parliamentary system which insures the executive of legislative support—had the power to act promptly. In the 14-month period prior to the consideration of the trade agreements by Congress, foreign countries had entered into 69 bargaining agreements relating to customs treatment.

It was to permit similar prompt action on our part that Congress, after extensive consideration and debates, authorized the President to negotiate trade agreements designed to expand foreign markets for American products and, in return for concessions received, to proclaim modifications of our own duties in the course of a specified procedure, within carefully restricted limits and according to adequately defined standards that fully safeguard the interests of domestic producers in the home market.

The constitutionality and legal aspects of the act were carefully discussed and considered before its passage. It does not seem necessary to do so again. It will be recalled that a careful analysis of legal

precedents was submitted to this committee in the course of the hearings of 1934 during the consideration of the present act. (Hearings before the Finance Committee, 73d Cong., 2d sess., on H. R. 8687, pp. 82 et seq.) Since that time several opinions of the Supreme Court, notably that rendered on December 21 last in the case of *United States v. Curtiss-Wright Export Corporation*, have further clarified the issues involved and have conclusively demonstrated the constitutional validity of the Trade Agreements Act. In order not to weary you uselessly, therefore, I should like to offer for the record the memorandum which I have here which in the light of recent decisions further discusses the legal aspects of the act.

The CHAIRMAN. It may be incorporated.

(The document referred to will be found at p. 71.)

Mr. SAYRE. In framing legislation for the purpose of expanding our foreign markets Congress had to choose between two sharp alternatives in determining the basis of negotiations. The one alternative was the giving and seeking of exclusive trade preferences, each side endeavoring by shrewd "Yankee trading" to out-trade the other. This is the method which certain European nations had tried in the post-war period with such lamentable results. It is the practice which more than anything else led to the growing strangulation of international trade. What many fail to understand is that every preference exclusively granted to a single nation constitutes in its very essence a discrimination against all other nations. Once the United States begins discriminating against other nations, they will naturally begin discriminating against us. We would thereby surrender the very basis for our protection of American commerce abroad, for when we once cease to give equality of treatment to others we can no longer demand it for ourselves. Trading in preferences leads inescapably and inevitably to economic chaos. Stability is sacrificed to conflict. Furthermore, experience has shown that trading in preferences requires governmental control of exports and imports to make the preferences effective. In other words, trading in preferences and discriminations not only would leave American commerce defenseless against retaliatory discriminations by foreign countries, but would lead inescapably to a regimentation and strait-jacketing of American business at home, which would be utterly inconsistent with American democratic traditions.

The second alternative, which was the policy adopted by Congress, is negotiation on the democratic basis of equality of treatment of all nations alike—the principle upon which American foreign commercial policy has firmly rested ever since the first days of our Republic. This means neither giving nor receiving exclusive preferences, but granting the benefits of tariff reductions to all nations alike which give to us the benefit of their own minimum rates, including those under their existing or future trade arrangements with other countries. There is here no giving away of something for nothing; concessions given by us to one are extended to other foreign nations, but only to those which give us in return the benefit of all concessions which they have made or may in the future make to third countries. As George Washington said in his famous Farewell Address: "Harmony and a liberal intercourse with all nations are recommended by policy, humanity and interests. But even our commercial policy should hold an equal and impartial hand, neither seeking nor grant-

ing exclusive favors or preferences." That has been the cornerstone of American commercial policy ever since. That constitutes the very essence of American democracy; that is, equality of treatment to all. Only thus could one of the basic purposes of the act, the removal of foreign discriminations against American commerce, be achieved. Only thus could genuine protection be assured for American commerce abroad.

## II. ACHIEVEMENTS UNDER THE TRADE AGREEMENTS PROGRAM

Next, I want to lay before you, if I may, as a help in evaluating the practical worth of the trade agreements program, some of the results thus far attained. I do not want to weary you with statistics. Needless to say, I shall be glad to answer, to the best of my ability, any specific question relating to the operation of the program which any of you, gentlemen, may wish to put to me.

In the approximately 2½ years since the act was passed, very definite progress toward the goal set by Congress has been achieved. Agreements have been concluded with 15 countries, 1 of which became effective in 1934, 3 during 1935, and 10 during 1936. The fifteenth agreement, that with Costa Rica, is expected to come into force shortly.

The list of agreement countries, a copy of which I offer for the record, includes some of the major commercial countries of the world.

The **CHAIRMAN**. It may be incorporated.

The document referred to follows:

DEPARTMENT OF STATE,  
January 18, 1937.

### Trade agreements calendar

#### I. PRELIMINARY ANNOUNCEMENT THAT NEGOTIATION OF A TRADE AGREEMENT IS CONTEMPLATED

Country	Date of preliminary announcement	Latest date for submitting suggestions as to products to be considered
Ecuador.....	Jan. 7, 1937	Feb. 4, 1937

#### II. PUBLIC NOTICE OF INTENTION TO NEGOTIATE

Country	Public notice of intention to negotiate issued	Latest date for submitting written statements	Date for oral presentation of views
El Salvador.....	Sept. 7, 1934	Oct. 15, 1934	Oct. 22, 1934
Spain <sup>1</sup> .....	Sept. 17, 1934	Nov. 5, 1934	Nov. 12, 1934
Italy <sup>1</sup> .....	Jan. 16, 1935	Mar. 4, 1935	Mar. 11, 1935

<sup>1</sup> Negotiations inactive. When negotiations are resumed, public announcement will be made and renewed opportunity to present views will be afforded prior to the conclusion of an agreement.

*Trade agreements calendar*—Continued

## III. TRADE AGREEMENTS SIGNED

Country	Signed	Effective
Cuba.....	Aug. 24, 1934	Sept. 3, 1934
Brazil.....	Feb. 2, 1935	Jan. 1, 1936
Belgium.....	Feb. 27, 1935	May 1, 1935
Haiti.....	Mar. 28, 1935	June 3, 1935
Sweden.....	May 25, 1935	Aug. 5, 1935
Colombia.....	Sept. 13, 1935	May 20, 1936
Canada.....	Nov. 15, 1935	Jan. 1, 1936
Honduras.....	Dec. 18, 1935	Mar. 2, 1936
The Netherlands, including Netherland India, Netherland Guiana, and Netherland West Indian Islands.....	Dec. 18, 1935	Feb. 1, 1936
Switzerland.....	Jan. 9, 1936	Feb. 15, 1936
Nicaragua.....	Mar. 11, 1936	Oct. 1, 1936
Guatemala.....	Apr. 24, 1936	June 15, 1936
France and its colonies, dependencies, and protectorates other than Morocco..	May 6, 1936	June 15, 1936
Finland.....	May 18, 1936	Nov. 2, 1936
Costa Rica.....	Nov. 28, 1936	(*)

\* 30 days from date of exchange of instruments of approval and ratification.

Mr. SAYRE. It includes Canada, which occupies first place as a supplier of our imports and is second only to the United Kingdom as a purchaser of our exports. It includes such industrialized countries as France, ordinarily our fourth or fifth best customer, Belgium, the Netherlands, Switzerland, and Sweden. It includes also countries which are among our chief sources of industrial raw materials and tropical foodstuffs. Among these latter special mention should be made of Cuba, which is normally among the first dozen buyers of our exports. In 1929 our trade with the 15 trade-agreement countries exceeded  $3\frac{1}{2}$  billion dollars. On the basis of 1934 figures our trade with these countries was 37.7 percent of our total foreign trade.

In the 15 agreements, concessions have been obtained of benefit to a wide class of our agricultural and industrial export products. One of the serious situations which our farmers were facing in 1934 was the increasing trend toward national self-sufficiency in foreign countries and in consequence a growing movement for extreme protection for agricultural products in countries on which we were normally dependent for the sale of large quantities of our agricultural surpluses. To our farmers and agricultural interests, therefore, the trade-agreements program is a matter of vital importance. Despite these policies of agricultural self-sufficiency which are extremely difficult to combat, tariff and tax reductions and liberalization of import quotas have been obtained with respect to agricultural commodities that comprised nearly a third of our 1929 agricultural exports to trade-agreement countries. In addition, these countries have bound on their free lists or at existing favorable rates agricultural products which in 1929 accounted for almost another third of our farm exports to them. Moreover, due to our policy of equal treatment to others, we have by means of general provisions secured in return nondiscriminatory application to American trade of remaining restrictions and have also secured the assurance of any benefits which may in the future be extended to other countries.

Literally hundreds of concessions, in one form or another, have been granted to us for our farm products. These benefits extend to tobacco; raw cotton and cotton manufactures; wheat and wheat flour; bacon, ham, lard, and other meat products; fresh, dried, and canned fruits; and milk products.

Concessions obtained on behalf of American industrial products are also numerous and cover a wide range of manufactures and semi-manufactures. Among important groups of commodities thus benefited are iron and steel semimanufactures, automotive products, electrical apparatus, industrial, agricultural, and business machinery, rubber products, textiles, and various American specialty products.

With the committee's permission, I should like to introduce into the record a list of the principal export commodities with respect to which valuable concessions have been secured, indicating the countries in which benefits have been gained with respect to each of these commodities. It is an impressive list, and I will be glad to answer questions at the end of my statement concerning it.

Senator VANDENBERG. May I see it?

Mr. SAYRE. Certainly. [Handing paper to Senator Vandenberg.] This, you understand, Senator, is not a complete list of commodities. It is only some of the more important ones, and I hope I may have a chance after I am through to answer more specifically particular questions about it.

The CHAIRMAN. The list will be put in the record.

(The document referred to follows:)

#### CONCESSIONS OBTAINED IN TRADE AGREEMENTS

The wide range of benefits which have been provided for our export trade is indicated by the following list of important agricultural and industrial products upon which reductions in duty or liberalization of other restrictive measures have been obtained in trade agreements:

AGRICULTURAL PRODUCTS	<i>Agreements</i>
Canned peaches.....	12
Cuba, Belgium, Haiti, Sweden, Brazil, Canada, Switzerland, Honduras, Colombia, Nicaragua, Finland, Costa Rica.	
Canned pears.....	12
Cuba, Belgium, Haiti, Sweden, Brazil, Canada, Switzerland, Honduras, Colombia, Nicaragua, Finland, Costa Rica.	
Canned grapefruit.....	10
Belgium, Sweden, Brazil, Canada, Switzerland, Honduras, Colombia, France, Nicaragua, Finland, Costa Rica.	
Canned pineapple.....	11
Belgium, Sweden, Brazil, Canada, Honduras, Switzerland, Colombia, France, Nicaragua, Finland, Costa Rica.	
Canned fruits for salad.....	13
Cuba, Belgium, Haiti, Sweden, Brazil, Canada, Honduras, Switzerland, Colombia, France, Nicaragua, Finland, Costa Rica.	
Prunes.....	10
Cuba, Belgium, Haiti, Netherlands, Switzerland, Honduras, Colombia, France, Nicaragua, Finland.	
Raisins.....	10
Cuba, Haiti, Sweden, Netherlands, Honduras, Colombia, France, Nicaragua, Finland, Costa Rica.	
Dried apples.....	9
Cuba, Belgium, Canada, Netherlands, Honduras, Colombia, Nicaragua, Switzerland, Costa Rica.	
Dried apricots.....	11
Cuba, Belgium, Haiti, Canada, Netherlands, Switzerland, Honduras, Colombia, Nicaragua, Finland, Costa Rica.	
Fresh apples.....	7
Haiti, Sweden, Canada, Colombia, France, Finland, Netherlands.	
Fresh pears.....	7
Belgium, Haiti, Sweden, Canada, Netherlands, Colombia, France.	
Oranges.....	2
Canada, Colombia.	

AGRICULTURAL PRODUCTS—continued		<i>Agreements</i>
Grapefruit.....	Belgium, Sweden, Canada, Netherlands, Colombia, France, Finland.	7
Grapes.....	Haiti, Canada, Colombia.	3
Pork and pork products.....	Cuba, Belgium, Haiti, Canada, Honduras, Colombia, Guatemala, France, Costa Rica.	9
Lard.....	Cuba, Haiti, Canada, Switzerland, Colombia, Nicaragua, Finland, Costa Rica.	8
Beef.....	Cuba, Canada, Colombia, Haiti, Guatemala.	5
Oleo oil stock and stearine.....	Cuba, Canada.	2
Prepared milk products.....	Haiti, Brazil, Honduras, Colombia, Guatemala, France, Nicaragua, Costa Rica.	8
Vegetables, fresh and dried.....	Cuba, Haiti, Canada, Colombia, France.	5
Canned vegetables.....	Cuba, Sweden, Brazil, Canada, Switzerland, Honduras, Colombia, France, Nicaragua, Finland, Costa Rica.	11
Tobacco and tobacco products.....	Cuba, Colombia, Costa Rica.	3
Vegetable oils and fats.....	Cuba, Canada, Guatemala.	3
Oatmeal.....	Cuba, Belgium, Brazil, Canada, Honduras, Guatemala.	6
Crackers and biscuits.....	Cuba, Canada, Honduras, Colombia, France.	5
Breakfast foods.....	Sweden, Canada, Colombia, Costa Rica.	4
Cornstarch.....	Cuba, Belgium, Colombia, France.	4
Malt.....	Cuba, Canada, France.	3
Rye.....	Canada, France.	2
Rye flour.....	Canada, France.	2
Rice.....	Cuba, Canada, France.	3
Oats.....	Cuba, Canada, France.	3
Wheat.....	Canada, Netherlands.	2
Wheat flour.....	Cuba, Canada, Netherlands.	3
Linseed cake.....	Cuba, Belgium.	2
<b>FISH PRODUCTS</b>		
Canned salmon.....	Cuba, Brazil, Canada, Switzerland, Honduras, Colombia, Guatemala, France, Costa Rica.	9
Canned sardines (including pilchards).....	Cuba, Belgium, Canada, Switzerland, Honduras, Colombia, Guatemala, France, Costa Rica.	9
Canned shellfish.....	Cuba, Canada, Switzerland, Colombia, Guatemala, France, Costa Rica.	7

## INDUSTRIAL PRODUCTS

*Agreements*

Passenger automobiles and chassis.....	8
Cuba, Belgium, Brazil, Canada, Switzerland, Colombia, Guatemala, France.	
Trucks, busses, and chassis.....	5
Cuba, Brazil, Canada, Switzerland, Colombia.	
Automobile engines, parts and accessories.....	6
Cuba, Belgium, Brazil, Canada, Colombia, France.	
Leather.....	6
Cuba, Haiti, Brazil, Canada, Colombia, France.	
Rubber tires and inner tubes.....	9
Cuba, Haiti, Sweden, Brazil, Canada, Switzerland, Guatemala, France, Finland.	
Rubber belting.....	4
Belgium, Brazil, Canada, France.	
Cotton yarn.....	3
Cuba, Canada, France.	
Cotton piece goods.....	5
Cuba, Canada, Honduras, Colombia, France.	
Silk hosiery.....	6
Cuba, Belgium, Canada, Colombia, France, Costa Rica.	
Rayon fabrics.....	3
Cuba, Canada, France.	
Lumber and timber.....	6
Cuba, Belgium, Canada, Switzerland, France, Costa Rica.	
Petroleum products.....	4
Canada, Switzerland, Colombia, France.	
Iron and steel plates and bars.....	4
Cuba, Canada, Colombia, France.	
Iron and steel wire.....	3
Cuba, Canada, France.	
Metal furniture.....	7
Cuba, Brazil, Canada, Colombia, Guatemala, Finland, Costa Rica.	
Cooking and heating equipment.....	4
Cuba, Canada, Switzerland, France.	
Tools.....	4
Cuba, Brazil, Canada, France.	
Agricultural machinery.....	3
Cuba, Canada, France.	
Industrial machinery.....	4
Cuba, Brazil, Canada, France.	
Radio apparatus.....	8
Cuba, Belgium, Haiti, Brazil, Canada, Switzerland, Guatemala, France.	
Electric refrigerators.....	4
Cuba, Canada, Switzerland, France.	
Batteries.....	4
Cuba, Canada, Brazil, France.	
Electric motors.....	3
Cuba, Canada, France.	
Typewriters, cash registers, and business machines.....	6
Cuba, Belgium, Canada, Switzerland, Colombia, France.	
Aircraft, parts, and accessories.....	4
Cuba, Canada, Colombia, France.	
Railway cars and parts.....	3
Cuba, Canada, France.	
Medicinal and pharmaceutical preparations.....	8
Cuba, Haiti, Canada, Honduras, Colombia, France, Nicaragua, Costa Rica.	
Paints and varnishes.....	9
Cuba, Belgium, Brazil, Canada, Colombia, Guatemala, France, Nicaragua, Costa Rica.	
Chemicals.....	5
Cuba, Canada, France, Honduras, Sweden.	
Soaps, cosmetics, and other toilet preparations.....	8
Cuba, Sweden, Colombia, Brazil, Canada, Honduras, France, Costa Rica.	

Mr. SAYRE. To open up trade channels trade barriers naturally must be reduced on both sides. This does not mean free trade. It does not mean throwing open the flood gates so as to allow the importation of great quantities of foreign goods which are highly competitive with our own. It does not mean, as some would have you believe, lessened home production in return for increased foreign production, nor lessened production in American industries for home consumption in return for increased production in American export industries. What it does mean is reducing on both sides such barriers as have no economic justification and cause injury rather than benefit to our Nation as a whole. If by the judicious and careful lowering of an unjustifiable trade barrier, we can increase our national trade without substantial injury to efficient domestic producers, both countries gain. The result is increased production in both countries, since the people of each desire more of the goods of the other. This has been our constant objective in the administration of the Trade Agreement Act.

Senator VANDENBERG. May I ask one question at that point?

Mr. SAYRE. Certainly, sir.

Senator VANDENBERG. You have stressed that you are interested only in the unjustified trade barriers. May I ask if the American cost of production has any bearing on the Department's judgment as to whether a barrier is fair or unfair?

Mr. SAYRE. It certainly has some bearing. There are many factors which have a bearing upon that question, and which under the provisions of the Trade Agreements Act itself, should be and are brought under consideration. Cost of production is one of them; tariff history is another of them; the place of the commodity in the whole American economic structure is another one of them. The effects of a suggested concession on the particular American industry and on other allied industries is still another factor. In other words, cost of production is one important factor, but only one among numerous others.

Senator VANDENBERG. Would you call it a controlling factor?

Mr. SAYRE. No, sir; I would not call any single one a controlling factor. It would be a great mistake to concentrate on one alone, to the exclusion of others. I should like to expand on that answer a little later, after I have completed this statement, because I would like to go into the matter more deeply, Senator, if I may.

Senator VANDENBERG. All right.

Mr. SAYRE. Thus, in return for concessions benefiting our exports, the United States has granted moderate tariff reductions; but not a single reduction has been made except after the fullest and most careful study of what would be its effects direct and indirect upon domestic industries. In the course of these studies, elaborate reports have been prepared by governmental experts of the Tariff Commission, the Departments of Commerce, Agriculture, Treasury, and State. These have been painstakingly studied; and they have been supplemented by the views of interested private individuals, presented by word of mouth at public hearings, by briefs, or by less formal correspondence. In addition, constant conferences have been held and are daily being held between interested producers or business groups and officials in the various government departments to discuss the effects of various proposals, or possible tariff reductions, with relation to their particular enterprise or business.

Senator CONNALLY. Dr. Sayre, right there, in what form are these constant conferences held? Are they public where anybody can go in, or are there just little groups?

Mr. SAYRE. They are of different kinds, sir.

Senator CONNALLY. I have heard a good deal of complaints that interested people could not get a hearing before the Department.

Mr. SAYRE. I should welcome the chance to answer that, sir. May I defer the answer until I complete the statement? I want very much to have a chance to answer it.

Senator CONNALLY. I will be glad to have you. I probably will not be here because I have to go to the Supreme Court.

Mr. SAYRE. I beg your pardon. Let me answer it right now.

Senator CONNALLY. I do not want to break into the line of your talk, but since you brought it up, I would see who it is that can get in over at the State Department and who cannot.

Mr. SAYRE. Instead of answering it at this time fully, let me give a full answer later, and answer you very briefly now. The open hearings are held before what is known as the committee for reciprocity information, which is a committee composed of representatives of all the different departments concerned. Those hearings are held in the building of the Tariff Commission.

Senator CONNALLY. Who are all the departments concerned?

Mr. SAYRE. The State Department is one. The Tariff Commission is another. The Department of Commerce is another. The Department of Agriculture, and the Treasury also are concerned.

Senator CONNALLY. What standing has the Department of Commerce with regard to this matter? It is the responsibility of the State Department?

Mr. SAYRE. Not altogether, sir. Of course, under our Constitution, the Secretary of State is charged, I suppose, under the direction of the President, with the immediate responsibility of negotiating trade agreements. On the other hand, the act which delegates the power to the President of negotiating these agreements, you will remember, specifically provides in section 4 that before concluding any such agreement, the President shall seek information and advice with respect thereto, from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, and from such other sources as he may deem proper.

Senator CONNALLY. Exactly, but that does not put on them the responsibility of all sitting down to do it. The State Department has to do that.

Mr. SAYRE. I suppose the President has the responsibility for the trade agreement, and whatever praise or whatever blame attaches to the agreement, must attach to the President. On the other hand, the President has advisers; he has the Secretary of State, he has the Secretary of Agriculture, and various others to advise him. These trade agreements concern agriculture very greatly; agriculture has a vital concern. We would not want to move with respect to a trade agreement without the full consent—more than the consent; without the desire—of the Secretary of Agriculture. In the same way, the Department of the Treasury is concerned because these trade agreements affect revenues. We make concessions in many trade agreements cutting the tariffs which sounds like a decrease in revenue.

On the other hand, in many of our trade agreements, and, I think it is true of most of them, the result has been increased revenue because of increased imports.

Senator CLARK. Mr. Secretary, do you have any figures on that point? I do not want to interrupt your statement.

Mr. SAYRE. I should prefer, if I may, to finish my statement and then I should like very much to discuss all these questions with you.

To complete my answer to you, Senator, we have this Committee on Reciprocity Information composed of representatives from the various departments concerned and from the Tariff Commission. The hearings have been conducted, until his death at the beginning of this year, under the chairmanship of the late Mr. Thomas Walker, Page, Vice Chairman of the Tariff Commission. Those hearings are open; to those hearings everyone is welcome.

Senator CONNALLY. The point I am getting at is this, you may have those hearings but a lot of interested parties complained to me they had no opportunity to get into any hearing.

Mr. SAYRE. Those complaints are quite without foundation, because the hearings have been open to any and all who are interested, and except in the case of the Cuban agreement, we have always given a minimum notice of 6 weeks in advance.

Senator CONNALLY. Have you had a hearing on the Canadian reciprocity agreement, a public hearing?

Mr. SAYRE. We did, sir. It was an open hearing to which everyone was welcome who cared to come. The Committee on Reciprocity Information holds open hearings and the testimony is distributed by that committee to all the interested departments and to all those who are actually in the work of carrying on the negotiations. In other words, that committee is a convenient distributing center for this information. The information given it is not buried or lost in that committee, believe me.

Senator CONNALLY. How can a party that is not on the board, I mean the public, the people, how do they get this information? You scatter it among your own group but I am talking about the public.

Mr. SAYRE. In addition to that oral information, there comes in written information in the form of briefs. Some who turn in information in the form of written briefs ask that it be kept confidential. Such information is not made public. Information, however, given at the oral hearings may be heard or later examined by anyone interested.

Senator CONNALLY. Why should that be confidential?

Mr. SAYRE. Some producers, sir, feel that they are giving information—perhaps in relation to their particular business—that they would not want competitors to know. There are cases in which information has been given us on the understanding that it shall be kept confidential. We could not reveal that to the public and keep faith with the business groups or the business interests who have given that information, sir. On the other hand, as to information which is not of a confidential character, since anyone, as I say, is free to attend these open hearings, the public is at liberty to gather such information as is presented at those hearings.

Senator WALSH. You maintain a calendar so that the public can see the subjects that are under consideration?

Mr. SAYRE. Yes. Of course, these hearings, sir, have been fixed at given definite dates for prospective trade agreements. That is, whenever the Secretary of State gives notice of the intention to negotiate a trade agreement, in the notice itself he fixes a date for the hearing by the Committee for Reciprocity Information. That, as I say, generally has been a minimum of 6 weeks, and usually much more than 6 weeks in advance.

The notice also contains the name of the chairman of the committee, and contains a request that written briefs be filed prior to such and such a date, that hearings will be held at such and such a date, and that all those interested will be welcome at the hearing.

Senator CONNALLY. Does that notice indicate the subject matter?

Mr. SAYRE. Yes; that notice contains the name of the country with which negotiations are about to be conducted.

Senator CONNALLY. No; but it does not mention the commodity?

Mr. SAYRE. It did not until the beginning of this year, and did not for a reason—let me make clear why it did not. The matter was debated 3 years ago when we were considering the passage of this act. It was determined that all the information really necessary would probably be secured if we gave a list of all the commodities which entered into the trade between the United States and the country with which negotiations were about to be entered into. So, at the time of giving notice of intention to negotiate, we published a list of all the commodities entering into trade between the two countries.

We felt at that time that it would be difficult to list the commodities on which concessions might be made because until the negotiations actually began we were not sure exactly what commodities would be dealt with in any trade agreement. We have since, however, amended that procedure and we are now trying out the practice, first, of giving notice that we are contemplating negotiations with a certain country, and asking anyone interested to suggest the commodities to be considered in connection with the trade agreement with that country. That gives us a chance to collect data from those interested. Then at a later date we will publish a formal notice of intention to negotiate. When that notice of intention to negotiate is given we now intend to list the commodities with respect to which we have under consideration the granting of concessions to the country in question. In other words, we are now going further than we thought at first was possible. Our new proposal adds somewhat to the cumbersomeness of the procedure; but we feel that it is practicable and we feel that it will be helpful. We hope it will be. Our object is to be of service to the American producer insofar as we can.

The CHAIRMAN. Doctor, in that notice which you give, the latter notice, you list there the commodities on which you intend to negotiate?

Mr. SAYRE. Yes, sir.

The CHAIRMAN. Do you restrict these negotiations to those commodities?

Mr. SAYRE. We restrict the negotiations to the commodities.

Senator CONNALLY. My inquiry was to elicit that very fact, because if a notice was given that we are going to have a trade agreement with Ethiopia, for instance, without saying anything about the commodities, the public would not know much about it.

Mr. SAYRE. Except that we have up to now published a list of all the commodities which enter into the trade between the United States and the other country concerned. Henceforth, we expect to make it more specific. We will issue a list of the commodities on which concessions are contemplated, and we will not make concessions except respect to the commodities listed.

Senator CONNALLY. That is an improvement over the old way.

Mr. SAYRE. I think it is an improvement from the viewpoint of helping the American producer. However, it makes the machinery more cumbersome. It is going to slow proceedings somewhat; but I think probably the gain will outweigh the cost.

Senator KING. I assume, though, that if during the negotiations it should be demonstrated that it would be advantageous to include within the negotiations some product not mentioned—

Mr. SAYRE. Then we would have to give a fresh notice, I suppose. Let me say, Senator King, we are working this thing out experimentally. We felt there was room for improving the procedure which we have been following during these 3 years. It does make the machinery a little more cumbersome; but we felt, as I said a moment ago, that the gain would outweigh the cost.

Senator GERRY. Does it make it very cumbersome? Formerly you gave a list of all the commodities covered in the trade, and now you give a list of only the specific ones. Therefore, I should think the hearings would be shorter.

Mr. SAYRE. The hearings may be shorter, but we are thinking about the negotiation of the trade agreement. Suppose a foreign country says, "We want a concession on such and such a commodity," which is not covered in the list. If they do that, I suppose we will have to begin all over again, should they make that the price of concluding the trade agreement. That might mean a delay of months; I don't know. We are working this thing out now, Senator.

We have felt from the beginning that we wanted to carry out the desires of Congress in issuing this mandate to the President. We have been meticulous about trying to protect American interests and American producers so they will not be unduly injured. Here is a step we think we can safely take. It will be at some cost but I think we can safely take it. We want to go as far as we can, sir.

Senator VANDENBERG. Dr. Sayre, the committee that hears the witnesses has nothing to do with the negotiations or the decision; is that correct?

Mr. SAYRE. That may be correct or that may not be correct, sir. Let me explain to you what the situation is. The committee for reciprocity information is composed of representatives from each one of the departments concerned. Each department head names his own representative. He may name on the committee a negotiator or he may name one who is not a negotiator. It is a committee of experts, and normally experts would not be negotiators, although there are exceptions again and again. In other words, the answer to your question depends upon the individuals who may comprise the committee at any given time.

Senator VANDENBERG. But, speaking generally, the actual negotiator would only have second-hand information.

Mr. SAYRE. Speaking generally, the actual negotiators are men who are not sitting on that committee. I say generally, because that is not true in the case of certain individuals.

The CHAIRMAN. Is the testimony taken down at the hearings?

Mr. SAYRE. Yes; it is. Then the testimony is digested, and these digests as well as the briefs and the written statements which are presented are circulated among the departments concerned, among the negotiators, among those who are really at grips with the situation.

Senator VANDENBERG. Would it be fair to say that the actual negotiators and those who make the decisions have to rely upon the interpretation given them by the members of this committee receiving the testimony that has been taken?

Mr. SAYRE. No, sir; it would not.

In answer to your question, sir, the negotiators, those who are really at work on the fashioning of the trade agreement, are not limited by the testimony given at those hearings. Before a trade agreement is announced preliminary work is done, often for months. We set experts at work studying each particular commodity concerned in the trade between the United States and that particular country. The result of that is the preparation of a mass of material. I remember in the case of one trade agreement that there were actually 14 volumes of bulky, massive documents. That mass of material is then studied through, worked over and put into shape. If as a result of this study, there appears to be a likely prospect for a trade agreement, we in the State Department begin sounding out representatives of the country concerned as to whether or not they would like to enter into a trade agreement, and, if so, upon what basis the negotiations should be carried out. That is to say, we sound them out to ascertain whether they would be willing, for instance, to negotiate on the basis of most-favored-nation treatment, that is equality of treatment, of complete elimination of discrimination against American trade, and so on. If agreement can be reached as to these general principles, then if we desire to go forward with the negotiations, we announce that negotiations are contemplated with that country, and a date is fixed for these open hearings.

Senator GERRY. Are these hearings printed for the public?

Mr. SAYRE. They are not printed and distributed generally because the testimony is so bulky that it would not be worth the cost. The situation, I believe, is much the same as that in connection with the other administrative agencies.

Senator GERRY. Yes, but can they be obtained?

Mr. SAYRE. They can be obtained; yes. There have been a number of instances where attorneys or others particularly interested have applied for written testimony. I am correct, I believe, in saying that we have generally charged the cost to them. They are readily obtainable, however.

Senator VANDENBURG. Dr. Sayre, there is no point in the proceeding, is there, where the American producer has the opportunity to confront the specific reduction that you have finally agreed upon, and to testify to you what the effect may be from the producer's viewpoint?

Mr. SAYRE. I don't quite understand your question, Senator.

Senator VANDENBURG. There is no opportunity, is there, in the process for the American producer of a given commodity, to testify specially as to the effect of your contemplated tariff reduction?

Mr. SAYRE. There is exactly the same chance, sir, as the American producer has under section 336, the flexible tariff provision. Such a chance is given under our new procedure. We are going to give a list

of commodities on which we are contemplating the granting of concessions. Any producer engaged, let us say, in the production of one or more of those commodities, has a chance to come in and give before the committee any material he desires, either in the form of writing or of oral testimony, showing what the effect of a reduction would be on his industry, or on other industries.

Now, that is precisely the same procedure as is followed with respect to section 336, the flexible tariff provision. In proceeding under section 336 the Tariff Commission gives notice that it has under consideration a possible adjustment of the tariff on a given commodity, an adjustment that may result in a 50 percent increase, or a 50 percent decrease, or something less than 50 percent. The Tariff Commission—

SENATOR VANDENBERG. Of course, in the case of the Tariff Commission he has the protection of the "cost of production rule?"

MR. SAYRE. That "cost of production" rule, however, does not afford a measure of any real certainty.

SENATOR VANDENBERG. Theoretically—

MR. SAYRE. Theoretically, yes, but practically what does it amount to? May I come back to that in just one moment, because I have not completed answering several of these questions?

SENATOR VANDENBERG. I am sorry.

MR. SAYRE. I do want to answer this, but let me go back to this whole question of the nature of these hearings.

Let me point out that in trade agreements made under the McKinley Act of 1890, there was no provision whatever for any hearings. In fact, no hearings were held; yet valid agreements were made under that McKinley Act of 1890 with a number of different countries.

Under the Dingley Act of 1897, section 3 specifically authorized the making of trade agreements with different countries, yet here again there was no provision for any hearings.

SENATOR VANDENBERG. But, Dr. Sayre, in all those instances the Senate had to ratify them ultimately?

MR. SAYRE. No; that was not the case. No ratification was required for the executive agreements made under the McKinley and Dingley Acts. Under the Dingley Act of 1897, there were two sections, sir; section 3 authorized and directed the President to make executive agreements without any ratification whatsoever. Section 4 authorized the President to negotiate treaties which required ratification. Let me add that not one single one of those treaties was ever ratified; whereas, 14 executive agreements with 9 countries were actually negotiated and put into force under section 3 of the Dingley Act. These did not require ratification, and proved very beneficial.

No hearings whatsoever are provided for under section 338 of the Tariff Act of 1930, the section, as you will remember, which deals with discriminations. No hearings are provided for there.

SENATOR VANDENBERG. Two wrongs do not make a right.

MR. SAYRE. There are many more than two instances in which hearings are not required. I don't think they are wrongs, sir; Congress felt that those administering the act could be trusted to carry out its mandate in a fair way, and that the specific requirement of public hearings in the law would simply hamper the effective administration of the act.

Under our Trade Agreements Act we do have provisions for hearings. Section 4 requires that hearings shall be held. You will remember the language of the act [reading]:

SEC. 4. Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such governments or instrumentalities shall be given in order that any interested person may have an opportunity to present his views.

Under the Federal Trade Commission procedure, under the Interstate Commerce Commission procedure, under the Securities Commission procedure, if my memory is correct the legislative provisions as to hearings are no more detailed or specific than those in the provision which I have just read.

In the McKinley Act, as I just said, there were no such provisions; in the Dingley Act there were none; in section 338 there are none; in section 336, the flexible tariff provision, there is a provision which is not a bit more specific than that which I have just read to you from the Trade Agreements Act. The language in section 336 is [reading]:

The Tariff Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. The committee is authorized to adopt such reasonable procedure and rules and regulations as it deems necessary to execute its functions under this section.

In other words, we have a procedure set up by a Republican administration under section 336, which is no more explicit, if as explicit, as the procedure set up under the Trade Agreements Act.

SENATOR VANDENBERG. Let me ask you this, Dr. Sayre: What would you say to this suggestion, inasmuch as it takes all the way from 2 to 11 months for our foreign friends to make these agreements effective, what would be the objection to our using a similar space of time for one further protective step? Would you object to publishing the intended concessions and then allowing an additional period of 30 days for the filing of specific argument against the intended reductions?

MR. SAYRE. I would very much, sir.

SENATOR VANDENBERG. Why?

MR. SAYRE. First, you suggested in your question that other countries were subject to considerably delay in the ratification of the trade agreements. Now, in that connection, sir, I just want to call one or two points to your attention. In the first place, other countries—I have a list here which, if you like, I will be glad to have inserted in the record—other countries do not all require ratification by the legislative branch.

SENATOR VANDENBERG. I did not bring that up.

MR. SAYRE. I misunderstood your question then.

SENATOR VANDENBERG. I just said that on the record apparently it takes from 2 to 11 months ordinarily for one of these things to become effective abroad.

MR. SAYRE. I misunderstood your question, sir. I am sorry.

SENATOR VANDENBERG. So, I was saying, apparently there is a time element before the thing became effective anyway, so why could we not use that time for one final protective step on our part?

MR. SAYRE. I misunderstood your question. In the first place, I am mindful of our actual experience. During the years from 1854

to 1902 we negotiated a number of trade treaties. Only three of those reciprocity treaties were ever ratified, namely, the treaty of 1854 with Canada and Newfoundland, the treaty of 1875 with Hawaii, and the treaty of 1902 with Cuba.

Senator VANDENBERG. You understand, I am not suggesting the question of ratification at the moment. I am simply suggesting the use of this interim for an opportunity for the filing of specific complaints aimed at the specific reduction that is proposed, coming solely to the same group which continues to have the plenary power to make decisions.

Mr. SAYRE. I did misunderstand you, Senator.

Senator VANDENBERG. I am suggesting that you arm yourself with this final opportunity for the American producer to tell you whether he thinks the specific thing you propose to do is going to hurt him or not. What harm would that do?

Mr. SAYRE. One outstanding objection is this, sir: When we negotiate a trade agreement, we are engaged in very confidential dealings with a foreign government. Foreign governments are unwilling, and on a number of occasions have actually refused to allow us, to publish the contemplated text of a trade agreement until after it has been put into definitive form and been signed.

Senator VANDENBERG. But is it not published abroad?

Mr. SAYRE. Not until the foreign government takes final action. When I say final action, I am not referring to ratification. Let me make this clear. In most European countries parliamentary ratification is more or less a matter of form. As you know, under the parliamentary system, the premier has the control of the parliamentary majority. Unless he does have that control he cannot retain power. Therefore, when a premier under the parliamentary system negotiates a trade agreement, he knows in advance that as long as he remains in power he can get his parliament to ratify that trade agreement. So in that case ratification is a foregone conclusion.

Senator VANDENBERG. What is happening over there during this 2 to 11 months? What is going on before something definitive occurs?

Mr. SAYRE. It may take time to lay the agreement before the Parliament. For instance, the Canadian trade agreement was negotiated and signed late in the fall. The Canadian Parliament did not come into session until the following winter. Mr. Mackenzie King, who was the Premier, naturally could not lay it before Parliament until Parliament came into session, so that several weeks, if I remember correctly, a couple of months or more, elapsed between the signing of the Canadian trade agreement and its ratification by Parliament.

Senator VANDENBERG. When it is laid before the Parliament all the facts are published, are they not?

Mr. SAYRE. Yes; but after it is signed its terms cannot be varied without renegotiating the trade agreement. In other words, the point that I am trying to make is that until it is signed we cannot publish the terms, and on a number of occasions when we have suggested making public this or that provision of the trade agreement, the foreign country has objected. We are dealing very confidentially with a foreign government and we have to keep faith, sir.

Senator BAILEY. What would you say, Dr. Sayre, to taking a leaf from the books of the other nations and laying these agreements before the American parliament?

Mr. SAYRE. There I come back to the reply which I started to make to Senator Vandenberg when I thought he was suggesting ratification by Congress. When you talk in terms of ratification by Congress you run up against the experience of the past. As I started to say to Senator Vandenberg, between the years 1854 and 1902 there were only three reciprocity treaties during all that time that were actually ratified—one with Canada and Newfoundland, one with Hawaii and one with Cuba; that is, with countries with which we had peculiar historical or geographical ties.

In the Dingley Act of 1897 there were two sections; section 3 provided for the making of executive agreements by the President without ratification; section 4 provided for the negotiation of trade treaties by the President, but required ratification.

Under section 4, let me say, there were 12 treaties negotiated and not a single one of them was ratified. Under section 3, 14 trade agreements were negotiated with 9 countries and they all came into force and proved effective.

Under the McKinley Act, also, there were various trade agreements negotiated by the President in the form of Executive agreements and they became effective.

In other words, our experience has shown beyond the peradventure of a doubt that if you require ratification by Congress you are introducing an element which is extremely disastrous to the success of the negotiations. One other point is equally important. Once you require ratification by Congress you take away much of the incentive to another country to enter into negotiations. Only a few days ago I was talking with the ambassador of a country where American agricultural products enjoy a large and very important export market. He said this to me: "If an amendment should be passed requiring ratification, my country would not be interested in negotiating with you. It would not be worth the time."

Senator BAILEY. Yet his country requires ratification?

Mr. SAYRE. As I was saying, in the first place, in those countries which have parliamentary procedure, ratification is more or less a foregone conclusion. In the second place, in many countries there are provisions which specifically authorize executive action without ratification. I have before me here a list which shows in which countries the executive can without subsequent action by the legislature make changes in the statutory tariff rates. There are some 30 countries which allow such changes to be made, as against 11 countries which do not. If you choose, I would be glad to submit this for the record.

The CHAIRMAN. I think it would be very well to put that in the record, Doctor.

Mr. SAYRE. I will be glad to.

(The document referred to above follows:)

Summary tabulation of executive control of customs tariffs in foreign countries  
(U. S. Tariff Commission, 1937)

Country	A. Can statutory tariff rates be changed by the executive—			B. Can executive make trade agreements—		C. Is there a special administrative agency to advise on tariff matters?
	Finally, without subsequent action by legislature	Provisionally, pending confirmation by legislature	Without limitation	Effectively finally, without subsequent action by legislature	Effectively provisionally, pending confirmation by legislature	
Argentina.....	Yes		No <sup>1</sup>	Yes	(?)	No.
Australia.....	In certain cases. <sup>1</sup>		No	Yes	Yes <sup>1</sup>	Tariff Board.
Austria.....	(?)		(?)	No.	Yes <sup>1</sup>	No. <sup>1</sup>
Belgium.....	No.	Yes.	Yes.	No.	Yes.	No.
Bolivia.....	Yes		Yes.	(?)	(?)	(?).
Brazil.....	Yes		No <sup>1</sup>	No.	Yes <sup>1</sup>	Superior Tariff Council.
Bulgaria.....	No <sup>1</sup>				Yes <sup>1</sup>	No.
Canada.....	Yes <sup>1</sup>		No <sup>1</sup>		Yes	Tariff Board.
Chile.....	Yes <sup>1</sup>		No	No.	Yes <sup>1</sup>	No.
Colombia.....	Yes <sup>1</sup>		No	(?)		Supreme Customs Tribunal. <sup>1</sup>
Costa Rica.....	Yes <sup>1</sup>		No	No <sup>1</sup>	No.	No.
Cuba.....	Yes <sup>1</sup>		Yes.	Yes.		Technical Tariff Commission.
Czechoslovakia.....	Yes <sup>1</sup>		Yes <sup>1</sup>	No.	Yes	No.
Denmark.....	No <sup>1</sup>	No.		No.	No.	Temporary commissions.
Dominican Republic.....	Yes <sup>1</sup>		No <sup>1</sup>	Yes <sup>1</sup>		No.
Ecuador.....	Yes <sup>1</sup>		No <sup>1</sup>	Yes		Permanent Commission on Commercial Treaties. <sup>1</sup>
Estonia.....	Yes		Yes.		Yes <sup>1</sup>	No.
Finland.....	Yes <sup>1</sup>		No <sup>1</sup>	Yes <sup>1</sup>		Temporary commissions.
France.....	No.	Yes <sup>1</sup>	Yes <sup>1</sup>	No.	Yes	Advisory Committee.
Germany.....	Yes		Yes.	Yes		No.
Greece.....	Yes		No <sup>1</sup>	No.	Yes <sup>1</sup>	Yes. <sup>1</sup>
Guatemala.....	No.	Yes	Yes	No.		No.
Hungary.....	Yes		Yes	Yes		No.
Irran.....	(?)			(?)		(?).
Italy.....	Yes <sup>1</sup>		(?)	No.	Yes	Yes.
Japan.....	Yes	Yes	No	Yes	Yes	Tariff Investigation Commission.
Latvia.....	(?)		(?)	(?)		No.
Lithuania.....	Yes		No <sup>1</sup>		Yes <sup>1</sup>	(?).
Mexico.....	Yes		Yes.	No		Tariff Commission.
Netherlands.....	No.	Yes <sup>1</sup>	Yes <sup>1</sup>	No.	Yes <sup>1</sup>	No. <sup>1</sup>
New Zealand.....	Yes		No		Yes	Tariff Commission.
Nicaragua.....	Yes		No	Yes <sup>1</sup>		(?).
Norway.....	No.	No.		No.	No.	Temporary Commission.
Panama.....	No.	No.		No		Tariff Commission.
Paraguay.....	Yes <sup>1</sup>		No <sup>1</sup>			No.
Peru.....	Yes		No.	No	Yes	Advisory Tariff Board.
Poland.....	Yes		Yes.	No.	Yes <sup>1</sup>	No.
Portugal.....	Yes		Yes	Yes		An acting Tariff Revision Committee.
Rumania.....	(?)	Yes <sup>1</sup>	(?)	No.	Yes	No. <sup>1</sup>
Salvador.....	Yes		No <sup>1</sup>	No	Yes	(?).
Sweden.....	No.	Yes <sup>1</sup>	No	No.	No.	Temporary commissions.
Switzerland.....	Yes		Yes.	No	Yes	Yes.
Turkey.....	No.	Yes	Yes <sup>1</sup>	Yes <sup>1</sup>		No.
Union of Soviet Socialist Republics.....	(?)		(?)	(?)		No.
Union of South Africa.....	Yes		No.		Yes	Board of Trade and Industries.
United Kingdom.....	No.	Yes	No.	No.	Yes	Import Duties Advisory Committee.
Uruguay.....	(?)	Yes	No.	(?)		Central Tariff Commission.
Venezuela.....	Yes.		Yes.	Yes.		(?).
Yugoslavia.....	No.	Yes.	Yes.	No.	Yes	No.

<sup>1</sup> See notes attached, arranged by countries in alphabetical order.<sup>2</sup> Information not available.

## NOTES

## ARGENTINA

A and B. Executive has statutory power to increase duties by as much as one-half or levy new duties up to 15 percent ad valorem and to decrease duties not more than one-half by virtue of commercial agreements terminable upon 6 months' notice. (Art. 76, law no. 11281, Nov. 29, 1923.)

## AUSTRALIA

A. Certain items in the tariff schedule are subject to "deferred duties", which may be postponed under specified conditions by the Minister of Trade and Customs until the Tariff Board recommends their application. (Customs Tariff 1933, sec. 12.)

B. The Governor General is empowered to extend preferential rates, applicable to products of the United Kingdom, to any British non-self-governing colony, British protectorate, and to certain territories under British mandate, and also by agreements to self-governing British Dominions (on advice of the Tariff Board). Such extension may also be revoked or varied by proclamation of the Governor General. (Customs Tariff 1933, sec. 9.)

## AUSTRIA

A. In making tariff changes without limitation, the Government of Austria (Chancellor and the other Ministers) has continued to invoke the broad legislative powers delegated to it as a final act by the legislature of the former Republic of Austria, which ceased to exist May 1, 1934, when Austria was declared to be a federal and corporate state.

B. Under a provision of the new Austrian Constitution (art. 68, par. 1) the Government has the power to put into force by decree and provisionally, for a period not exceeding 1 year, the material provisions of commercial treaties which are expressly designated as "state treaties", that is, such as involve new legislation or changes in existing laws. The Government's decree may take effect upon the conclusion of the treaty and may be revoked prior to action by the Diet, the single legislative body under the new constitution.

Treaties other than "State treaties" do not require the approval of the Diet, so that the Government of Austria can conclude, and put into force finally, certain agreements with the governments of other countries, and even the individual cabinet ministers can conclude administrative arrangements with representatives of foreign governments.

C. There is, however, in economic council, one of four advisory bodies under the corporate constitution, which is obliged to report to the Diet on bills of economic importance, the Government alone having the right of legislative initiative.

## BOLIVIA

C. An advisory division has been set up in the Ministry of Finance to study and formulate projects for consideration in the field of trade and finance including commercial policy, commercial treaties, customs administration, public debt and taxation.

## BRAZIL

A. The Executive is authorized to increase duties up to 100 percent, to penalize dumping and discriminations and to decrease duties or grant duty-free entry on (a) products of foreign origin suitable to compete with similar national products whenever the latter are produced or marketed by trusts or cartels, or sold at prices equal to or higher than similar foreign products after computation of the duties thereon and (b) certain products intended for consumption in a selected region of the country, when a reduction in duties is considered desirable for development of said region, provided that such products are not similar to national products and are given special identification. (Tariff Law of Sept. 1, 1934, arts. 3 and 4.)

B. The Executive is authorized to negotiate treaties and agreements and is required to submit them to the legislature ad referendum, no time limit being fixed. However, agreements by which the minimum tariff column is accorded on a reciprocal basis are negotiated and put into force provisionally without prior submittal to the legislature.

## BULGARIA

A. Although tariff changes, with few exceptions, can only be effected by law, they are at present put into effect by executive decree.

B. Treaties require ratification, but treaty provisions including tariff reductions are put into effect provisionally by exchange of notes.

## CANADA

A. The Governor General by order in council may: extend and withdraw the benefits of the intermediate tariff and extend the British preferential tariff and withdraw its benefits from any British country except the United Kingdom. The Governor-in-Council may also reduce rates of duty and make additions to the free list. Orders in council are not ratified by Parliament.

C. Increases in tariff rates must be introduced in Parliament by the Minister of Finance.

## CHILE

A. The executive is authorized without legislative approval to reduce duties on articles of first necessity, increase protective rates, incorporate new duties in the tariff by interpretation, and impose penalty duties.

B. The executive is authorized to put into effect commercial agreements involving duty reductions for period of 12 months pending legislative ratification.

## COLOMBIA

A. The executive has authority to increase the tariff by one-fourth on products of countries which in his judgment do not adequately facilitate the importation of Colombian products. (Law No. 35, Dec. 9, 1931, Diario Oficial, Dec. 16, 1931.)

Authority to make tariff changes on certain glass containers and to make contracts with local glass manufacturers, whereby duties would be maintained at former rates (provided the contractors would guarantee equitable prices and a production sufficient for the entire demand), was conferred by law no. 94 effective October 11, 1936.

B. The Colombian Executive was given authority by the legislature in November 1932 to conclude provisional commercial agreements without legislative approval (Law no. 31, Nov. 17, 1933), subject to denunciation upon 6 months' notice, but this authority lapsed July 31, 1933, without having been exercised to reduce tariff rates. Subsequently, the President of Colombia was authorized to conclude a provisional reciprocal commercial agreement with Venezuela, for the elimination of transit taxes and the equalization of freight charges on goods moving between the two countries.

C. The Supreme Customs Tribunal may fix duties applicable to merchandise not specifically designated in the tariff, but may not transfer merchandise from the free to the dutiable list. (Executive decree no. 2224, Dec. 18, 1931, modifying the customs organization by authority of the extraordinary powers conferred under law no. 99 (1931) and 119 (1931), article 3 (1)). This authority is not limited to the assimilation of merchandise to classifications already provided in the tariff but at times is exercised in establishing new classifications and rates.

The law of 1936 directed the Supreme Customs Tribunal in collaboration with the Comptroller General and the Government to draw a revision of the existing tariff schedules for submission to the next Congress. (Law no. 101 of 1936, Diario Oficial, June 25, 1936.)

## COSTA RICA

A. The Executive was authorized by legislative decree no. 49 published and adopted January 25, 1933, to increase import duties up to 100 percent on all articles considered dispensable luxury goods. By decree no. 55 of February 1933, authority was granted to impose a surcharge of 30 percent of the duties on imports from countries which do not grant most-favored-nation treatment to products of Costa Rica.

B. The Executive put into effect a commercial agreement with France in March 1933 binding the existing duties on certain wines for 1 year automatically renewable unless denounced. Special authority for this agreement was given by legislative decree no. 55 of February 18, 1933.

## CUBA

A. The Executive has broad powers to adopt whatever tariff changes may be recommended by the Secretary of Finance after a report by the Technical Tariff Commission. This authorization and certain related powers over tariff matters were made by decree laws enacted by provisional President and his council of secretaries in office prior to April 1936, when an elected Congress again assumed legislative functions.

With the exception of the United States and countries having most-favored-nation treaties with Cuba, the President is authorized to apply during a year's period the minimum-column duties (one-half the maximum rates) to the products of countries undertaking to import Cuban products equivalent in value to at least 50 percent of their exports to Cuba and to withdraw the minimum tariff after July 1 of each year if it appears unlikely that the country concerned will be able to fulfill its undertaking. Minimum tariff treatment may also be terminated if the foreign country benefited thereby adopts measures of a kind restricting the transfer of funds to Cuba.

The law which put into effect the present three-column tariff based on bilateral trade balances, also continued executive authority to impose countervailing duties to offset foreign export subsidies and to take any necessary measure of protection against foreign dumping.

## CZECHOSLOVAKIA

A. The Executive has power, with qualifications respecting a few commodities, to change tariff rates without reference to the legislature "during a period of extraordinary domestic and foreign conditions." The original law has been periodically prolonged, the last time to June 30, 1937. A prolonging law of June 21, 1934, omitted the previous requirement of parliamentary approval.

## DENMARK

A. The Minister of Finance is empowered to remove or decrease any of a series of "temporary" tariff increases on a substantial number of tariff items, provided such increases cause an advance in the prices of similar Danish products not attributable to increased cost of production. He may also admit commodities covered by "extraordinary" exchange permits at the previously existing permanent rates.

## DOMINICAN REPUBLIC

A. and B. The Executive is authorized to increase, reduce, or lower the sales, use, and consumption taxes and to make reduction in such taxes ranging from one-twentieth to nine-tenths in exchange for concessions to Dominican products by foreign countries (law no. 891, Apr. 17, 1935). By virtue of this law agreements with France and Spain have been put into effect without submittal to the Congress.

## ECUADOR

A. The Executive is authorized to prohibit importations in certain merchandise, to increase tariff duties up to 50 percent, and to make reductions by as much as three-tenths (art. 9, Legislative decree, Oct. 27, 1931, amending art. 4, Tariff Law of July 1, 1927). In December 1934 the Ecuadorian Executive was given broad authority to raise import duties by whatever percentage he may deem appropriate when the current price of international exchange shows a rise which indicates an excess of payments abroad in relation to exports.

## ESTONIA

B. Presumably changes in tariff rates are put into effect provisionally under the general power to alter rates, but are also subsequently ratified. The new constitution of 1933 provided for a president having vast powers, including the power to promulgate draft laws on all economic subjects as decrees having full legal force.

## FINLAND

A. and B. The "Council of State" (Cabinet) has authority to increase specified tariff rates (about one-half the total of tariff numbers) up to a maximum of four times the basic legislative rates, and to reduce any rates that it has raised under

this authority (about two-fifths the total of tariff numbers) down to the minimum, consisting of the basic legislative rates, either by autonomous action or in a trade agreement.

## FRANCE

A. As of December 1936 statutory tariff rates may be changed by the Executive, but duties on certain agricultural and forest products enumerated in the so-called "padlock law" may not be reduced.

## GREECE

A and B. Duties may be raised without limit; and rates of duty applied against nontreaty countries (usually the maximum rates) may be reduced not lower than the minimum rates as a limit—presumably either by autonomous action or by means of trade agreements.

C. Establishment of an advisory body, called "National Foreign Trade Organization", was authorized in 1934 (law no. 6099) as a part of the ministry of national economy.

## IRAN

A. and B. By act of Parliament of Feb. 25, 1931, foreign trade was made a Government monopoly similar to the system employed in the Soviet Union.

## ITALY

A. By Royal decree law of October 5, 1936, subject to later approval by Parliament, the Executive was empowered, in conjunction with the Ministry of Finance, Agriculture, and Forests, and of corporations, to modify customs tariffs and other taxes on imports without limitation and to permit concessions on goods which are the subject of trade with foreign countries.

## LATVIA

A. The cabinet assumed all legislative powers by a declaration of May 18, 1934.

## LITHUANIA

A. In 1928 the Cabinet was empowered to increase tariff rates within prescribed limits. Present powers appear to be more extensive.

B. Conventional rates may be put into force by the Executive only when Parliament is not in session and it is impossible to convoke an extraordinary session.

## NETHERLANDS

A and B. The law conferred authority to change tariff rates by decree pending ratification by Parliament expired by limitation December 31, 1936. A bill to renew this authority has been introduced, but so far no report of its enactment has been received.

C. The Economic Council has as one of its functions the giving of advice on tariff matters.

## NICARAGUA

B. By congressional decree effective September 17, 1936, the Executive was authorized for a period of 3 years to grant reductions of not more than one-fourth in duties then in force by the negotiation of commercial agreements and to put these agreements into effect immediately upon signature for a period not exceeding 3 years and subject to extension if the Congress does not disapprove.

C. In July 1936 it was reported that the President had recently appointed an economic committee composed of the Minister of Finance, managing director of the Bank of Nicaragua, and the Collector General of Customs to study tariff revision, exchange control, and various other national economic and fiscal problems.

## PARAGUAY

A. The Executive is authorized under specified conditions to reduce or increase duties by as much as one-half, to decree new duties on duty-free goods equivalent to 50 percent ad valorem, or to prohibit importations. Action taken under this authority must be subsequently reported to Congress (art. 8, law 667, 1925). In 1935 the Executive was authorized until August 31, 1936, to increase customs

duties (a) to protect national products against dumping, (b) to compensate reductions in duties caused by the official rate of exchange, if such duties are protective, and (c) to reestablish wholly or in part import duties decreased as a result of the official rate of exchange.

## POLAND

B. Through the Government has power to put any rates, conventional or otherwise, into effect, in practice it submits treaties for ratification.

## RUMANIA

A. In cases of urgent necessity the Government can provisionally exempt from duty commodities essential to domestic consumption.

C. There was a Commission to advise on requests for increases on tariff rates from 1929 to 1933.

## SALVADOR

A. By Legislative Decree No. 37 in force September 1, 1934, a three-column tariff based on trade balance was established. This law directs the Executive to classify all countries for the application of the different tariff columns. In addition the Executive is authorized, with the approval of the Council of Ministers, to apply the minimum tariff to selected products irrespective of trade balances, if the importation of such products is considered necessary.

C. By Legislative Decree No. 43 of May 7, 1936, the General Administration of Customs Revenue was established, among whose functions are to classify merchandise not specified in the customs tariff, to act as an advisory board on every thing which relates to commercial treaties and conventions, and to study and present to the Ministry of Finance a project for the organization of the customs system.

## SWEDEN

A. When Parliament is not in session the King may levy within prescribed limits special customs duties in excess of those in the customs tariff.

## TURKEY

A and B. The Council of Ministers has power to modify tariff rates, put into effect commercial agreements modifying tariff rates, fix quotas, prohibit imports, enter into agreements concerning quotas, impose foreign-exchange control, and apply penalty tariffs and prohibitions.

## UNION OF SOVIET SOCIALIST REPUBLICS

A and B. According to the new Soviet Constitution of June 11, 1936, the Supreme Legislative Council (the legislative body) has jurisdiction over foreign trade on the basis of the state monopoly. From information available it appears that the control organization of the Communist Party (consisting of nine members and five associates) can control decisions of the Presidium and that the ad interim decisions of the latter are approved by unanimous vote of the Supreme Council at its periodic sessions. The Presidium, a continuing body consisting of 37 members elected by the Supreme Council, ratifies all international treaties.

## VENEZUELA

C. An Executive decree of April 6, 1936, established a new Bureau of Economics and Finance in the Treasury Department to study, among other things, international trade, reciprocal treaties, and customs conventions.

Senator VANDENBERG. Dr. Sayre, if I may, I want to come back to my suggestion. I want to be sure I understand your point. Taking a specific case, let us take the Brazilian agreement under which 11 months intervened between the time it was signed and the time it went into effect by Brazilian action; I assume that during those 11 months in Brazil, there was an inquiry into the effect upon Brazil of the specific thing that is undertaken. What is the objection to giving the producers of the United States an equivalent opportunity just to tell you, still maintaining your own plenary authority, whether they think that you are irreparably harming the United States?

Mr. SAYRE. In the case of the Brazilian trade agreement, after it was signed the terms of it could not be altered without negotiating a new trade agreement.

Senator VANDENBERG. I quite understand that, but you might better negotiate a new one than to do an irreparable damage that you had not contemplated to American interests.

Mr. SAYRE. The Brazilian trade agreement remained unratified considerably longer than most. I have here—if I can put my fingers on it—a list showing the time elapsed in the case of each agreement between its signature and its coming into effect.

Senator VANDENBERG. Most of them were not ratified for 2 or 3 or 6 months.

Mr. SAYRE. If I may read you from the list——

Senator VANDENBERG. Here it is.

Mr. SAYRE. You have it? The Brazilian was, as you see, the one longest delayed in being ratified.

Senator VANDENBERG. Yes.

Mr. SAYRE. Most of them became effective much more promptly, sir.

Senator VANDENBERG. I would say the average was 2 or 3 months. Now, why would that not——

Mr. SAYRE. Of course, in Brazil, as you probably know, Senator, there are now two chambers of the legislative body. The trade agreement was signed several months before the change from a single-chamber to a two-chamber body. This fundamental change naturally delayed legislative action. The agreement was first submitted to the old single chamber. Then after the change to two houses it had to go through the first one and then through the other. All of that caused an undue delay.

Senator VANDENBERG. Yes, but it also caused an opportunity for the Brazilian producers to know what was going to happen to them, if anything.

Mr. SAYRE. Yes, but Brazil could not alter the terms of that trade agreement after it was signed.

Senator VANDENBERG. No, but it could have been rejected.

Mr. SAYRE. It could have been rejected in toto; yes.

Senator VANDENBERG. There is no such opportunity here, is there?

Mr. SAYRE. There was such an opportunity; yes. The President might, if he saw fit, have refused to proclaim the Brazilian trade agreement at any time prior to ratification by the Brazilian Legislature. In addition, the President, before he signs any trade agreement, must satisfy himself that it is to the advantage of the United States that that trade agreement should come into effect.

Senator VANDENBERG. What is the objection, specifically, to requiring that after the publication of the specific proposals, 30 days should intervene in which supplemental briefs can be filed with the State Department bearing upon the specific text of the proposed agreement?

Mr. SAYRE. In the first place, sir, I do not see what advantage you would gain. We have already secured full information, partly through these open hearings which I have been describing, and partly through representations made to the various departments—for example, people are coming into my office day after day and telling me this or that about the way they fear their particular industry is

going to be affected by a proposed trade agreement with a given country.

Senator VANDENBERG. May I interrupt you? You said, what advantage there might be?

Mr. SAYRE. Yes.

Senator VANDENBERG. Let me give you a specific example. When you proposed the Colombian and Brazilian treaties, and proposed in connection with them to freeze Federal internal taxes in the United States ———

Mr. SAYRE. You bring up another question.

Senator VANDENBERG. I don't want to go into that phase of it, except to say that I think if the country had been on notice and that if Congress had been on notice, that you expected those two treaties to reach into the internal taxation and undertake to affect it, you probably would have had an opportunity to hear some very vigorous complaints which you might have taken cognizance of.

Mr. SAYRE. I do not think, sir, that is a fair statement of the situation.

Senator VANDENBERG. I wanted to be fair. I do not mean to be unfair.

Mr. SAYRE. I would like to answer that. But I wonder, Mr. Chairman, whether I ought not to complete my statement first?

The CHAIRMAN. I think this is one of the most interesting things in it.

Mr. SAYRE. Shall I just continue, then?

The CHAIRMAN. Yes.

Mr. SAYRE. Very well, sir. With regard to those excise taxes to which you advert, in the Brazilian and in the Colombian agreements the United States agreed to bind existing Federal excise treatment with respect to 25 items or subitems of the tariff, whereas Brazil agreed not to impose new or increased national internal taxes on articles covered in approximately 100 tariff classifications, and Colombia on roughly 160 tariff classifications.

Senator VANDENBURG. That is beside the point.

Mr. SAYRE. It is not altogether beside the point, sir, if you will bear with me just a moment.

Senator VANDENBURG. Certainly. I beg your pardon.

Mr. SAYRE. As regards our commitments in these two agreements, they covered in every case products not produced commercially in this country; that is, most of them were tropical products. Not one of them was subject to a Federal internal tax at the time of the signature of the agreement, and with the possible exception of coffee, there is not one single article in the list suitable for the imposition of an internal tax for revenue purposes. I want also to say this——

Senator VANDENBURG. Just a moment. Would that apply to babassu oil?

Mr. SAYRE. Babassu oil was bound on the free list. There was no excise tax on babassu oil, sir.

Senator VANDENBURG. You said it never touched anything that could affect our domestic economy. That is not so, is it?

Mr. SAYRE. I think it is so.

Senator CONNALLY. May I interrupt there a minute?

Mr. SAYRE. Yes.

Senator CONNALLY. Do you think you have any power by treaty to bind the Federal Government as to internal taxes?

Mr. SAYRE. That, sir, raises the question—

Senator CONNALLY. Do you think there is anything in the act which we passed authorizing that, or is there anything in the law authorizing you to take away from the House of Representatives the right to initiate revenue legislation?

Mr. SAYRE. That is the question, sir, which I think is implied in Senator Vandenberg's question and I am glad to answer it here and now. There is a provision in the act which does authorize the President—I quote from the act:

To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements.

In other words—

Senator CONNALLY. I do not think we have any constitutional authority to grant anybody that power, you, or the State Department or even the President.

Mr. SAYRE. I differ with you, sir. I think there is constitutional power. Let me make clear just what this means, however. This provision was inserted in the act for a definite reason—let me say, by the way, that it was debated and discussed both in the committees and also, if I remember correctly, on the floor at the time of the passage of the act. I remember I was questioned myself about it. The reason for inserting it was this: Of what avail would it be for us to make a trade agreement, granting good American concessions to some country in return for that country's undertaking, let us say, to grant specific tariff reductions if that country the day after the trade agreement was made would be free to levy an excise tax on imports of a commodity as great or greater than the amount of the reduction in the tariff duty? In other words, what would be the use of making a trade agreement with a country if the very day after the conclusion of that trade agreement we might find new excise taxes imposed upon imports of the very commodities with respect to which we had sought to gain protection for our exports through the negotiation of the trade agreement? If you want a concrete example of that kind of thing, I instance the case when we were negotiating with France to secure concessions for American apples. We gave a concession on certain importations of French wines and spirits under the marketing-agreement provisions of the Agricultural Adjustment Act. It was not a trade agreement which was concerned, sir. Shortly after that France imposed an excise tax which covered imported American apples. In other words, because we had not bound the excise tax on apples, we stood to lose the benefit of the concession which we had bargained and paid for. Now, to prevent that—

Senator VANDENBERG. Yes; but the Senator from Texas raises the question of power.

Mr. SAYRE. All right; I will come to that. Just let me complete this.

Senator VANDENBERG. May I read to him what the agreement says so that he will have it thoroughly in mind? It prohibits the United States from changing any Federal internal taxes, fees, charges, higher than those imposed or required to be imposed by laws in effect on the date of the signature of the agreement.

The CHAIRMAN. Dr. Sayre, you did not finish about the apples. What did France do?

Mr. SAYRES. I want to finish my answer to Senator Connally, if I may.

The CHAIRMAN. You illustrated with the apples. Did France take off the excise tax?

Mr. SAYRE. Finally it did. Of course, that was not under a trade agreement, but it was because of that incident that I remember discussing this very question with the committees before the Trade Agreements Act was passed in 1934. It was for reasons such as that that we introduced this language into the act, making it possible with respect to those commodities covered in trade agreements to bind the continuance of existing excise treatment.

Now, Senator Vandenberg's question implied that under this power we could, as is suggested in the minority report of the Committee on Ways and Means, limit the taxing power of the United States in a substantial or material way. As a matter of fact, we have not limited the taxing power of the United States in a material or substantial way. As I was suggesting to Senator Vandenberg with respect to the commodities covered in those two agreements with Brazil and Colombia, we were dealing with commodities which are not in the main produced in this country. Most of them are tropical products. In the Cuban agreement, again, we utilized this power. But apart from those 3 trade agreements, in all the other 12 agreements which we made, there is only 1 item on which the United States agreed to bind an internal tax—only a single one. These so-called excise taxes are peculiar taxes, peculiar in many ways. They furnish only a very—an exceedingly minor part of the national revenue.

Senator CONNALLY. That is the business of Congress, though, to determine that, not the State Department.

Mr. SAYRE. Certainly it is the business of Congress to determine the need for excise taxes, but—

Senator CONNALLY. Your theory is that even though you did not have the right to do it, you only did it a little bit?

Mr. SAYRE. No; you mistake me. I did not say we did not have the right to do it. I said we did have the right to do it.

Senator CONNALLY. I did not say that. I said, if you did not have the power, you only did it a little bit?

Mr. SAYRE. Also, I want to say this: I agree with you, sir; it is for Congress to determine the amounts and to impose taxes and to determine revenue needs; but it was Congress itself which delegated to the President the power within these very narrowly defined limits.

Senator CONNALLY. That is away over the line. The question now is whether we are going to delegate it again in view of that.

Mr. SAYRE. Precisely.

Senator CONNALLY. May I ask you to discuss this other thing now? You are opposed to ratification of these agreements by anybody?

Mr. SAYRE. I think, in the light of experience—

Senator CONNALLY. Let me throw this in. You indicate there that because they did not ratify some of those in 1890 and 1854, we ought not to bother with it now. As a matter of fact, the reason they did not ratify them was because the Senate did not want to ratify them. What would you say, instead of requiring a two-thirds vote, if the agreement should come into effect when approved by a majority vote

of the two Houses? That would do away with this point about the taxes, because if the two Houses agreed to it, that of itself would preserve the power of Congress to determine taxes and at the same time ratify your agreements by a majority vote instead of two-thirds.

Mr. SAYRE. I should say that it would detract very much from the incentive to other countries to enter into trade-agreement negotiations. Remember that the trade of the world has been seriously crippled. Remember that there exist all kinds of restrictions and shackles upon trade, and if we are going to—

Senator CONNALLY. Cannot Congress be trusted to approve it by a majority vote?

Mr. SAYRE. May I complete what I started to say, sir?

Senator CONNALLY. Your argument is that Congress is a set of dumbbells? I agree that a lot of us are.

Mr. SAYRE. I have not implied that, sir, for a moment. If I may complete what I started to say, sir—the trade of the world is shackled with restrictions which are world-wide. Here and there it is possible with difficulty to get a foothold. If our trade is to be won back again; if our export markets are to be regained, we must be prepared to act quickly; we must be prepared to act promptly. Ability to act with promptness is of the very essence of the thing if we are going to win trade in such situations as I have in mind.

I remember one particular country with which we were negotiating—a very important one. The political situation in that country at the time was such that if we had not acted quickly we could not have gotten the trade agreement, which has since proved exceedingly advantageous in the building up of American export markets. It is a situation such as that which I have in mind when I say that often time is of the essence.

Senator CONNALLY. That goes right down to the fundamentals of all parliamentary government. Parliamentary government is always more slow and deliberate.

Mr. SAYRE. But it is particularly true in these trade agreements. Other nations of the world are empowered to act quickly, or by virtue of their parliamentary system are able to act quickly. The United States between 1929 and 1932 was losing its share of the trade of the world. If we cannot jump into a given situation and act promptly to seize trade opportunities, we are simply not going to get the trade.

Senator CONNALLY. I know that is your general objection, but this bill of yours involves a delegation of legislative power.

Mr. SAYRE. Yes, sir.

Senator CONNALLY. The point I am making is: What is the objection, after you have made them, to coming back and receiving the approval of Congress by a majority vote, not two-thirds?

Mr. SAYRE. The objection is that other countries will lose the incentive to negotiate trade agreements with us; and as a result we would lose much valuable trade because we would be deprived of a practicable method for winning it.

Senator VANDENBERG. Dr. Sayre, under that clause of the law which you invoked to reach into the internal taxes, would you also consider that you had the power to reach into the excise taxes on oil and copper and such?

Mr. SAYRE. The particular taxes to which you refer on oil and copper, and so forth, if I remember correctly, are levied upon importations, and I believe that there is a specific provision in section 601 of the revenue act, which is the one to which I think you refer, that they shall be treated as import taxes. Under that provision the Trade Agreement Act does delegate to the President the power to affect those particular excise taxes, sir.

Senator VANDENBERG. Senator Harrison made the statement on the floor of the Senate—I have it here somewhere—that specifically it was not the intention, either of the House or the Senate, to give you any power to deal with those excise taxes. Now, do you disagree with Senator Harrison on that?

Mr. SAYRE. All I can do, sir, is to quote you the law. Under the law, you will remember, as I read a few moments ago, the President is authorized to proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods of existing customs or excise treatment of any article covered by foreign-trade agreements, as are required or are appropriate to carry out any foreign-trade agreement that the President has entered into hereunder.

To that I would add the provision of section 601 of the revenue act which states that—

Senator VANDENBERG. At any rate, you interpret the situation which you are asking us to extend as giving you authority to reduce the excise taxes on oil, copper, and so forth?

Mr. SAYRE. To reduce, Senator, or to—

Senator VANDENBERG. To freeze?

Mr. SAYRE. To freeze; yes, sir. If I may read you the language of section 601, I think that is made clear.

The CHAIRMAN. What do you mean by “freezing”, Doctor?

Mr. SAYRE. Continuing without raising.

Senator VANDENBERG. I hope the Senator from Texas heard this answer, that he thinks his authority is broad enough even to affect the excise taxes on oil, copper, and so forth.

Mr. SAYRE. Under the provisions of section 601.

Senator VANDENBERG. Yes.

Senator CONNALLY. I understood that.

Senator VANDENBERG. When it passed the Senate it was specifically stated by the Senator from Mississippi on the floor that that power did not exist under the law.

The CHAIRMAN. Have you got my statement there? I think I said it froze these propositions.

Senator VANDENBERG. No; your statement was a very gorgeous one, very conclusive.

Mr. SAYRE. Senator Vandenberg, these are, as you understand, under the language of section 601, treated as import taxes so that they could be frozen or they could be reduced.

Senator VANDENBERG. Senator Harrison asked me to read what he said—

The CHAIRMAN. I don't care anything about it, I will read it myself.

Senator VANDENBERG. I think I better read it now. On June 4, 1934, at page 10391 of the Record, the able chairman said:

It will be noted that, so far as tariff rates are concerned, the President has the power to increase or lower them by 50 percent: But as to excise taxes, they may

be continued. It was the intention of those who framed the legislation, and of the House in passing the bill, that they would be frozen; in other words, they might not be modified.

Is that your interpretation?

Mr. SAYRE. My interpretation is simply the reading of the law. I read you the provision in the Trade Agreements Act. I do not seem to have available here section 601 of the revenue act, but it contains a provision which directs that those particular excise taxes, which are levied on importations, shall be treated to all intents and purposes under the law, as import taxes. As such, I presume they would be subject to either freezing or reduction under some trade agreement which might be made.

Senator VANDENBERG. Well, the importance to us is that you are now asking us to extend the power, and it is important to know which power you will contemplate using.

Senator CLARK. Dr. Sayre, let me understand this proposition correctly. I have been very much in sympathy with the reciprocal trade agreements and feel that they have accomplished a great deal of good. But do I understand your proposition to be that in case of gasoline, let us say, on which we have levied an excise tax for years in this country—a nuisance tax, to be sure, but nevertheless an excellent revenue producer for the absolute necessities of the Government, and which this committee and the Congress has never found an opportunity to take off, although it is a burdensome tax by reason of the fact that the necessity for revenue is so desperate—do I understand that if the State Department was to happen to include gasoline in one of the reciprocal trade agreements that that would automatically, if the State Department chose to do it, reduce or wipe out a tax that the Congress had been levying as an internal excise tax for its purposes?

Mr. SAYRE. No, sir. That is what I fear might be misunderstood from Senator Vandenberg's question. There is no such power under the Trade Agreements Act.

Senator CLARK. I certainly did not understand that there was one when we passed the act.

Senator VANDENBERG. What power do you contemplate you have with respect to the internal tax on gasoline?

Mr. SAYRE. We have no power to do anything with respect to the internal tax on domestically produced gasoline. I come back to the language of the Trade Agreements Act, sir.

Senator CONNALLY. This is an excise tax on imported gasoline now.

Senator VANDENBERG. As I understand the Secretary, he says he has the power to deal with it.

Mr. SAYRE. I come back to the language of the act, which is that the President is authorized to proclaim such modifications of existing duties and other import restrictions—and this next is the language which concerns the matter—"or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements."

The CHAIRMAN. Dr. Sayre, since they brought my name into this discussion, for which I am sorry, it will be recalled that in the debate, as shown on page 10391 of the Congressional Record for 1934, there came up some questions about this and I stated I was offering an amendment.

Senator VANDENBERG. That is right.

The CHAIRMAN. And that amendment sought to freeze these excise duties, in particular on lumber, I think it was, copper, oil, and coal. When I offered that I thought a certain gentleman of the Senate would be glad to receive it, but he made an objection, one of the Senators did, and I had to withdraw it. Afterward the Senator from Louisiana offered it and it was objected to.

Senator VANDENBERG. It seems to me the situation in which we find ourselves does bind the hands of Congress beyond any intention that Congress had in mind.

Congress decided to put an import tax on coconut oil from the Philippines as the result of which the importation of coconut oil was substantially curtailed. After the curtailment of the coconut-oil imports there immediately arose, as you know, the tremendously increased import of babassu-nut oil from Brazil, which, according to the viewpoint of our agriculturalists—and the right or wrong of which I am not stating, I am simply stating the claim—has destroyed or threatens to destroy the entire domestic advantage which was obtained by the tax on coconut oil.

Now, we will not argue whether or not the agriculturalists are right or wrong; let us assume for the sake of argument that they are right; have you not agreed with Brazil that we shall not put an excise tax on babassu-nut oil, and, therefore, have you not said to Congress that if pursuant to its original purpose, to protect the domestic fat and oil industry, if they should want to include babassu oil in order to complete the original intent, they could not do it? Have you not bound their hands to that extent?

Mr. SAYRE. Your statement about babassu oil, sir, reflects the extreme exaggeration which has entered into the statements concerning babassu oil. Babassu oil is not a material factor in the price situation or the price structure of fats and oils, sir.

Senator VANDENBERG. Mr. Secretary, I am not undertaking to discuss the merits.

Mr. SAYRE. But may I suggest—

Senator VANDENBERG. I am simply asking you upon that hypothesis, or any similar hypothesis, would not the hands of Congress be bound against doing what Congress might deem necessary to protect American agriculture?

Mr. SAYRE. First, sir; your assumption is based upon an incorrect premise; but if your premise were correct, then my answer would be that legally Congress is not bound, of course. Legally Congress could still levy a tax on the oil.

Senator VANDENBERG. In violation of the treaty?

Mr. SAYRE. It is not a treaty; it is a trade agreement.

Senator VANDENBERG. In violation of the trade agreement?

Mr. SAYRE. If Congress took such action during the life of an agreement, it would be in violation of the agreement. But most of these trade agreements are for very short periods, and provide that at the termination of that period they may be denounced on 6 months' notice by either side. We must remember that if we are going to win trade we must be willing to go out after it and give something for it. Under modern conditions trade is so fluid that it can best be sought through short-term trade agreements subject to denunciation, let us say, on 6 months' notice. By entering into such agreements we can

win very real advantages for the United States. A trade means an advantage to both sides.

Senator VANDENBERG. You do not like my hypothesis and I do not like yours because I think you are just as wrong as I am. So, let us eliminate the hypothesis and let us come to the actual hard facts, that under this process the hands of Congress are tied.

Mr. SAYRE. The hands of Congress are tied—

Senator VANDENBERG. With respect to internal tax problems.

Mr. SAYRE. With respect to a Federal tax on a commodity covered by a trade agreement—in other words an imported commodity—during the life of the agreement if Congress does not choose to enact contrary legislation.

Senator VANDENBERG. If Congress does not choose to make a scrap of paper of the trade agreement?

Mr. SAYRE. Of course, as I have said, these trade agreements are short-term agreements. No country ever has made a binding treaty, I suppose, without giving up some right.

Senator VANDENBERG. In other words, as Senator Connally says, it is only just a little bit of an invasion?

Mr. SAYRE. No, I take exception to that. If the United States is going out after export markets, which it must have if it is going to protect its domestic economy, the United States must enter into these trade agreements as other countries of the world are entering into them. If we do not do it we will lose our trade. We will never get a trade agreement if we are unwilling to give some binding concessions in return for the greater advantages which we receive in compensation. No trade agreement is ever concluded unless the President is convinced that the advantages we receive outweigh the cost. In other words, the trade agreement is not made unless both sides benefit.

Senator VANDENBERG. That is all beside the point I am interested in at the moment, Dr. Sayre. We have not yet come to the question of deciding whether or not these are good or bad. I am interested solely in this abstract question.

Mr. SAYRE. On the abstract question, sir, my answer is that by the Trade Agreements Act Congress has delegated to the President the power to bind during the life of short-term agreements a very limited number of taxes if it chooses not to override those agreements.

Senator VANDENBERG. And it has bound the hands of Congress in respect to internal taxation?

Mr. SAYRE. No, that is putting it too strongly, sir; not in regard to internal taxation; only with regard to these very peculiar excise taxes on imported products.

Senator VANDENBERG. That is an internal tax?

Mr. SAYRE. But the same is true of import duties. The hands of Congress are bound in the sense that although Congress can violate the trade agreement, and can pass any legislation it pleases, if it chooses to observe the trade agreements, then it is bound by such provisions as those trade agreements contain.

Now, when we promise to a foreign country that we will apply to all its particularly named and specified products, the benefit of these concessions, Congress is bound to that extent; in return we are getting something of greater value. If we are unwilling to bind ourselves in any way, believe me, we will never get the trade which we must have if we are going to sell our cotton, our wheat, our tobacco, our rice, our dried fruits, and our automobiles.

Senator VANDENBERG. We will come to that later. Let us take the fundamental point and let us illustrate it with vegetable fats and oils. Congress in its wisdom, so-called—

Mr. SAYRE. You are a member of it, sir.

Senator VANDENBERG (continuing). Decided that there ought to be an excise tax protection against the imports of certain vegetable fats and oils. Now, if tomorrow, Congress should be confronted with a situation where that policy, in its wisdom, ordered it to be extended to certain other fats and oils that are covered by your agreements, Congress could not do it except as it flew in the face of your trade agreement?

Mr. SAYRE. You mean if a trade agreement was made lowering the duty on fats and oils? Remember, this power is given to the President only with respect to commodities covered in the trade agreements.

Senator VANDENBERG. I mean if you have guaranteed Brazil that there shall be no import duty on babassu nut oil—now, I don't know any more about babassu oil—

Mr. SAYRE. I do know something about it, sir, and I would like to tell you about it. It is not half as important as it is made out to be.

Senator VANDENBERG. That goes to the merits of the argument as to whether you ought to have done it or not.

Mr. SAYRE. No, that goes—

Senator VANDENBERG. I am interested solely in the power at the moment.

Mr. SAYRE. So far as power is concerned, I have answered that, sir. Congress has delegated to the President the power to reduce tariffs on certain commodities and to bind United States excise taxes with respect to those imported commodities during the life of the trade agreement, but that does not cover internal taxation as such. It covers only excise taxes on imports. It covers only what is included in the specific language in this act.

Senator VANDENBERG. But an excise tax is an import tax so far as the net result is concerned?

Mr. SAYRE. Yes, insofar as imported goods are concerned; such an excise is a form of duty. But when you say the trade agreements give to the President the power to bind internal taxation, that is not true, because these excise taxes are only a very minor part of our internal tax structure.

Senator CLARK. In this illustration that I asked you about a moment ago, this gasoline tax which is on the books right now is an excise tax. By every theory of taxation, the only theory on which it is imposed is as an excise tax. The same is true of all these nuisance taxes, the tax on jewelry, the tax on furs that we have, all of them are excise taxes. They are so classified by every tax authority and every lawyer that I have ever heard make a classification.

Senator VANDENBERG. Would you say you had the power to agree with England that the internal tax on British cigarettes sold in this country could not be raised?

Mr. SAYRE. I would want to consult a good many lawyers before I answered a question like that, sir.

Senator VANDENBERG. I think on the basis of the Brazilian precedent, your answer would be "yes."

Mr. SAYRE. I would want to consult a good many lawyers.

Senator VANDENBERG. Then we better consult a good many lawyers before we extend this act.

Mr. SAYRE. Remember, Senator—I come back again and again to this—that these excise taxes are very peculiar, that with a single exception there has been no binding of them apart from the trade agreements with Colombia, with Brazil, and with Cuba. In those trade agreements excise taxes on imported goods were bound only with respect to commodities largely tropical, and not directly competitive with commodities in this country.

I think the answer to all you are saying is really very simple. Those negotiating these trade agreements are not trying to leave United States' markets unprotected. They are not trying to sell out American producers. We are trying honestly to get increased trade for the United States in order to increase our export markets. Now, we hope we are not totally stupid; we hope that we have some intelligence in trying to guard against the kind of thing that you are suggesting—

Senator VANDENBERG. I am not saying you are stupid, not the slightest; I think you are just as smart and clever as you can be.  
(Discussion off the record.)

The CHAIRMAN. We will recess and meet again at 2 o'clock this afternoon.

(Whereupon at 12 noon a recess was taken until 2 p. m. of the same day.)

#### AFTERNOON SESSION

The committee reconvened at 2 p. m. pursuant to the recess.

The CHAIRMAN. Dr. Sayre, we will proceed, you may go along with your statement if you wish, or if the Senators want to ask you questions and you desire to answer them, you may do so.

#### STATEMENT OF FRANCIS B. SAYRE—Resumed

The CHAIRMAN. In the main, as I understand it, the statement which you have prepared is a good deal like the statement which was given to the House committee.

Mr. SAYRE. Yes; I will either go ahead with it or answer any questions which may be asked me at this time according to your desires.

The CHAIRMAN. If the Senators wish to ask some questions at this time, perhaps you can put the statement in the record that you have not finished reading.

Senator VANDENBERG. I should think we could save time in that manner.

The CHAIRMAN. And then you will be able to hold yourself open to answer any questions which are asked you?

Mr. SAYRE. Just as you like.

Senator VANDENBERG. So far as I am concerned, there are just a few questions that I would like to get a little further light on. I have already read your statement very carefully, as I do anything you produce.

Mr. SAYRE. It lies entirely with you, Mr. Chairman, as to which course I shall pursue.

Many of the nonagricultural concessions granted by the United States are on products used in advanced industries or in construction and by virtue of their effect in reducing production costs are of benefit to American producers and consumers alike. In most other instances

such industrial concessions as have been granted have been for the benefit of foreign specialties, the domestic production of which is limited or nonexistent.

Concessions granted by this country on agricultural items have been few in number, both as compared to concessions granted by us on nonagricultural imports and as compared to concessions obtained on behalf of American agricultural products. Many of our agricultural concessions involve products which are not competitive with those of our own farms. Moreover, to a considerable extent the competitive items are products of which farmers are themselves the principal purchasers, such as horses, cows for dairy purposes, live cattle of feeder weights, seed potatoes, hay, oats and turnips for feed, grass, and forage-crop seeds. The few concessions granted on the remaining competitive agricultural products were extremely moderate. In most cases concessions on competitive agricultural products were accompanied by strict limitations on the quantity which may be admitted at the lower rates or on the season when reduced rates apply.

While there are definite and significant indications that trade is beginning to move more freely in response to reciprocal reductions of the kind I have briefly just described, a complete and accurate measurement of the effects of the program is not possible at this time for various reasons. In the first place, the program has been under way for but a short period. Only one agreement has been in force for as long as 2 years. Ten of the 15 agreements became effective at varying times during the past year and the agreement with Costa Rica has yet to come into effect. Commerce does not at once take advantage of the removal of obstructions to its flow; the reestablishment of markets for products on behalf of which concessions are obtained is of necessity a gradual process.

Furthermore, the simple statement of export and import statistics for items covered by the agreements before and after their effective dates will obviously often be misleading. Some trade increases will be due to reductions in trade barriers obtained by trade agreements; other increases will be due to a complexity of other factors influencing the general trend of international trade. It is impossible accurately to evaluate these factors within the compass of a few months. All trade increases occurring with agreement countries, therefore, cannot be credited to the concessions so far effected. Conversely, the absence of trade increase in the case of any particular commodity covered by an agreement by no means indicates the futility of the concession involved. The basic point is that trade today is strait jacketed and impeded by innumerable governmental restrictions; and obviously a normal flow of trade cannot be regained except by first reducing and insofar as possible eliminating those restrictions which are excessive.

The painstaking and thorough analyses required for an accurate measurement of the results of the limited number of agreements which have been in force for a substantial period have so far been completed only for Canada and Cuba. The completed studies are too detailed and too long for oral presentation to this Committee, and with the committee's permission I should like to offer them for the record. (The documents referred to appear at p. 117 and p. 133, respectively, at the end of Mr. Sayre's testimony.)

In addition I should like to offer for the record some tables containing a few instances of marked increases in our exports in which the presumption is strong that the reduction of uneconomic trade barriers was a substantial and important contributing factor.

(The tables referred to follow:)

**INCREASES IN UNITED STATES EXPORTS<sup>1</sup> OF CERTAIN PRODUCTS FOR WHICH CONCESSIONS HAVE BEEN OBTAINED**

*In the Cuban agreement*

[Thousands of dollars]

	September through August		
	Preagreement years, 1933-34	Agreement years	
		1934-35	1935-36
Total exports to Cuba	\$31,003	\$55,312	\$83,528
White potatoes, onions, and dried beans	340	938	1,018
Hams and shoulders, bacon and lard	1,770	4,001	3,648
Canned asparagus, corn, and peas	10	17	35
Wheat flour	3,592	4,592	4,958
All motor vehicles and parts, including tires and tubes	1,880	4,065	4,391
Passenger automobiles	533	1,062	2,017
Radios and radio equipment	402	790	989
Office machinery	50	251	226

<sup>1</sup> In some cases the foreign-agreement country's import data have been used.

<sup>2</sup> Cuban imports from United States increased 62.8 in the 1934-35 period over 1933-34 period, whereas Cuban imports from all other countries increased 12.3 percent.

<sup>3</sup> In the period September through August 1935-36, Cuban imports from United States increased 18.9 percent over the same period of 1934-35, while Cuban imports from all other countries declined 0.1 percent.

<sup>4</sup> An increase of over 300 percent.

<sup>5</sup> In contrast, total United States exports of these products were declining.

*In the Belgian agreement*

[Thousands of dollars]

	May through April, inclusive	
	Preagreement year 1934-35	Agreement year 1935-36
Total Belgian imports from United States	42,463	122,105
Automobile parts (unassembled cars)	2,254	6,882
Radio tubes	407	467
Calculators, typewriters, etc.	477	696

<sup>1</sup> Belgian imports from United States increased by \$10,000,000, or 23 percent, during the first year of the agreement over the preceding year. At the same time Belgian imports from all other countries increased only 5 percent.

*In the Netherlands agreement*

[Thousands of dollars]

	February (through July)	
	Preagreement year 1935	Agreement year 1936
Total Netherlands imports from United States	23,814	23,840
Wheat	693	1,060
Wheat flour	243	614
Refined copper	177	208
Electric refrigerators	418	217

<sup>1</sup> Netherlands imports from United States increased by \$1,326,000, or 6 percent, in the first 6 months under the agreement, as compared to the preagreement period, whereas imports from all other countries increased by only 3 percent.

<sup>2</sup> Netherlands imports from United States of refined copper increased by 17 percent in the first 6 months under the agreement, as compared with the preagreement period.

<sup>3</sup> Netherlands imports from United States of electric refrigerators increased 84 percent in the first 6 months under the agreement, as compared with the preagreement period.

*In the Canadian agreement*

[Thousands of Canadian dollars]

	6 months, January through June		Amount of increase
	1935	1936	
Total Canadian imports from United States	\$155,662	\$178,835	\$23,173
Imports from United States of products on which reduced duties were granted by Canada	64,544	80,037	15,493
Imports from United States of products on which Canada bound the existing tariff treatment	14,452	20,204	5,752
Imports from United States of non-agreement products	76,666	78,594	1,928
Canadian imports from United States of specified agreement products:			
Passenger cars and chassis	1,192	2,078	
Industrial machinery	5,170	8,284	
Agricultural machinery	3,276	5,480	
Radio apparatus, including tubes	620	1,014	
Office machinery and appliances	692	802	

[Thousands of dollars]

	1935	1936
United States exports to Canada of certain products:		
Fruits and fruit preparations	\$4,714	\$6,508
Hams and shoulders, pickled and salted pork	60	188
Lard, including neutral lard	64	160
Grains and grain products	618	780
Electrical apparatus, including radio	3,360	4,488

<sup>1</sup> For each of these groups of products listed, the imports are for only those products in the group on which Canada granted a concession.

<sup>2</sup> Quantity of imports also more than doubled, which compares with an 8-percent increase in United States exports to all countries during the same period.

**NOTE.**—United States exports (including reexports) to Canada were \$60,750,000, or 18.8 percent, greater during the year 1936 than during 1935. Exports to all countries increased 7.5 percent in 1936. Canadian imports from United States show a gain of 17.8 percent in 1936, as compared to a gain of 11.5 percent in imports from countries other than the United States.

*In the Brazilian agreement*

[Thousands of dollars]

	January through June	
	Preagreement period, 1935	Agreement period, 1935
Total exports to Brazil.....	21,866	1 24,207
Tractors and parts.....	119	2 195

<sup>1</sup> Exports to Brazil increased by \$2,341,000, or 11 percent in the first 6 months under the agreement, as compared to the preagreement period.

<sup>2</sup> Exports to Brazil of tractors and parts increased by 64 percent in the first 6 months under the agreement, as compared to the preagreement period.

*In the Swedish agreement*

[Thousands of dollars]

	August through July	
	Preagreement year, 1934-35	Agreement year, 1935-36
Total exports to Sweden.....	35,695	1 40,314
Refined copper.....	1,540	2,607

<sup>1</sup> Exports to Sweden increased by \$4,619,000, or 13 percent, in the first agreement year over the preagreement year.

At this point I should like to make an observation or two, if I may, with regard to agriculture's interest in the trade-agreements program. I have already commented on the concessions obtained for our agricultural products in the agreements thus far negotiated. I cannot, however, ignore the efforts that have been made in certain quarters to misrepresent the objectives and achievements of the program as they affect agriculture and the fundamental interests of agriculture in relation to the program.

It is one of the ironies of our public life that such misrepresentation and misunderstanding should prevail, in view of the fact that those who have been charged with the responsibility for executing the program have been so painstaking and tireless in their efforts to help agriculture and have accomplished so much in the face of the great obstacles which they have confronted. The fact is that no stone has been left unturned to get valuable concessions for our farm products abroad, and much has already been accomplished. Moreover, there are excellent prospects that much more can be accomplished toward reopening foreign outlets during the next few years.

There are those who make much of the fact that imports of agricultural products have increased markedly during the past 2 or 3 years and seek to portray this as a highly sinister development for which trade agreement concessions on farm products are primarily responsible. Nevertheless, the essential facts are: (1) That much of the increase in imports of farm products is in raw materials and food-stuffs which are wholly noncompetitive with domestic agriculture and

is simply an accompaniment of economic recovery; (2) that most of the remaining increase is in products of which severe domestic shortages developed as the result chiefly of two of the worst droughts in our history; and (3) that trade agreement concessions on farm products, while facilitating somewhat the entry of certain products, have on the whole been a very minor factor in the import situation.

By far the most important item in the category of competitive farm products on which duties have been reduced is sugar, and imports of sugar are limited by quotas established pursuant to separate sugar legislation. There have been duty reductions on a few other items of a more or less competitive character, but the number has not been large; the reductions have been made only after the most careful study of the facts and, where necessary, have been accompanied by special safeguards; and despite the controversies which some of them have provoked, they have not been such as to inflict undue injury upon domestic producers.

In all of the controversial discussion of this matter of farm imports there is one cardinal fact that those who criticize the trade agreements persistently ignore. That fact is that a tariff policy which spoils agriculture's domestic, as well as its foreign, market cannot in the long run be helpful to any branch of agriculture. The prohibitive Hawley-Smoot rates did not rescue agriculture from the depression; just the contrary—they helped to intensify the depression and made the situation infinitely worse for farmers. What comfort is there for farmers in the thought that they are in possession of 100 percent of a domestic market if meanwhile gross farm income falls from \$11,900,000,000 to \$5,300,000,000—as it did between 1929 and 1932? Which is better for the agricultural producers of this country—complete possession of a domestic market in which they can sell only 100,000,000 pounds of a given commodity at poor prices, or 97 percent of a domestic market in which they can sell 200,000,000 pounds at good prices? That is the nub of the whole matter. The trade agreements program is helping to restore prosperity for the country as a whole, and in doing that it cannot fail to benefit all branches of agriculture.

### III. THE URGENT NEED OF RENEWING THE TRADE AGREEMENTS ACT AS A MEANS TO FULL AND STABLE RECOVERY

Finally, I should like to bring to your attention the urgent need—perhaps I should say the imperative necessity—of continuing the trade agreements program, for another 3 years, if full domestic recovery is to be achieved and made secure.

As has been pointed out, the Trade Agreements Act of June 12, 1934, was necessitated by the emergency which then existed in our foreign trade. It was then recognized that complete domestic recovery would be impossible without restoration of foreign markets. Only thus could our people secure that increase in their standards of living which is made possible by the fullest development of the Nation's productive abilities and resources.

After 2½ years since the passage of the act, the situation today sums up as follows: There has been a very substantial amount of recovery within the United States as measured by the customary indices, such as production, factory employment, the general price.

level, and the like. Likewise, there has been a notable improvement in our foreign trade position as compared with a few years ago.

Nevertheless, two things are clear: The first is that domestic recovery, even if measured in terms of 1929 levels, is far from complete, and still more incomplete if we take into account, as we should, the increases in our population and our productivity per worker that have taken place since 1929. The second is that the pronounced lag in our foreign trade as compared with the other indices of recovery—a lag which persists despite the encouraging expansion in our foreign trade which has occurred during the past 3 years and instances of which we have just reviewed—is one of the chief obstacles to complete and stable domestic recovery. If no further steps are taken during the next few years to remove present obstacles to the continued expansion of our foreign trade, not only will further improvement of our general economic position be retarded, but there is also a real danger that a part of the substantial gains which have now been made may be lost.

In spite of a very considerable improvement from the disastrously low levels reached during the depression foreign trade still lags far behind the general recovery. Thus, in October 1936 our exports were only 50 percent of the average monthly exports of 1929. The significance of this lag in the recovery of foreign trade becomes clear when we consider the importance of foreign trade in our whole economic structure.

To show how precarious is any basis of recovery which fails to include a further expansion of our foreign trade, it is necessary only to cite one or two broad illustrations. Take the case of agriculture, to which I have already alluded. American agriculture has long been, and still is today, heavily on an export basis; such readjustments as have occurred in recent years have not altered this basic fact. In 1935-36 our exports of agricultural commodities accounted, at average yields, for nearly 28,000,000 acres of productive land. Moreover, even if from this figure we deduct the number of acres which would have been necessary to produce the more or less competitive farm products which were imported, assuming that these imported products could or would have been wholly replaced by domestic production, we would still have had left a net export of agricultural products equivalent to some 13,500,000 acres.

This, be it noted, was the situation after 6 years of depression and rising trade barriers abroad which had greatly curtailed foreign outlets for our farm products; and it also followed not long after the severe drought of 1934 the effects of which tended both to reduce our exports and increase our imports of farm products. To complete the picture, it would be necessary to consider how much larger the gross and net export acreage figures would be if the progress which has recently been made in reopening foreign markets for our farm surpluses should continue in the years immediately ahead. Thus you see how absolutely vital to our farmers are our foreign markets.

On the other hand, to appreciate the significance of a failure to go forward with such a program, it is necessary only to ask what will happen to farm prices and farm income if the recent crop shortages induced by droughts are followed by a year or two or normal or better-than-average yields. The answer is written large in terms of our past experience. The result will be large surpluses over and above domestic

needs, and the difference between good and poor foreign markets for such surpluses will mean many millions of dollars to the farmers of this country. It can mean all the difference between prosperity and adversity.

Or, again, take the case of those highly important branches of our manufacturing industry that are on an export basis, particularly those producing durable goods such as automobiles, radios, and numerous types of machinery and equipment. For a time the backlog of replacements resulting from the long period of depression, plus an increase of installment sales to consumers, may serve to obscure and lessen the ill effects of a lagging recovery of foreign outlets for the products of these industries. But the evil day is likely, at best, only to be postponed. Like the export branches of agriculture, these export branches of our manufacturing industry are geared to produce far more than they can for long sell remuneratively in the domestic market. And the fact is that these constitute a surprisingly large portion of the total of our manufacturing industry.

It is clear that continuation of the encouraging progress that has already been made in reopening foreign markets is a matter of urgent and really vital necessity for the best interests of the country as a whole. Consequently it becomes pertinent to inquire, What is our present situation with regard to barriers which retard the restoration of our foreign trade and of world trade as a whole?

Although most countries have, like the United States, experienced a considerable degree of internal recovery during the past 4 years; many of the abnormal restrictions on international trade which arose during the depression still persist. As a result recovery has, in almost every country, been uneven, unbalanced, and incomplete. In many cases it has been made possible only by such artificial stimulation as rearmament. In every country the consumption of products which are on an import basis is greatly restricted, and in some, industrial activity has been hampered by a shortage of those raw materials which must be imported.

The removal of these persisting restrictions clearly requires a longer time than the recovery of production for the domestic market. This is partly because it involves negotiations—often prolonged negotiations—between governments, partly because of the opposition of vested interests which have grown up behind the new restrictions and discriminations, and partly because the weak financial position of many foreign countries is still making it difficult for them to relax their trade controls.

It is for reasons such as these that the work under the Trade Agreements Act remains largely unfinished at a time when many other of the emergency tasks of this Government have been completed or are nearing completion.

In the present critical situation of our international trade, all theoretical discussions on protectionism and free trade are academic and out of place. We are faced with a situation of serious gravity, in which it is imperative to restore at least that minimum of international trade which is indispensable for continued domestic recovery.

Many foreign nations, because of their precarious financial position, are finding it difficult to relax their trade restrictions. We cannot make a trade agreement with any country until the conditions in that

country are ripe for such an agreement. But our experience has shown that where conditions do permit foreign countries are ready and anxious to make mutually profitable trade agreements with the United States; and it is a matter of paramount importance to us to be prepared, in such cases, to act promptly and effectively.

The present outlook in the field of international economic relations is more promising than it has been for some time. In the period which lies immediately ahead, agreements are likely to become possible with an increasing number of countries. Particularly is there an excellent prospect of negotiations during the next few years with countries which have been leading markets for our farm products. Both the public utterances and the concrete actions of foreign governments give unmistakable evidence of an increasing realization that full recovery is not possible for any nation without a substantial restoration of international trade, and that the method which we have adopted in our trade-agreements program during the past 3 years offers the only practicable hope for such a restoration of international trade.

The situation is manifestly one which calls for a renewal of our authority to go forward, during the period which lies immediately ahead, with the trade-agreements program on the constructive lines that have heretofore been followed.

The situation which we now confront is clearly one which—despite the recent encouraging progress toward general recovery and the improvement in our foreign-trade position—can only be properly described as urgent. It is urgent not alone in the economic sense which I have here been stressing, but also in a larger sense. In the present highly unsettled political situation throughout the world, with the issue of peace or war hanging delicately in the balance, the contribution which the trade-agreements program is making, and can continue to make, to the restoration of world prosperity and hence to world political stability is a consideration of the utmost importance. To abandon our constructive efforts to restore trade at the present juncture of affairs would be unforgivable.

No nation is so abundantly endowed with natural resources and technical skill that it can be economically sufficient unto itself and remain prosperous. Trade constitutes the very lifeblood of nations.

If orderly processes of trade break down as a means for securing the ready exchange of goods and the distribution of the necessary raw materials of the world, conquest and the march to imperialism become well-nigh irresistible. Economic nationalism and its corollary, imperialistic expansion, alike lead to perpetual conflict.

America must, therefore, reach out toward liberal trade policies, such as the trade-agreements program, not only because increased trade means increased profits but because it is the only sure foundation upon which to build for world peace.

(Mr. Sayre also presented for incorporation in the record four memoranda dealing, respectively, with the most-favored-nation policy, Executive conclusion of trade agreements, presentation by interested parties of their views with respect to proposed trade agreements, and the balance of trade of the United States. These memoranda follow in the order named and are in turn followed by the memorandum on the constitutionality of the act which was earlier introduced into the record:)

**I. ADHERENCE BY THE UNITED STATES TO THE UNCONDITIONAL MOST-FAVORED-NATION POLICY IN CONNECTION WITH THE TRADE-AGREEMENTS PROGRAM****PURPOSE OF THE TRADE-AGREEMENTS ACT**

The powers conferred and directions laid down by Congress in the Trade Agreements Act are declared to be "for the purpose of expanding foreign markets for the products of the United States." It is recognized in the act's provisions that the accomplishment of this purpose necessitates efforts on two different fronts. On the one hand, it requires the reduction of excessive tariff barriers and other governmental impediments to trade; on the other hand, and no less urgently, it requires the reduction and progressive elimination of the many discriminatory and arbitrary practices which distort and strangle trade, and the substitution of an order based upon the principle of equality of opportunity and treatment.

**USE OF BARGAINING POWER NECESSARY**

These are the two main objectives of American commercial policy as expressed in the Trade Agreements Act. The pursuit of each necessarily involves the use of bargaining power by the United States. Concessions in its tariff rates and other import restrictions have to be granted by the United States in order that corresponding concessions from foreign countries may be obtained. Likewise, nondiscriminatory treatment must be given by the United States to imports from other countries in order that nondiscriminatory treatment for American exports may be obtained from other countries.

In respect of the specific concessions which form the direct exchange between the United States and foreign countries in the agreements, the trade-agreements program is, obviously to all, a bargaining program. Because the bargaining element is not so obvious in the exchange of nondiscriminatory treatment, the wholly erroneous statement is sometimes made that the United States extends its concessions to third countries gratuitously. Properly, however, the grant of nondiscriminatory treatment by the United States, which involves the generalization of the trade-agreement concessions, should be considered as a reciprocal trade or bargain in itself, quite distinct from the bargain in which the concessions were originally given. What the United States does, in effect, is to trade the extension of all of its concessions in bulk against the extension to it of all of the concessions which the various recipient countries have granted, are granting, or may in future grant to all other countries. The reciprocal element is present in the extension of concessions just as much as it is in the original exchange. Both are bargaining transactions.

**MOST EFFECTIVE USE OF BARGAINING POWER**

In any trade-agreements program that could be devised, bargaining power would have to be given up, not only to "pay for" the tariff and other concessions which the United States desires to obtain from the countries with which it is negotiating, but also to obtain, or assure the maintenance of, nondiscriminatory treatment in the markets of these and of other countries. The essential question, therefore, is: Under what policy or method of procedure can the United States obtain and assure nondiscriminatory treatment for its exports most quickly, most easily, and most completely in return for the bargaining power which it has and is willing to use for this purpose?

**POLICIES WHICH MIGHT HAVE BEEN ADOPTED**

There are three policies or methods which might have been adopted by Congress in this respect: (a) the policy of exclusive preferences, (b) the conditional most-favored-nation policy, and (c) the unconditional most-favored-nation policy. The third of these policies (which was the existing policy of the United States) was the one which Congress in fact adopted.

Why were the other two policies rejected?

## THE INTERNATIONAL OBLIGATIONS OF THE UNITED STATES

At the time that the Trade Agreements Act was passed the United States was a party to most-favored-nation treaties and executive agreements with 47 countries. The majority of these instruments pledged the United States to grant most-favored-nation treatment unconditionally. If the policy of exclusive preferences or the conditional most-favored-nation policy had been adopted in the Trade Agreements Act, all of these unconditional most-favored-nation obligations would have had to be terminated. Had this been done, our exports would have been deprived of legal protection in the countries in question and would have been rendered highly vulnerable to the widespread retaliation which the subsequent refusal to extend the trade agreement concessions would have invited. The immediate result would have been to deprive American exporters of the favorable positions in these markets which they enjoyed and now enjoy. It would then have become necessary to seek to regain that favorable position, but the treatment we had been receiving from these countries could not have been brought back globally; it would, under either the policy of exclusive preferences or the conditional most-favored-nation policy, have had to be regained concession by concession in return for equivalent individual concessions from us. Thus, the first result of the adoption of either of these other two policies would have been the loss in a great number of foreign markets of the equal treatment which we had been receiving, placing us under the necessity of giving up valuable bargaining power to purchase this treatment back.

Paradoxical though it may seem, the status of our trade even in those countries with which we had conditional most-favored-nation commitments would also have been adversely affected by the adoption of the conditional most-favored-nation policy. These commitments had for years been interpreted unconditionally by the United States and the other parties to them; hence a reversion by the United States to the conditional interpretation would have altered the situation of fact with respect to those countries no less radically than with respect to the countries with which unconditional commitments obtained, and the consequences would have been similar.

Today a change of policy to that of exclusive preferences or of conditional most-favored-nation treatment would be even more disadvantageous to the United States in this respect than it would have been when the trade agreements program was initiated in 1934, for today, instead of being a party, as it was on June 12, 1934, to most-favored-nation treaties and executive agreements with 47 countries, it is a party to such obligations with respect to 53 countries. (See attached list of treaties and agreements.)

The disadvantages inherent in terminating these contractual obligations and in shifting from the unconditional to the conditional most-favored-nation policy or to that of exclusive preferences, while great, would not, of course, constitute a conclusive argument against such a course if either of these other policies appeared better qualified to give effect to the purposes of the Trade Agreements Act or to be in the interests of the United States generally. Both of these other policies, however, involve serious disadvantages which are not found in the unconditional most-favored-nation policy while the outstanding advantage of the latter, that it promotes equality of treatment in commercial matters thereby assisting world trade and advancing the cause of peace, is conspicuously absent in them. Preferences and the discriminations which they necessarily involve, whether permanent (as they would be under the first of these alternative policies) or temporary (as, theoretically, they would be under the conditional most-favored-nation policy), not only are harmful to trade but create international friction and ill will.

## THE POLICY OF EXCLUSIVE PREFERENCES

Under a policy of exclusive preferences a concession given by the United States to France on wines, for instance, would be enjoyable by France alone; wines coming from all other countries would be assessed a higher rate of duty than wines coming from France; and the favorable French rate could not be obtained by other countries through subsequent bargaining. In the French market the United States would obtain concessions which, similarly, it would alone enjoy.

Concessions given on this basis would, of course, constitute outright and unmitigated discrimination by both countries against all other countries.

Despite the very obvious risks which discriminations incur, exclusive concessions have been widely resorted to, particularly by certain European countries, during the depression. While equality of treatment has been generally maintained with respect of tariffs; quotas, exchange controls, import licensing systems, and clearing and compensation arrangements have generally been operated on the basis of exclusive preferences and concessions. The experience of other nations with this policy has provided the United States with excellent material upon which to judge its merits.

The conclusion could hardly be more clear. Through the discrimination which is their inevitable counterpart, exclusive concessions always invite and often compel retaliatory or defensive action, with the result that the expansion of trade which they may serve to obtain in one quarter is offset by the losses which they entail in other quarters. Moreover, in practice, even the immediate advantages which they have appeared to hold out have often proven illusory. Thus when the balance is cast, exclusive concessions, regardless of how attractive they may appear in themselves, are found to have conferred upon the trade of the nations employing them no benefit whatever or at best advantages which are meager and transitory to compensate for the serious disadvantages and dangers which they involve.

Apart from the ill will they cause and the retaliations they provoke, one of the most serious of the disadvantages of exclusive concessions and special advantages lies in the fact that they tend to force international commerce in the direction of bilaterally balanced exchanges. Thereby so-called multi-angular trade, which is a natural result of diversities in the economic resources and structures, the stages of development, and the consuming tastes of individual nations (and which forms a more important share of the foreign trade of the United States than of most other nations), is not only prevented from expanding but is forcibly reduced. An increasing share of the world's commerce is thus forced to flow in uneconomic channels under the influence of artificial restrictions on the one hand and of artificial stimuli on the other. Uneconomic sources of supply are developed at the expense of sources from which like goods could be obtained more cheaply, the cost of imports is raised, standards of living are lowered, and not only is the total volume of world trade diminished but the far-reaching dislocations effected in production and demand make its restoration increasingly difficult.

#### THE CONDITIONAL MOST-FAVORED-NATION POLICY

Under the conditional most-favored-nation policy the concession given by the United States to France on wines in the trade agreement with that country (to continue the example used above) would be enjoyable by France alone, not on a permanently exclusive basis, but unless and until other countries interested in it obtained its extension to them through the grant of concessions to the United States similar or equivalent to those which France granted in the trade agreement to obtain it.

This policy had been tried by the United States over a long period and had ultimately been abandoned in Mr. Harding's administration upon the advice of Secretary of State Hughes as unsatisfactory. Moreover, throughout the world at large it is rapidly becoming extinct. Out of 625 agreements pledging most-favored-nation treatment with respect to customs duties between different pairs of countries on January 1, 1933 (the most recent date for which a comprehensive survey has been made) only 48, or about 8 percent of the total, were conditional. A similar survey of the present situation would show an even greater preponderance of the unconditional type, for in the meantime a few of the conditional agreements have been terminated and a substantial number of new agreements of the unconditional type have been concluded. Even these figures exaggerate the importance of the conditional most-favored-nation clause for the reason that the large majority of the relatively few agreements of this type throughout the world that are not yet terminated are in present practice construed unconditionally.

In these circumstances strong reasons would have had to exist to have persuaded Congress to readopt the conditional most-favored-nation policy. Such reasons were, and are, entirely lacking, for the conditional most-favored-nation policy is one totally unsuited to the carrying out of the purpose of the Trade Agreements Act.

A reciprocal most-favored-nation pledge, it should be recognized, is simply a mechanism whereby concessions are exchanged. When this mechanism is employed in its unconditional form, the exchange is made, as it were, "whole-

sale", all of country A's concessions, present and future, being traded against all of country B's concessions, present and future; when it is employed in its conditional form, the exchange is made "retail", each of country A's concessions against each of country B's concessions. Under the one system equality of treatment between the contracting nations is established at the outset; under the other, contracting nations are obliged to pay for equality of treatment piecemeal.

Only at first sight does it appear that more bargaining power to accomplish the same objective has to be given up under the unconditional, than under the conditional, most-favored-nation policy. The compensation for the extension of concessions under the conditional most-favored-nation policy, being specific in the case of each individual concession, is assumed at first sight to be more certain, and hence of greater worth, than the compensation received under the unconditional policy. In fact, however, the compensation, or the quid pro quo, is the essence of the pledge to accord most-favored-nation treatment, when that pledge is given reciprocally, whether it be in the conditional or the unconditional form.

The conditional most-favored-nation policy does not contemplate the widespread adoption of permanent, exclusive preferences; on the contrary, it is based on the theory that, although temporary preferences may be enjoyed by particular countries under this system, competing countries will seek to buy their way to a position of substantial equality in the markets which consume their products and will in time, and in the main, succeed in doing so. After a period of bargaining two nations conducting their mutual commercial relations on the conditional most-favored-nation policy are likely to find themselves with respect to any given concessions, back at the point where they would have started had the unconditional most-favored-nation policy been applied. The bargaining power gradually given up under the conditional policy "buys" no more, if as much, in the end than the same bargaining power given up under the unconditional policy "buys" at once. But in the interval which elapses under the former policy serious disadvantages are incurred by both parties and, to the extent that the detailed haggling fails to result in a bargain, discrimination may become more or less permanent.

*The chief disadvantages of the conditional most-favored-nation policy.*—The three most important of these disadvantages may be briefly mentioned, it being assumed for the purpose of illustration, that the United States were conducting its commercial relations on the conditional most-favored-nation basis.

(a) The United States would frequently have difficulty in securing promptly the extension to it of concessions granted to its competitors. Suitable compensation for the extension of each concession would have to be found and agreed upon between the United States and the country which granted the concession. This might require considerable negotiation, during the course of which the favored competitor would be entrenching himself in the other country's markets; and American exporters might have lost their share of these markets by the time that the United States won the extension of the concession to its trade. With concessions being frequently made by foreign countries, the United States would be kept in a constant state of negotiation under the conditional most-favored-nation policy and its trade in a constant state of uncertainty.

(b) The concessions which the United States would obtain in trade agreements under this policy would have only temporary value for they would be in danger of being undercut by the grant of still greater concessions on the same products to other countries. These increased concessions, which would rob of their value those which the United States had obtained, would subsequently have to be individually negotiated for under the conditional most-favored-nation policy, whereas under the unconditional policy they would be (and, in fact, are) extended to the United States immediately and automatically.

(c) The conditional most-favored-nation policy not only would be ineffective as a means of preventing and removing foreign discriminations against American trade but would actually tend to create new discriminations. Under this policy countries which do not now discriminate against American trade would be denied the benefit of the trade-agreement concessions until they had given for the extension of each concession to them a specific quid pro quo. All that they would be able to offer would be reductions in their nondiscriminatory rates. In other words, the United States would be attempting, by setting up discriminations against them, not to bring about the removal of discriminations but to coerce them into reducing nondiscriminatory trade barriers. Tactical considerations would suggest to these countries that the best means of meeting such a

situation would be by setting up discriminations of their own in order that they might be in a position to offer the removal of these discriminations in return for the removal by the United States of its discriminations against them. In the negotiations that would follow the other country would offer the removal of its discriminatory retaliatory duties in return for the removal of our discriminatory coercive duties. The ultimate result of possibly long-drawn-out negotiations and friction would be the reciprocal removal of the discriminations and reestablishment of equal treatment, or what would have been obtained at the outset had the unconditional most-favored-nation policy, instead of the conditional, been followed.

Moreover, if the United States attempted to apply coercive tactics of this kind to others, it would encourage them to apply similar tactics to it. For example, let it be assumed that for domestic reasons the United States has found it undesirable to reduce the duty on a certain product in any trade agreement. A country producing and exporting this product desires to force the United States to reduce the duty. Applying the conditional most-favored-nation theory it denies American exports the benefit of concessions which it has made under its trade agreements with third countries, or it discriminates against American trade in some other way, until the United States reduces the duty in which it is interested. The United States would be compelled, in order to protect its export interests, to do this or else to institute new, retaliatory discriminations against the other country. Thus the conditional most-favored-nation policy, far from being a means of preventing or removing discriminations, tends to create them.

It may be noted that a country which includes the unconditional most-favored-nation clause in the treaties and agreements it enters into, but which refuses to generalize its concessions to countries with which it has no such treaties or agreements, is in reality following a conditional most-favored-nation policy. By forcing or attempting to force nonagreement countries to give equivalent concessions in order to receive the benefit of its concessions to agreement countries, a country following this hybrid policy sets up at least temporary discriminations against the trade of nonagreement countries. Such a policy has the same disadvantages as the conditional most-favored-nation policy with one exception, namely, that it avoids the necessity of continuous negotiations with the countries with which agreements (containing the unconditional most-favored-nation pledge) have been concluded.

These are, in brief, some of the principal reasons why the unconditional most-favored-nation policy was adopted by the administration and by Congress, instead of the policy of exclusive preferences or the conditional most-favored-nation policy, as the basic policy of the trade agreements program.

#### APPLICATION OF THE UNCONDITIONAL MOST-FAVORED-NATION POLICY

In accordance with the unconditional most-favored-nation policy, and under the terms of the Trade Agreements Act which give expression to it, the concessions granted by the United States in trade agreements are applied to imports of the goods in question coming from all countries which are granting non-discriminatory treatment (i. e., are similarly extending their concessions) to imports from the United States.

In some quarters the extension of the trade agreement concessions has been adversely criticized as being contrary to the conception of tariff bargaining. An exchange of concessions between the United States and another country, while it may in itself constitute a good bargain, is turned into a bad bargain, it is argued, when the United States extends its part of the reciprocal concessions to all other countries. This failure to appreciate the compatibility of the principle of equality of treatment (i. e., the unconditional most-favored-nation principle), which involves the generalization of the trade agreement concessions, with the conception of reciprocal agreements or tariff bargaining, frequently, it has been observed, grows out of a faulty or incomplete knowledge of the facts of international trade.

Concessions are granted by the United States in trade agreements as a general rule to the country which is the principal supplier of the product in question. In the cases of some products, several nations may be important suppliers, but in most of these instances an examination of the trade reveals that the interested nations do not supply identical products. The implication, which usually forms the basis of criticism of the policy of extending the trade-agreement concessions, that a concession is of equal value to all countries and that through its extension to third countries the United States is opening its markets

to 50 or 60 times the quantity of imports which would be made if the concession were confined to one country, is thus completely erroneous. On the other hand, the conclusion should not be drawn that the value to third countries of the trade-agreement concessions is negligible. Countries which are secondary or minor suppliers do derive some and, in certain cases, very definite benefits from the concessions extended to them, just as we benefit from the concessions which they extend to us on products of which the United States is a secondary or minor supplier in their markets.

What are the benefits and advantages which the United States obtains by extending the concessions that it grants in trade agreements to imports from all nondiscriminating countries?

#### GENERAL BENEFITS TO THE UNITED STATES

Because of their preponderant importance from a long-range viewpoint, two benefits of a general nature should be mentioned before the more direct and specific benefits.

(a) *Promotion of world trade.*—The unconditional most-favored-nation policy has been shown by long and general experience to be the policy most conducive to the creation of those conditions in which trade between nations can prosper best. By basing their mutual commercial relations on this policy, and to the extent that their example succeeds in extending the practice of it by other nations, the United States and the countries with which it enters into trade agreements are laying the foundation for an expansion, not only of their mutual trade, but of world trade as a whole. In so doing, of course, they indirectly, but no less certainly or substantially, benefit themselves.

(b) *Promotion of peace.*—In the second place, the establishment in commercial matters of equality of treatment removes many of the causes of friction between nations and furthers international goodwill. Preferences, whether exclusive or conditional, through the irritating and often ruinous disadvantages at which they place the producers and traders of the nations discriminated against and through the adverse effect which they have upon employment, wage levels and standards of living, constitute one of the most important sources of international resentment and ill will, progressively undermining the structure of peace. The unconditional most-favored-nation policy, on the other hand, is the commercial policy most conducive to peace; it might be termed, in short, the policy of peace. The application of this policy by the United States and other countries in connection with the trade-agreements program, therefore, confers an indirect but nevertheless supremely important benefit upon their respective commercial systems.

#### SPECIFIC BENEFITS TO THE UNITED STATES

The more direct and specific benefits obtained by the United States through the extension of its concessions may be considered as divided into three classes:

(a) *The overcoming of old discriminations against American trade.*—The foreign commercial policy of the United States has been based in fact upon the unconditional most-favored-nation principle for many years, but because the grant of most-favored-nation treatment by the United States before the enactment of the Trade Agreements Act conferred little real benefit, numerous discriminations that this Government's efforts were unable to remove were practiced against American trade. Since May 1, 1935<sup>1</sup>, however, the grant of most-favored-nation treatment by the United States has conferred definite specific benefits. In order to receive these benefits certain countries have removed existing discriminations from American trade or offered other advantages that had previously been denied.

An important example of this type of benefit to the United States is provided in the case of France from which the United States, in the trade agreement effective June 15, 1930, secured a pledge of most-favored-nation treatment, which it had been impossible to obtain theretofore. By virtue of securing this pledge the United States obtained more favorable treatment than before with respect to approximately 4,330 tariff positions. Minimum duties were obtained with respect to 500 tariff positions to which the maximum rates of duty had applied before and with respect to 3,760 positions to which the intermediate

<sup>1</sup> May 1, 1935, is the date on which the trade agreement with Belgium, the first whose concessions were extended to other countries, was proclaimed. This, then, is the date on which the most-favored-nation policy, applied in connection with the reciprocal trade agreements, became effective.

rates had applied before. With respect to a further 2,860 tariff positions to which the minimum rates of duty applied before, the obtaining of most-favored-nation treatment constituted a guarantee of the continuance of the favorable treatment which these positions already enjoyed.

Another example is provided by the trade agreement with Canada, effective January 1, 1930, in which the United States secured from Canada the pledge to grant American trade the most-favored treatment granted to any foreign nation. By virtue of this pledge, lowered Canadian duties became immediately applicable to imports from the United States of products covered by about 600 items of the Canadian tariff. Among this large number of products, which had for years been subject to higher duties on importation from the United States than when imported from France and certain other countries, were many important American agricultural and industrial products. Together they used to account for about 30 percent of total Canadian imports from the United States.

(b) *The avoidance of retaliation against American trade.*—Like the United States, practically all countries have means at their disposal for penalizing, and even for destroying, the trade of other countries in their markets. Were the United States to grant its trade agreement concessions exclusively, or extend them only on a conditional most-favored-nation basis, such action would be an open and compelling invitation to those countries whose trade was discriminated against to adopt retaliatory measures against imports from the United States. The grant to other countries of equal treatment in the American market not only avoids giving them cause to apply destructive measures to American trade but makes it advantageous for them not to do so. Even if the United States gained no positive benefits whatever in return for the extension of the trade agreement concessions, it could not afford to withhold extension. The extension of the trade agreement concessions to imports from all non-discriminating countries is insurance against retaliation by these countries, which no one instructed on the means possessed by foreign governments to retaliate would care to make light of.

(c) *The securing of the extension to American trade of the concessions granted between other countries.*—Since the initiation of the trade agreements program, the countries to which the United States extends its concessions (all countries except Germany and Australia) have granted to one another (and to Germany and Australia) concessions of many sorts affecting many products. In total these concessions are a vast number, considerably more than the number of the concessions which have been granted by the United States in the same period under all of the trade agreements. Because the United States, in application of the unconditional most-favored-nation policy, extends its concessions to these countries, these countries in turn have very generally extended their concessions to the United States.

#### STATISTICAL APPRAISAL OF THE SPECIFIC BENEFITS

The increases in American imports resulting from the extension of the trade agreement concessions to third countries, and in American exports resulting from the several benefits mentioned above which have been received in return, cannot be measured statistically; factors are concerned which are not reducible to statistics and forces which it is impossible to estimate. A calculation can be made, however, that provides a rough appraisal of the relative importance to the United States of the advantages which it gives and which it obtains.

Such a calculation consists of a comparison of the share of United States imports affected by the extension of the trade-agreement concessions with the share of United States exports that would have been subjected to a degree of risk approaching certainty of receiving treatment in foreign markets less favorable than that which it in fact receives, had the United States granted its concessions as exclusive preferences or on a conditional most-favored-nation basis.<sup>2</sup>

The imports into the United States (on the basis of 1934 figures) which have been affected, in the sense of being made subject to increase, by the extension of the trade agreement concessions to third countries amount to roughly \$30,000,000.

The exports of the United States on which are now levied in the countries of their destination the lower of two (or more) existing rates of duty applicable

<sup>2</sup> This calculation required the selection of a year on the trade figures of which it was to be based; since any particular year has certain disadvantages as well as advantages peculiar to it, the most recent year for which the necessary figures are available has been chosen, namely, 1934.

to the respective products concerned amount to roughly \$265,000,000. This is the share of our exports (on the basis of 1934 figures) which would almost certainly be deprived of the favorable treatment which it now enjoys if the United States attempted to operate the trade-agreements program on the basis of some other than the unconditional most-favored-nation policy. Other countries could not be expected to, and would not, permit imports from the United States of products on which two or more rates of duty were applicable to enjoy the lower rates, if the United States did not permit its imports of their goods to enjoy its lower rates.

As in the case of the United States, the rates applied by other countries lower than their general or maximum tariffs have generally been established in agreements and are generally granted only to imports from countries which enjoy most-favored-nation treatment. If its exports are to continue to enjoy these rates, the United States must continue to enjoy, and hence must continue to grant, most-favored-nation treatment.

It has been contended in some quarters that under the unconditional most-favored-nation policy we give away something for nothing. Actually, nothing could be further from the truth. On the basis of the foregoing very conservative calculations the value of what we give is represented by benefits on \$30,000,000 of trade, and what we get, by benefits on at least \$265,000,000 of trade.

*Treaties and executive agreements of the United States containing the most-favored-nation clause*

Country	TREATIES	Date in force
Argentina.....		<sup>1</sup> Dec. 20, 1854
Austria.....		May 27, 1931
Belgium.....		June 11, 1875
Bolivia.....		Nov. 9, 1862
Borneo.....		<sup>1</sup> July 11, 1853
China.....		June 20, 1929
Colombia.....		<sup>1</sup> June 10, 1848
Costa Rica.....		<sup>1</sup> May 26, 1852
Danzig, Free City of.....		Mar. 24, 1934
Denmark <sup>2</sup> .....		<sup>2</sup> Apr. 26, 1826
Estonia.....		May 22, 1926
Ethiopia.....		Sept. 19, 1914
Finland.....		Aug. 10, 1934
Great Britain <sup>4</sup> (in force also with Irish Free State).....		<sup>4</sup> July 3, 1815
Irish Free State. (See Great Britain.)		
Honduras.....		July 19, 1928.
Hungary.....		Oct. 4, 1926
Italy.....		Nov. 18, 1871
Japan.....		July 17, 1911
Latvia.....		July 25, 1928
Liberia.....		<sup>5</sup> Feb. 17, 1863
Morocco.....		<sup>6</sup> Jan. 28, 1837
Muscat (in force also with Zanzibar) <sup>6</sup> .....		<sup>7</sup> Sept. 30, 1835
Norway.....		Sept. 13, 1932
Paraguay.....		Mar. 7, 1860
Poland.....		July 9, 1933
El Salvador.....		Sept. 5, 1930
Siam.....		Sept. 1, 1921
Turkey.....		Apr. 22, 1930
Yugoslavia.....		Nov. 15, 1882
Zanzibar. (See Muscat.)		

<sup>1</sup> Date of exchange of ratifications.

<sup>2</sup> Abrogated by notice, 1853; renewed by convention of which ratifications were exchanged Jan. 12, 1858.

<sup>3</sup> The date given is that of signature. Though subject to ratification, the treaty provides that it shall be in force from its date.

<sup>4</sup> Extended by conventions of Oct. 20, 1818, and Aug. 6, 1827.

<sup>5</sup> Date of ratification by the President of the United States; no date is specified in treaty for its entry into force and no ratification by Morocco was necessary.

<sup>6</sup> Accepted by Zanzibar after separation from Muscat, Oct. 20, 1879.

<sup>7</sup> Date of exchange of ratifications; the treaty does not specify the date of its entry into force.

## EXECUTIVE AGREEMENTS

Executive agreements other than trade agreements under Act of June 12, 1934:	June 12, 1934:
Albania.....	<sup>1</sup> July 28, 1922
Bulgaria.....	Aug. 18, 1932
Chile.....	<sup>2</sup> Sept. 28, 1931
Czechoslovakia.....	May 1, 1935
Dominican Republic.....	Sept. 25, 1924
Ecuador.....	June 12, 1936
Egypt.....	May 24, 1930
Greece.....	Dec. 9, 1924
Iran (Persia).....	May 10, 1928
Lithuania.....	July 10, 1926
Portugal.....	June 28, 1910
Rumania.....	Sept. 1, 1930
Saudi Arabia.....	Nov. 7, 1933
Spain.....	Nov. 27, 1927
Trade agreements under act of June 12, 1934:	
Belgium.....	May 1, 1935
Brazil.....	Jan. 1, 1936
Canada.....	Jan. 1, 1936
Colombia.....	May 20, 1936
Finland.....	Nov. 2, 1936
France.....	June 15, 1936
Guatemala.....	June 15, 1936
Haiti.....	June 3, 1935
Honduras.....	Mar. 2, 1936
Netherlands.....	Feb. 1, 1936
Nicaragua.....	Oct. 1, 1936
Sweden.....	Aug. 5, 1935
Switzerland.....	Feb. 15, 1936

## SUMMARY

Treaties.....	29
Executive agreements:	
Simple.....	14
Trade agreements.....	13
	27
Total treaties and Executive agreements containing the most-favored-nation clause.....	<sup>5</sup> 56

<sup>1</sup> Date of official recognition of Albania by the United States.<sup>2</sup> Also retroactively, from May 22, 1931, in respect of certain tariff reductions extended to France.<sup>3</sup> Retroactively.<sup>4</sup> Extending previous regime.<sup>5</sup> These 56 treaties and agreements are with 53 countries.

## II. RECIPROCAL TARIFF NEGOTIATION BY EXECUTIVE AGREEMENT UNDER PRIOR GRANT OF AUTHORITY BY CONGRESS

In order to carry out the stated purpose of the Trade Agreements Act, namely, the expansion of foreign markets for the products of the United States, Congress authorized the President to enter into trade agreements with foreign countries providing for the reciprocal reduction of tariff barriers, which agreements become effective upon proclamation by the President.

The principle of prior authorization of agreements by the Congress without the necessity for submission to the Senate or to both Houses of the Legislature for subsequent ratification or approval not only finds ample and long-standing precedents in our own tariff history, but is a particularly vital and essential aspect of the procedure set up by Congress for the accomplishment of the desired objective.

Nevertheless, it is sometimes suggested that it would be preferable to require the submission of trade agreements to the Congress for approval following their negotiation. Such a suggestion ignores the lessons of experience and practical considerations of the greatest importance. It would set up a require-

ment that would, with practical certainty, render futile and impossible of any real accomplishment, the program envisaged in the act.

It is, of course, true that trade agreements could be accorded the dignity of treaties requiring Senate ratification. The question of time alone, however, is sufficient to rule out this method. Other nations—either through the vesting of authority in the executive or by virtue of the parliamentary system which insures the executive of legislative support—have the power to act promptly. In the 14-month period prior to the consideration of the Trade Agreements Act by Congress, foreign countries had entered into 69 bargaining agreements relating to customs treatment. Since that time, such agreements have continued to be concluded in great numbers. Trade would be lost were trade agreements subjected to the cumbrous procedure of treaty making. Our Senate is in session for only part of the year, and in recent years the demands upon its time when in session are enormous. The uncertainty as to ultimate ratification, and the virtual certainty of indefinite delay in ratifying, would, to say the least, greatly reduce the incentive to foreign countries to enter into any trade negotiations at all. The same practical considerations militate against providing for the approval or ratification of agreements by a majority of both Houses. As the President stated in his message to Congress of March 2, 1934, requesting the authority to conclude reciprocal trade agreements without subsequent congressional approval:

"A promise to which prompt effect cannot be given is not an inducement which can pass current at par in commercial negotiations."

Support for the view that legislative ratification should be required has been sought in analogies drawn from the practice followed by a number of the foreign governments with which trade agreements have been concluded and which have submitted these agreements to their own legislatures for ratification. This argument ignores essential differences in constitutional structure and procedure. While it is true that many foreign countries require legislative ratification, actually in many cases the executive is empowered to put the agreements into effect provisionally pending such ratification. Furthermore, under the parliamentary form of government, with continuance of the ministry in power dependent upon the maintenance of a working majority in the legislature, ratification is usually a rather perfunctory matter, and certainly in all cases a far more simple thing than it could ever be under our form of government, with its sharp division of power between the legislative and executive branches. Of the 15 foreign countries with which trade agreements have been signed to date under the act of 1934, 2 put the agreements into effect without the necessity of legislative ratification, 4 put them into effect provisionally subject to ratification later on, and 9 of them require ratification by the legislative branch before the agreements become effective. That the ratification requirement in certain foreign countries has neither nullified the efforts of their negotiators nor, generally speaking, resulted in excessive delays in securing legislative approval is amply demonstrated by the fact that 14 of the 15 trade agreements signed to date are already in effect, the remaining one having been signed only recently.

That the situation of the United States in this regard is entirely different, however, and that the fate of agreements submitted for ratification would generally be in grave doubt from the start, is a matter not of theory but of history. For the history of our own reciprocity experiences during the past century clearly demonstrates the futility and impracticability of a procedure of reciprocal tariff negotiation with foreign countries whereby the agreements, upon conclusion, must still receive Senate or congressional approval.

The reciprocity treaties which were actually completed by the United States during its whole history have been only three in number. And it is to be noted that all three treaties were of a special character and were with countries with which the United States had close geographic or political ties. The three reciprocity treaties which were carried to completion were as follows: Canada and Newfoundland, 1854, effective 1855-60; Hawaii, 1875, effective 1876-1900; Cuba, 1902, effective since December 27, 1903.

While only three reciprocity treaties have actually been completed by the United States, fruitless attempts to conclude reciprocity treaties have been numerous. From 1844 to 1902, 10 other reciprocity treaties were negotiated under the general treaty-making powers of the Executive. Not a single one of these became effective. Out of the 10, 2 were rejected by the foreign country, 2 were negotiated under one President but not accepted by his successor. The other 6 failed because of congressional action or inaction—4 owing to definite

rejection by the Senate, 1 for lack of the necessary legislation, and 1 because amendment by the Senate had made it unacceptable to the other country.

These fruitless attempts at reciprocity treaties were all made under the general treaty-making power of the Executive. Equally instructive, however, is our experience under the specific statutory provision for such treaties which was incorporated in the Tariff Act of 1897. Section 4 of this act contained a specific authorization to the Executive to negotiate reciprocity treaties (requiring both Senate ratification and congressional approval), with the limitation that no concession exceeding 20 percent of the rates contained in the said tariff act should be made, except that natural products of a foreign country not produced in the United States might be transferred to the free list. While such explicit authorization, of course, added nothing to the constitutional right of the President to negotiate treaties, it did seem to indicate an intention on the part of Congress to approve treaties negotiated within these limitations. Nevertheless the 12 treaties negotiated under this specific authorization by the Administration's special reciprocity commissioner, Mr. John A. Kasson, came completely to naught. In spite of the strong recommendations of President McKinley and President Theodore Roosevelt, and in spite of the fact that in many cases the reductions in tariff rates provided in the treaties were much less than 20 percent of the statutory rates and covered only limited sections of the tariff, not a single one came to a vote in the Senate. Yet these treaties, if approved, would have provided important and valuable advantages for American exporters.

In marked contrast to the fate of the attempted reciprocity treaties requiring Senate or congressional approval is the record of agreements negotiated under prior authorization by Congress but not subject to subsequent approval. Under the Tariff Act of 1890, 13 such agreements were negotiated and the only one which failed to become effective failed owing to nonratification by the other country. Under the Tariff Act of 1897, executive agreements were made with nine countries.

The United States Tariff Commission in 1933, after summarizing the reciprocity experiences of the United States up to that time, concluded:

"The past experience of the United States with respect to the difficulty of obtaining reciprocal tariff concessions by means of *treaties* and the greater success in negotiating *Executive agreements* under previous authorization by the Congress may be significant as a guide to future policy regarding methods of tariff bargaining."<sup>1</sup> [Italics added.]

The truth of this statement is fully borne out by the record accomplished under the Trade Agreements Act of 1934. As already stated, 14 of the 15 trade agreements signed to date have already become effective, and the remaining one has been only very recently signed.

One of the chief reasons for the striking failure of practically all of our efforts in the past to secure Senate or congressional approval of reciprocal trade treaties is so generally recognized that it need not be set forth at length. The inevitable situation that arises when Congress attempts to legislate the final details of the tariff-rate schedules—or to pass upon the details of such modifications of the schedules as may be incorporated in proposed trade treaties or agreements—has nowhere been more candidly set forth than by congressional leaders themselves in the discussions which took place in connection with the original enactment of the Trade Agreements Act. Senator Capper, for instance, stated at that time:

"As a matter of fact, if the job is only to revise the tariff schedules, if bargaining with other nations is left out of the picture, our experience in writing tariff legislation, particularly in the post-war era, has been discouraging. Trading between groups and sections is inevitable. Log rolling is inevitable, and in its most pernicious form. We do not write a national tariff law. We jam together, through various unholy alliances and combinations, a potpourri of hodge-podge, sectional, and local tariff rates which often add to our troubles and increase world misery. For myself, I see no reason to believe that another attempt would result in a more happy ending \* \* \*." (Congressional Record, 73d Cong., 2d sess., vol. 78, pt. 10, p. 10379.)

The following language taken from a scientific and highly authoritative study of tariff-making by Congress, published in 1924 under the auspices of the Institute of Economics (of the Brookings Institution), gives a vivid picture based upon long experience of what happens when Congress undertakes to determine

<sup>1</sup> U. S. Tariff Commission, *Tariff Bargaining Under Most-Favored-Nation Treaties*, p. 13.

the final details of tariff-rate schedules in the course of tariff revision. The picture would be equally applicable if agreements affecting tariff rates had to be submitted for legislative approval:

"The papers are filled with the baseless predictions of interested parties. Partisan spokesmen put out misleading estimates of the effects to be expected from the contemplated revision. Some Members of Congress are accused of being swayed by unworthy motives; others are suspected of lacking decision, and pressure in many forms is brought to bear upon them to control their votes. Innumerable delegations and individuals visit Washington to argue, persuade, threaten, and plead. Many organizations open offices there to watch proceedings, keep their members informed, and mobilize all possible forces that might aid in securing the kind of tariff that would serve their particular needs. Intense jealousies and controversies arise among the conflicting interests and are reflected in committee deliberations and debates on the floor. So bitterly are they sometimes expressed that public welfare seems to be outweighed by personal antagonisms. Blocs and factions are formed to work primarily for some special advantage to particular industries or sections. Unrelated topics are dragged into the discussions both in Congress and in the press in such a way as to becloud the issue and to prevent a reasoned and intelligent understanding of the particular matters under consideration. Doubt remains until the last vote is taken in regard to the outcome of a procedure attended by so much confusion, acrimony, and personal interest." (T. W. Page, *Making the Tariff in the United States*, pp. 7-8.)

The Trade Agreements Act, based as it is on the premise that all major questions of tariff policy—as opposed to details of rate modification needed to meet changing conditions—shall be determined by Congress, assures the most objective and scientific consideration of proposed modifications, within limits fixed by Congress, which has yet been devised.

### III. CONSIDERATION OF THE VIEWS OF INTERESTED PERSONS UNDER THE ORGANIZATION AND PROCEDURE OF THE TRADE-AGREEMENTS PROGRAM

In authorizing the President to negotiate with foreign countries for the reciprocal reduction of excessive tariff barriers under standards and limitations set forth in the Trade Agreements Act, Congress was careful to insure against arbitrary action or hasty decisions, so characteristic of the administrative regulation of tariffs in many foreign countries, where, almost overnight, duties may be raised or lowered, quotas changed, import licenses revoked, or available exchange cut off, with no advance notice, much less open hearings. Under the Trade Agreements Act, no agreement can be concluded without prior announcement and adequate opportunity having been afforded interested private individuals to present their views. Moreover, the President is directed, before concluding any trade agreement, to seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce, and other appropriate sources. Section 4 of the act reads as follows:

"SEC. 4. Before any foreign trade agreement is concluded with any foreign government or instrumentality thereof under the provisions of this Act, reasonable public notice of the intention to negotiate an agreement with such government or instrumentality shall be given in order that any interested person may have an opportunity to present his views to the President, or to such agency as the President may designate, under such rules and regulations as the President may prescribe; and before concluding such agreement the President shall seek information and advice with respect thereto from the United States Tariff Commission, the Departments of State, Agriculture, and Commerce and from such other sources as he may deem appropriate."

In the negotiation of the 15 trade agreements thus far concluded every effort has been made to carry out the spirit as well as the letter of this congressional mandate. An extensive interdepartmental organization has been set up so as to insure that every aspect of every decision reached in carrying out the trade-agreements program receives expert consideration from the point of view of every section of the public interest represented in the Federal Government. Adequate opportunity has been provided for the submission by interested private persons of information regarding their needs, their desires, and their views with respect to any proposed trade agreement, and such information is thoroughly considered by the interdepartmental committees responsible for formulating the

recommendations made to the President. Moreover, the organization and procedure thus established have been under constant study with a view to adopting any practicable expansion or improvement.

#### THE INTERDEPARTMENTAL TRADE AGREEMENTS ORGANIZATION

The trade-agreements program is dependent, as Congress itself recognized when it directed the President to seek information and advice from various governmental agencies, upon the cooperation of the competent technical experts working in many departments and agencies of the Government. This cooperation has been accomplished in connection with the negotiation of trade agreements through the establishment of an extensive system of interdepartmental committees which operate in such a manner that the decisions reached on the basis of their efforts and recommendations are the result of the collective judgment and experience of the entire interdepartmental organization.

*The Committee on Trade Agreements.*—The central agency of the interdepartmental trade-agreements organization is the Committee on Trade Agreements, composed of representatives of the Tariff Commission and of the Departments of State, Treasury, Agriculture, and Commerce. This committee is charged with the responsibility of directing the preparation of all necessary studies, of reviewing recommendations of subcommittees, and of approving all trade agreements in all details and at every stage. This committee in turn has organized some 30 or more subcommittees, on each of which also are representatives of the various departments and agencies of the Government directly concerned with the problems considered.

*The country committees.*—For each country with which it is proposed to enter into trade-agreement negotiations, a country committee is set up to prepare the basic information and, after the views of interested private persons have been received and thoroughly studied, to formulate for the consideration of the Committee on Trade Agreements the schedules of concessions to be requested and concessions which might be granted. Data covering each item on which a concession may be granted a particular country are prepared by the experts of the United States Tariff Commission; for the concessions to be asked from the foreign country, by the Department of Commerce. Experts of the Department of Agriculture prepare data in regard to agricultural products on which concessions are to be requested or may be granted. The Treasury Department furnishes assistance in connection with the revenue aspect of proposed concessions in our duties and technical questions of customs classification and administration. Experts from other branches of the Government are called upon to render assistance in connection with special problems. The Department of State drafts the general provisions, conducts the actual negotiations, and functions as the coordinating element in the entire interdepartmental trade-agreements structure.

*Commodity and special committees.*—For the more important commodities or groups of commodities there are commodity committees upon which serve technical experts from the various governmental agencies. These committees are charged with the responsibility of assembling all essential information with respect to their commodities, of studying the effects which changes in rates of duty might have upon the economic situation in the industry or industries affected and, in certain cases, of giving expert advice to country committees in regard to concessions to be requested from foreign governments. Other special committees have been established to study particular problems involved in the trade negotiations, such as quotas, exchange control, and discriminations against American commerce. The personnel of the commodity and special committees includes in appropriate instances experts of departments or agencies of the Government other than those participating actively in the program. This is in accordance with the aim of the trade-agreements organization to obtain with reference to any problem under consideration the most complete information and the best technical advice available.

*The Committee for Reciprocity Information.*—This special and important committee of the interdepartmental trade-agreements organization provides a single and convenient channel through which private persons may make known their views in regard to any aspect of the trade-agreements program. How the work of this committee fits into that of the other branches of the interdepartmental trade-agreements organization is described at some length in a later section.

*The Executive Committee on Commercial Policy.*—Although not an integral part of the interdepartmental trade-agreements organization, the Executive

Committee on Commercial Policy, on which the Departments of State, Agriculture, Commerce, and Treasury, the Tariff Commission, the Agricultural Adjustment Administration, and the Export-Import Bank are represented, considers, among other things, special problems of major importance referred to it by the Trade Agreements Committee or the Committee for Reciprocity Information.

*Joint responsibility for recommendations.*—Thus it will be seen that the recommendations to the President in regard to proposed trade agreements are formulated jointly by all the interested governmental agencies on the basis of all available pertinent information, from private as well as governmental sources, and thorough consideration of all aspects of any problem.

#### PUBLIC NOTICE AND THE COMMITTEE FOR RECIPROCIDY INFORMATION

While the trade-agreements program is thus dependent upon the cooperation of many departments and agencies of the Government, it is also dependent upon the cooperation of the private business, agricultural, and labor interests of the Nation.

In connection with the negotiation of the 15 trade agreements so far concluded and in conformity with the provisions of section 4 of the Trade Agreements Act, an organization and procedure have been set up which has provided the various private interests of the Nation a full opportunity to submit their views and the assurance that these views are adequately and impartially considered.

*Public notice.*—The first step to be taken in giving interested persons an opportunity to present their views is, of course, the issuance of public notice of intention to negotiate a trade agreement which may concern their interests. At least 6 weeks' public notice of intention to negotiate has been given before any of the 15 trade agreements so far negotiated has been concluded. Every practicable means has been utilized for bringing these notices to the attention of interested persons. The notices have first been released to representatives of the press for publication in newspapers and other journals. They have been regularly published in the weekly Treasury Decisions of the Treasury Department in the weekly Commerce Reports of the Department of Commerce, in the weekly Press Releases of the Department of State, and, since its institution, in the Federal Register. In addition to the above means of giving these notices publicity, the Department of State as a matter of course has sent to each Member of Congress a copy of the notice and has maintained a mailing list of private individuals, firms, and associations, who have requested that trade-agreements information, including notices of intention to negotiate trade agreements, be sent to them directly.

With a view to indicating the commodities likely to receive consideration, in the light of the basic tariff-bargaining principle of dealing with each country in regard to the commodities of which that country is the principal or an important source in our import trade, or with respect to which we have especial interest in the markets of the other, the practice was adopted from the beginning of publishing with each notice of intention to negotiate an agreement with a foreign country, statistics regarding the principal articles entering into the trade between the United States and that country, with the observation that more detailed statistical information was available from the Bureau of Foreign and Domestic Commerce and its district offices throughout the country.

*Presentation of views to the Committee for Reciprocity Information.*—The second essential in affording interested persons an adequate opportunity to present their views is to provide a convenient channel to receive the information presented and to assure that it will be fully and impartially considered by all the agencies participating in the trade-agreements program.

This has been done by means of a special agency set up by the President to receive the views, both written and oral, of interested persons who wish to present pertinent information with regard to any proposed trade agreement. Each notice of intention to negotiate a trade agreement has included a listing of the dates by which written statements were to be presented to, and of the dates set for public hearings by, this agency, the Committee for Reciprocity Information. This Committee is made up of representatives of the Tariff Commission and of the Departments of State, Commerce, and Agriculture. Decision to add a representative of the Treasury Department has recently been taken. The chairman of the Committee is a member of the Tariff Commission. Its offices are located in the Tariff Commission Building, and

its hearings are in the hearing room of the Tariff Commission. The rules of this agency have provided that after intention to negotiate a trade agreement has been announced, interested persons may file with the Committee sworn statements setting forth their views and may also present at the later public hearings, of which full advance notice has always been given, information supplementing that contained in their written statements.

*Distribution of views to the trade-agreements organization.*—The sworn statements received by the Committee have been digested, and the digests, together with copies of the original briefs, have been supplied to each member of the Committee in order that the Government department or agency which he represents may have this information promptly available for consideration in the formulation of recommendations in regard to concessions to be asked for or granted in the trade agreement. Similarly, the information presented orally at the public hearings, of which a full stenographic transcript is made, and informal written statements, have been digested and distributed. The digests and the original written or oral statements have formed the bases also for comprehensive reports by the Committee on all information received. Sufficient copies of these reports have been reproduced to permit distribution to all members of the Committee, who, in turn, have made the data available to those in their respective departments who have been concerned with the negotiations.

If one may judge by the use which has been made of this procedure by interested persons, the establishment of the Committee for Reciprocity Information and the carrying out of its functions have met a definite need. The Trade Agreements Act was approved on June 12, 1934. Within 12 months from that date notices of intention to negotiate had been issued with respect to 18 foreign countries, with 15 of which negotiations have since been concluded. More than 2,400 sworn statements have been filed with the Committee; the transcript of the oral statements presented at the public hearings has covered nearly 2,700 pages, and some 6,000 pieces of mail have been received by the Committee.

*Advantages of the Committee for Reciprocity Information Procedure.*—The advantages of this organization and procedure for providing adequate opportunity for the presentation of views, and full and impartial consideration thereof, are readily apparent. In the first place, there has been set up a convenient single channel through which the various private business, agricultural, and labor interests have been able to bring their views, promptly and effectively, to the attention of all the departments and agencies composing the entire trade-agreements organization. In other words, it has not been necessary for interested persons to seek out and approach individuals in half a dozen different Government agencies in order to make sure that their views would be considered by all the experts and officials who might be concerned. This has meant a real saving of time both for the private interests who have desired to submit information and for those who administer the trade-agreements program. In the second place—and in this respect certainly a great advance over the traditional methods of tariff revision in the past—this procedure has had the advantage of avoiding the bringing of personal influence and pressure to bear upon those officials responsible for making the recommendations upon which the final decisions have been based. This has insured the making of impartial decisions solely on the basis of facts and in the national interest, without extraneous influences.

#### IMPROVEMENTS IN THE PROCEDURE

While, as may be seen from the foregoing account, no pains were spared in the setting up of the initial procedure to make it as completely adequate and convenient as the exigencies of the tariff-bargaining procedure would permit, those in charge of the program have continued throughout its administration to make every effort to adapt and expand it with a view to adding every improvement which might in the light of accumulating experience be found to be practicable and desirable.

After extended study of all aspects of this question and thorough consideration of all methods suggested by which this might be accomplished, it has been decided to try out certain additional steps in the procedure with a view to extending its usefulness and to removing all conceivably justifiable grounds for complaint. These additional steps are outlined in the informal announcements made on January 6, 1937, to the effect that the negotiation of a trade agreement with Ecuador is contemplated, and on December 28, 1936, to the effect

that the Committee for Reciprocity Information is prepared to receive presentations relating to any question which may arise in connection with the trade agreements program. Copies of these announcements are attached as appendices A and B.

*Listing of products on which concessions may be granted by the United States.*—The first of these steps, as outlined in the informal announcement regarding Ecuador, is designed to permit the publication, in connection with the formal notice of intention to negotiate a trade agreement with a specified country, of a list of all the products with respect to which concessions in our tariff rates might be considered. This procedure, which is being tried out experimentally in the case of Ecuador, has necessitated splitting into two parts the notification to interested parties that an agreement is contemplated with that country: First, a preliminary informal announcement that the negotiation of a trade agreement is contemplated and containing an invitation to all interested parties to submit their suggestions, as to products to be considered, to the Committee for Reciprocity Information; and secondly, the publication, at a later date, of the formal notice of intention to negotiate a trade agreement with Ecuador, accompanied by a list of products on which the United States will consider granting concessions, whether in the form of reductions in import duties or bindings of existing tariff treatment.

The preliminary announcement, which has been made with a view to obtaining suggestions from interested persons in the early stages of the discussions with Ecuador, should be of considerable assistance in determining what products are to be considered, both as regards exports and imports, in negotiating with Ecuador.

The list of products on which the United States will consider the granting of concessions to Ecuador, and which will be published as part of the later formal notice of intention to negotiate, will indicate to American producers and importers whether or not particular tariff rates in which they are interested are under consideration. They will thus be saved the trouble and expense of preparing briefs, and submitting oral statements at the public hearings, with respect to products of interest to them but which are not expected to be involved in the negotiations.

These changes in procedure may cause interruptions in the negotiations with a consequent slowing-up of the program; for this reason, they are being instituted in an experimental way, but they will be followed in the future if they are found to be a practical improvement.

*Extension of functions of the Committee for Reciprocity Information.*—The second innovation in procedure is likewise designed to extend the means by which the fullest cooperation of American business and other private interests is sought in carrying out the trade-agreements program. As announced in the press release of December 28, 1930, it has been arranged for the Committee for Reciprocity Information to receive presentations relating to any aspect of the trade-agreements program, not solely the views of interested persons with regard to proposed agreements. Interested persons may now submit views or information regarding the operation of trade agreements which have already been concluded with foreign countries or with reference to any other aspect of the trade-agreements program; these may be in the form of written statements which will be received at all times; or, when circumstances warrant, the committee is now prepared to arrange, upon request or upon its own initiative, for oral presentations, when the attendance of appropriate technical experts may be arranged when deemed desirable.

As has been the case in the past, all presentations of views and information received by the Committee for Reciprocity Information will be given careful attention; they will be analyzed and summarized and promptly distributed, with such comment as the Committee deems appropriate, to all branches of the extensive interdepartmental trade-agreements organization for thorough study.

#### FULL OPPORTUNITY TO BE HEARD

In summary, it may be said that before any trade agreement is concluded all available information, whether from private or governmental sources, bearing upon our trade with the particular country, is carefully studied. Adequate public notice is given before any trade agreement is negotiated, a convenient channel is afforded all interested private persons to present their views, and the information submitted is carefully and impartially considered by all the departments and agencies of the Government which cooperate in carrying out the trade-agreements program. Finally, careful study and much effort have

been devoted to expanding and improving the procedure thus devised with a view to increasing its usefulness both to the governmental agencies and to the private interests concerned.

When the facts, as given above, are fully known and understood, the charge of "star-chamber" proceedings which is sometimes made, is seen to be unfounded. This is so whether such a charge is based upon lack of information, misunderstanding, or upon disagreement with the basic purpose of the Trade Agreements Act. A procedure which provides adequate opportunity to be heard and which treats all persons fairly and alike cannot be justly labeled "star-chamber" by any fair-minded person.

The opportunity for private persons to be heard and for their views to be considered is fully equal to the procedure followed in other instances of executive rate adjustment, such as in the exercise of certain functions of the United States Tariff Commission and of the Interstate Commerce Commission. The full utilization of this opportunity must rest upon a reasonable and cooperative attitude, not only on the part of the Government agencies concerned, but also on the part of private persons.

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TRADE-AGREEMENTS PROGRAM: PRESENTATION OF VIEWS TO COMMITTEE FOR RECIPROCI-  
TY INFORMATION

[Released for morning newspapers of December 29]

The Committee for Reciprocity Information announces that, with a view to providing a convenient and effective arrangement by which interested persons may submit views or information regarding the operation of trade agreements which have already been concluded with foreign countries, or with reference to any other aspect of the trade-agreements program, it is prepared to receive presentations relating to any question which may arise in connection with that program. All the views and information thus presented will be brought to the attention of the entire interdepartmental trade-agreements organization.

The various Government agencies participating in the trade-agreements program have at all times welcomed the views and information submitted by interested persons. At the outset of the program the Committee for Reciprocity Information was established in accordance with section 4 of the Trade Agreements Act for the special purpose of providing a convenient arrangement for the presentation of views and information with respect to any proposed agreement, with the assurance that prompt and careful consideration would be given to such presentations by the appropriate branches of the interdepartmental trade-agreements organization. As the program has developed, some interested persons have found occasion to present information and views in regard to other aspects. Accordingly, the Committee for Reciprocity Information is now prepared to receive at all times written statements from any interested person on any aspect of the trade-agreements program, and, when the circumstances warrant, to arrange, upon request or upon its own initiative, for oral presentations to the Committee as a whole or to subcommittees of its members. The attendance of appropriate technical experts at informal conferences with the Committee or subcommittees of its members may be arranged when deemed desirable.

While the Committee will give appropriate consideration to all statements submitted to it in any manner, the presentation of factual information in writing should be under oath and six copies should be provided. When an opportunity for oral presentation is desired, a request should be addressed to the Committee outlining in detail the subject it is desired to discuss.

The presentation of views and information to the Committee for Reciprocity Information is the most prompt and effective way to bring such information and views to the attention of all of the departments and other governmental agencies which cooperate in carrying out the trade-agreements program. The presentations which the Committee for Reciprocity Information receives are given careful attention by that Committee; they are analyzed and summarized; and they are distributed, with such comment as the Committee for Reciprocity Information deems appropriate, to all of the branches of the extensive interdepartmental trade-agreements organization interested in the subject.

A further advantage which interested persons may derive from the submission of their views and information to the Committee for Reciprocity Information

lies in the fact that the Committee is in constant touch with other inter-departmental committees and experts in the trade-agreements organization and is thus in a position to indicate the type of information and presentation which is most helpful and adequate.

All of the information and views presented to the Committee, whether in connection with announcements of intention to negotiate with particular countries or in connection with any other aspect of the trade-agreements program, are considered confidential by the Government, with the exception of statements made in open hearings. When the Committee for Reciprocity Information holds open hearings, notice of the time, place, and scope of the hearings is released to the press and published in the State Department's Press Releases, in Treasury Decisions, in Commerce Reports, and in the Federal Register sufficiently in advance to assure all persons ample opportunity to submit written statements and a request for a hearing. These written statements are required to be sworn to, and six copies must be furnished. Oral statements at open hearings are under oath.

Communications may be addressed to the Honorable Thomas Walker Page, Chairman of the Committee for Reciprocity Information, at Seventh and F Streets NW., Washington, D. C.

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#### AGREEMENT WITH ECUADOR

[Released for morning newspapers of January 7]

The Acting Secretary of State announced today that this Government contemplates the negotiation of a trade agreement with Ecuador and invited interested persons to submit suggestions as to the products that should be considered.

This preliminary announcement, which is made with a view to obtaining suggestions from interested persons in the early stages of the discussions, should not be confused with the formal notice of intention to negotiate regularly given. This formal notice will be issued at a later date, after receipt of the proposals of the Government of Ecuador, at which time there will also be made public a list of products on which the United States will consider granting concessions to Ecuador (whether in the form of reductions in import duties or binding of existing tariff treatment).

Suggestions as to products to be considered in negotiating with Ecuador may concern either exports or imports. Exact technical descriptions of the products in question should be given, including, so far as possible, their nomenclature in the tariff laws of the importing country. These suggestions may be submitted in any form and need not be under oath. They should be addressed to the Honorable Thomas Walker Page, chairman of the Committee for Reciprocity Information, Seventh and F Streets, NW., Washington, D. C., and should reach the Committee not later than February 4, 1937.

Suggestions received by the Committee for Reciprocity Information will be distributed promptly to all agencies of the trade-agreements organization for use in the preparation of lists of commodities that may be involved in the negotiations. The list of products upon which the United States will consider the granting of concessions to Ecuador will be published as part of the formal notice of intention to negotiate. The formal notice, as heretofore, will also indicate dates for the submission of briefs and applications for oral hearings, and the dates on which the customary open hearings will be held. The listing of products will indicate to American producers and importers whether or not particular tariff rates in which they are interested are under consideration. They will thus be saved the trouble of preparing briefs on products of interest to them, but which are not expected to be involved in the negotiations.

United States trade with Ecuador amounted to \$6,114,000 in 1935,<sup>1</sup> as compared with \$11,859,000 in 1929, according to the Department of Commerce. Of this trade, exports to Ecuador accounted for \$2,817,000 in 1935 and \$6,029,000 in 1929. United States imports from Ecuador represented totals of \$3,297,000 in 1935 and \$5,830,000 in 1929. In 1935 the trade, while far below the totals for predepression years, exceeded the movement for each of the 3 immediately preceding years, 1932, 1933, and 1934, and nearly equaled the trade of 1931.

<sup>1</sup>Data throughout are United States figures for "domestic exports and "general imports", except for the years 1935 and 1936, where "imports for consumption" are used.

During the first 10 months of 1936, exports to Ecuador totaled \$2,772,000, and imports from that Republic were valued at \$2,576,000.

In 1935 Ecuador's import trade (including bullion and specie) was divided among the principal supplying countries in the following proportions: The United States, 29 percent; Japan, 17.6 percent; Germany, 14.1 percent; and the United Kingdom (including figures for the Irish Free State), 12.8 percent.

Ecuador's 1935 exports (including bullion and specie) were purchased by its leading customers in the following proportions: The United States, 46.6 percent; Germany, 9.8 percent; France, 7.1 percent; Peru, 6.8 percent; and the United Kingdom (including figures for the Irish Free State), 5.7 percent.

A detailed compilation showing the products involved in the trade between the United States and Ecuador in 1929 and 1935, has been prepared by the Division of Foreign Trade Statistics of the Department of Commerce. Copies may be obtained from that Division or from any of the district offices of the Department of Commerce, as well as from the Committee for Reciprocity Information or from the Department of State.

In connection with his announcement today that the negotiation of a trade agreement with Ecuador is contemplated, the Acting Secretary of State made the following statement:

"Experience with trade-agreement negotiations has indicated the desirability of adding experimentally two new features to the procedure heretofore followed.

"(1) The announcement made today is not the customary formal notice of intention to negotiate, but rather a preliminary informal announcement, intended to let all interested persons know at the earliest practicable time that these negotiations are being initiated, with a view to obtaining from them early in the negotiations any suggestions they might have with reference to the products which they think should be covered in the agreement.

"(2) As indicated in the press release, the customary formal notice of intention to negotiate, to be issued at a later stage in the negotiations, will contain a new feature, namely, a listing of all the items under consideration for the granting of concessions to Ecuador—in other words, all items with respect to which a reduction or binding of tariff treatment of our imports is contemplated. In this way, American producers and importers will be able to determine definitely whether the products they are interested in are included in the products under consideration for the granting of concessions to Ecuador."

#### IV. THE BALANCE OF TRADE OF THE UNITED STATES AND THE TRADE-AGREEMENTS PROGRAM

The purpose of this memorandum is to examine the misconceptions that prevail in certain quarters with regard to the significance of the recent decline in our so-called favorable balance of trade and to show the true relation of reciprocal trade agreements to this situation.

##### RECENT DEVELOPMENTS IN THE BALANCE OF TRADE

During the past 2 years, imports into the United States have shown a tendency to increase faster than exports, resulting in a substantial decline in our usual export balance. Exports during the year 1935 (including re-exports of foreign merchandise) amounted to \$2,282,000,000, while general imports totaled \$2,047,000,000. During most of 1936 we have had a net import balance of merchandise trade, although the usual heavy outward movement of agricultural commodities in the latter part of the year has converted the balance into a small export surplus. During the 10 months ending October 31, 1936, we exported goods to the value of \$1,997,711,000, as against imports of \$1,978,052,000, leaving an export balance of slightly less than \$20,000,000.

The virtual disappearance during 1936 of our so-called favorable balance of trade has been the occasion for repeated public expressions of alarm. The inference in public discussion is that an excess of imports over exports represents, as it were, a failure to balance our books and a dangerous draining away of our "precious substance", i. e., gold, into the coffers of foreign countries. Then comes the suggestion that the various agreements which we have entered into with foreign countries under the Trade Agreements Act of 1934 are responsible for this "sinister" development, and that the American negotiators of these

agreements were "out-smarted" in the matter of concessions by those with whom they dealt.

Quite apart from any consideration of the effect of trade agreements upon our balance of trade, such discussion rests upon a completely erroneous conception of the meaning and significance of trade balances. It reveals a total misunderstanding of the way in which a country's international accounts are balanced—a complete failure to distinguish between the balance of trade and the balance of international payments or accounts.

#### THE SIGNIFICANCE OF THE BALANCE OF TRADE

The trade in merchandise is only one, although the most important, part of a country's international accounts. There are many other economic transactions which result in payments by persons living in one country to persons in another. From the standpoint of international payments, the "invisible" items, such as expenditures for shipping, insurance, and tourist travel, constitute "imports" and "exports" as much as if they actually represented the movement of goods across international frontiers. In addition, foreign investments, together with the interest and dividend payments to which they give rise, have an important bearing on whether the merchandise exports of a particular country happen to exceed its merchandise imports or vice versa.

Much of the confusion which has attended discussion of the balance of trade has arisen from the practice of designating a net export of merchandise as a "favorable" balance of trade. Its use originated in a confusion of money with wealth in the economic thinking of more than a hundred years ago. As a matter of fact, there is no reason at all to suppose that a favorable balance of trade—better called an export surplus—is necessarily to the interest of every country. Obviously, not all of them could have favorable balances in any case, since the exports of one are the imports of the others, and all of them together cannot export more than they import.

An important distinction in regard to this matter exists in the case of debtor countries as contrasted to creditor countries. The logical requirement for a debtor country is not necessarily a favorable balance of trade in commodity items alone, but certainly a favorable balance in the sum total of commodity and service items (excluding interest and dividend payments from the latter). A country owing large sums to foreign creditors and unable to pay in gold or to obtain further loans can make payment only through the sale of goods or services to a value in excess of that of the goods and services currently received from foreigners.

A country which has larger sums owing to it from abroad than it owes to foreigners is in a far different position. To receive payment it must be willing to take an excess of goods and services over the goods and services it sells to foreigners or else it must reinvest abroad the earnings on its investments, which merely means a postponement of the time of payment. The excess of goods and services it is in a position to receive represents the enjoyment, by way of return on its foreign investments, of the rewards of accumulation of capital over an earlier period. On the other hand, the excess of exports of goods and services which a debtor country must develop in order to service its debts is the penalty, the burden, which it must sustain because of the necessity it was under, previously, of borrowing large sums of capital from other countries. It sends its surplus exports abroad for others to enjoy. Essentially, the case in this regard is no different from that of the individual who, if he is heavily indebted, must somehow manage to sell his energies and his services on a scale sufficient to meet his debt obligations, but who, if he be in the position of investor or creditor, is privileged to enjoy having others do these things on his behalf.

A country may have an unfavorable balance, i. e., an import surplus, so far as commodity trade alone is concerned, but favorable or credit balances on enough other items in its international accounts to meet the deficit arising from commodity transactions. Indeed, it must have such credits except insofar as it can adjust the residual difference through shipments of gold (viewing gold, in this connection, as the adjustment item).

Prior to the World War the United States was a debtor country. It was compelled to meet its payments on foreign loans and investments in the United States largely by means of its exports of agricultural staples. During the war we were able to repay many of these loans, and we began to lend to foreigners. As a result, we found ourselves definitely a creditor nation at the end of the war. Our large-scale lending abroad during the nineteen-twenties

made our net position as a creditor even greater. At the end of 1935 our long-term private investments in foreign countries were estimated at \$12,630,000,000, as compared with investments by foreigners in the United States of slightly over \$5,000,000,000—this entirely apart from the intergovernmental war debts owing to the United States.

By 1920, Americans were receiving almost a billion dollars a year in interest and dividends on their foreign investments. While these receipts have been greatly reduced as a result of the depression and the difficulties encountered by foreigners in securing dollar exchange with which to make payments, this account is an important one in our balance of payments and is again on the increase. In view of our creditor position, it should therefore not be a cause for alarm, but on the contrary should be regarded as only natural and logical, if our merchandise imports are brought into closer adjustment with our merchandise exports than they were previously. The concern which has been expressed over the possibility of such an occurrence is largely a carry-over from the period when we were a debtor nation and has been aptly termed "our debtor-nation complex."

#### THE TRADE-AGREEMENTS PROGRAM IN RELATION TO THE BALANCE OF TRADE

The relation between the value of merchandise imports and of merchandise exports from year to year is a shifting one, subject to the influence of many and varied factors. So far as concerns the recent decline in our so-called favorable trade balance, it is altogether clear that this has been due to factors not connected with trade agreements. Recurrent drought conditions have adversely affected our export position with respect to a number of important agricultural commodities and have made necessary the importation of food-stuffs and feeds to supplement domestic supplies. Imports of raw materials for industry and of some manufactured goods have been stimulated by the accelerated pace of domestic recovery with its resulting improvement in American prices and purchasing power. At the same time, notwithstanding partial economic recovery in Europe, the continuance of depressed economic conditions in certain countries, high tariffs and other trade barriers, and the effects of unsettled political conditions abroad have greatly retarded recovery of our export markets even though there has been a marked improvement over the low levels of the depression.

The significance of the trade-agreements program in relation to the balance of trade lies in the fact that its purpose is to restore our international trade to higher levels than have been attained in recent years. Insofar as mere protection of a country's gold reserves and of its currency system is concerned, it matters little, theoretically speaking, whether the international accounts of such a country (as distinguished from its merchandise trade) are brought into balance by reducing its imports of goods and services—its "out payments"; or whether they are brought into balance by increasing its exports of goods and services—its "in payments."

Practically, however, even in connection with the process of balancing itself, it makes a great deal of difference whether a nation is operating on a high or a low level of transactions with the rest of the world. When a country's foreign trade, in terms of both goods and services, declines to a low level, the whole process of adjusting its payments becomes more difficult. This has been conclusively demonstrated by the experience of many countries during the depression. The general collapse of world trade has made it much more difficult for them to bring their international payments into adjustment than would have been the case if the volume of international transactions had been on a higher level. Hence their reliance upon stringent measures such as exchange control, clearing and compensation agreements, et cetera, which, however successful they may have been in bringing about the adjustments dictated by dire necessity, have served only to aggravate the general malady by reducing still further the total volume of international trade.

The significance of a large, rather than a small, volume of international transactions is not merely that it makes the adjustment of payments easier, important though that is. Its chief significance is that it means greater production, greater consumption, and hence greater prosperity and higher standards of living. In other words, it means that the country is enjoying a greater abundance of the fruits of the international division of labor.

From the viewpoint of the United States, as a creditor nation, what is important is not the size or even the character of the trade balance, but whether or not there is a general healthy balance between our total international re-

ceipts and expenditures of a character that will enable us to be paid for an increasing volume of exports and for the loans and investments we have made abroad. The significance of the trade-agreements program in this connection is that it tends to foster an expansion of trade and therefore a healthy balance in our economic relations with the rest of the world.

#### "BALANCING OUR BOOKS" WITH FOREIGN COUNTRIES

Some critics of the present commercial policy of the United States have suggested that our receipts and expenditures with each country with which we trade should be balanced, and that the concessions which we give and those which we receive in trade agreements should offset each other mathematically.

As to the first contention, there is no reason at all why our payments with any individual country should be balanced. The excess of payments which we make to one country will be used by that country to cover the deficit in its balance with various other countries, and these, in turn, will have net payments owing to us by reason of the excess in our own sales of goods and services to them over and above what we import from them. The natural process of balancing international accounts is not bilateral, but multi-angular. The experience of other countries with efforts to balance payments with individual countries has incontestably shown that the net result is a decrease of the entire volume of transactions between the countries, which is just what our commercial policy should be directed against. The notion of bilateral balancing, whether it be of trade or of all payments, is a complete fallacy. So far as mere balancing is concerned, the only thing that is important for a country is that its transactions with the outside world as a whole are in balance and without reference to particular countries.

Equally fallacious is the idea that the results of our concessions to foreign countries and those which we receive from them ought to be exactly equal in terms of dollars and cents and that we have lost certain agreements when it so happens that our imports from such countries have increased, during any particular period, with greater rapidity than have our exports to them. Aside from the fact that such equality could only be achieved by strict governmental regulation of our foreign trade, it is obvious that criticism of this sort springs from the same erroneous conception of international trade as the idea of bilateral balancing. While every effort is made by our negotiators to obtain a reasonable balance between concessions obtained and those granted, it is obviously impossible to forecast with precision the effects of the concessions upon trade or to know what will be the influence of external factors upon the course of trade. With some countries the gain in our imports may exceed that in our exports; with others, the reverse. The net of the situation, however—and the important thing—is that the way is opened to a healthy increase in our foreign trade as a whole, both in-bound and out-bound.

The concessions which we grant in trade agreements are given in exchange for corresponding advantages to our export trade. We give foreign countries an opportunity for increased trade in our markets, subject to normal market risks, in exchange for increased market possibilities for our export products and for assurances against arbitrary and capricious quotas, exchange restrictions, and other governmental measures. Over the short period of time during which most of our 15 trade agreements have been in effect, the general improvement in business conditions has had an important influence on the volume of trade in items affected by trade-agreement concessions. It is not unnatural that the relatively greater pace of recovery in the United States than in some countries with which agreements have been concluded has been reflected in a more rapid increase in imports than in exports. But, as we have seen, the significance of the trade-agreements program lies not in a decrease of the excess of exports over imports, which may well prove to be temporary, but in the fact that both imports and exports are increasing.

Had we followed a policy of trade-balancing during the past 3 years, we would have restricted our imports from many countries in a less favorable position than ourselves to what they could afford to buy from us rather than importing what we needed and could afford to buy. Such a policy would not only have limited the enjoyment of our increased purchasing power and thus restricted the progress of our own recovery but would also have reduced our exports by disrupting the triangular process of trade by which many countries, particularly European, are enabled to acquire the means with which to buy vast quantities of American products of both farm and factory.

Moreover, had we adopted a policy of strict bilateral balancing, other countries undoubtedly would have applied a similar policy to us. The result would have been that countries which now buy from us more goods than they sell to us would have deliberately curtailed their purchases from us. This would have been particularly costly to American agriculture, since the principal markets for our agricultural staples are normally in the countries with which we have favorable trade balances.

## V. CONSTITUTIONALITY OF TRADE AGREEMENTS ACT

The only constitutional objections to the Trade Agreements Act which have been raised are (1) that insofar as it provides for modification of domestic duties it involves an unconstitutional delegation of legislative power and (2) that it violates the constitutional provisions empowering the President to make treaties by and with the advice and consent of the Senate, provided two-thirds of the Senators present concur. This memorandum is designed to dispose of these contentions within the limits of a brief and simple statement of the principles involved. A more extensive list of analogous statutes than is here presented will be found in the memorandum presented at the hearings before this committee in connection with its original consideration of the act. (Hearings before House Committee on Ways and Means on H. R. 8430, 73d Cong., 2d sess., p. 303 et seq.)

### I. MODIFICATION OF DUTIES PURSUANT TO THE TRADE AGREEMENTS ACT INVOLVES NO UNCONSTITUTIONAL DELEGATION OF LEGISLATIVE POWER

The recent Supreme Court decision of *United States v. Curtiss-Wright Export Corporation*, decided December 21, 1936, not yet officially reported, has definitively established that, in providing for the carrying out of legislation affecting the foreign relations of the United States, Congress may vest in the President far greater discretion than would be permissible in the case of enactments which relate solely to domestic matters. The court recognized that congressional legislation which, like the present act, "is to be made effective through negotiation and inquiry within the international field must often accord to the President a degree of discretion and freedom from statutory restriction which would not be admissible were domestic affairs alone involved" (pamphlet, p. 8). After reviewing a long list of statutes authorizing action by the President with respect to our foreign relations, many of which are characterized in the opinion as leaving "the exercise of the power to his unrestricted judgment" (*ibid.*, p. 11), the court stated that (p. 14):

"The uniform, long-continued and undisputed legislative practice just disclosed rests upon an admissible view of the Constitution which, even if the practice found far less support in principle than we think it does, we should not feel at liberty at this late day to disturb."

This decision seems to leave little room for doubt as to the constitutionality of the Trade Agreements Act.

Indeed, that act is so framed that it meets the more rigorous tests laid down by the Supreme Court for determining the constitutionality of legislative delegations of power in the purely domestic field. The legislative policy is clearly stated, a definite course of procedure is to be followed, adequately defined standards for the President's guidance in executing the policy are established, and a finding of fact is required as a condition precedent to action by the Executive.

### PURPOSE OF ACT CLEARLY STATED

A. The act is expressly designed to secure the expansion of "foreign markets for the products of the United States." To this end it directs the President to seek by negotiation with individual nations the reduction of the barriers to our exports which those countries have erected. The expansion of foreign markets is the basic purpose of the act. The authority conferred with respect to duty modifications is but a means to that end and is a carefully limited means.

## PRESCRIBED COURSE OF PROCEDURE LIMITS EXECUTIVE DISCRETION

B. Duty modifications are authorized only to the extent that they "are required or appropriate to carry out" trade agreements. In other words duty modifications may be effected only in the course of international tariff bargaining by which the President is directed to seek foreign concessions for our exports. In return for such concessions he is authorized to approve "corresponding" reductions in our tariff duties requested by the respective negotiating countries, if such reductions would comport "with the characteristics and needs of various branches of American production." Furthermore, the domestic tariff modifications granted in a trade agreement with any one nation, except Cuba (with which an exclusive agreement is specifically authorized), are to be extended to imports of the same kind from all other countries that do not discriminate against our commerce or pursue other acts or policies tending to defeat the purposes of the act.

The procedure of international tariff bargaining thus prescribed by the act at once limits the scope of the President's powers with respect to duty modifications. In the first place, as was recognized by the committees of Congress which recommended passage of the act, the President in determining what commodities should fall within the scope of any agreement must, except in the case of Cuba, be guided by the general principle that only commodities of which the negotiating country is the chief or an important source of supply should be included (H. Rept. No. 1000, 73d Cong. 2d sess., p. 16; S. Rept. No. 871, 73d Cong., 2d sess., p. 19). Otherwise our bargaining power would be dissipated and we would not receive in return the reciprocal benefits contemplated by the act. Furthermore, a foreign country would not be likely to grant us concessions in return for tariff reductions which would be more valuable to some third competing country than to it.

In the second place, since any action by the President with respect to our duties must be pursuant to an agreement with a foreign nation, it is apparent that the President is not free capriciously to pick and choose among even those commodities of which the negotiating nation constitutes the chief or an important source of our supply or arbitrarily to determine the amount of duty reduction on any given article. All reductions in our duties must be those sought by the other party to the agreement; and these will be necessarily limited by the fact that the negotiating country must be prepared to furnish correspondingly valuable concessions in return.

Thus, the prescribed course of conduct, international tariff bargaining, ensures a definite limitation of the articles to be affected and the amounts of duty reduction thereon. The modifications suggested by the negotiating foreign nation are then examined by the President who must determine whether or not they comply with certain standards set forth in the act.

## SPECIFIED STANDARDS TO BE FOLLOWED ARE ADEQUATELY DEFINED

C. The act specifies three standards which must guide the President in his consideration of the requested modifications: (1) No modification may exceed 50 percent of existing duties, nor may any article be transferred between the dutiable and free lists. (2) Each modification must conform to the characteristics and needs of the various branches of American production.<sup>1</sup> (3) Finally, the total of the concessions sought, if found to comply with the first two standards, must correspond to the concessions applicable to our products which are offered in return by the foreign negotiating country.

1. The definiteness of the first standard is readily apparent.

2. The second standard is given definite content (a) by the legislative history of the act; (b) by familiar principles of tariff policy recognized by leading statesmen on appropriate occasions since the earliest days of the Nation; (c)

<sup>1</sup> It should be noted that this second standard serves two purposes. First, it serves as a guide to the President in excluding from consideration all requests for modifications that do not conform to it. Second, in conjunction with the third yardstick or standard, it serves as a guide to the President in circumstances such as the following: After eliminating those requested modifications which exceed the 50-percent limitation or which fail to comport with the characteristics of American production, the President must compare the remaining total concessions requested with those which the negotiating nation is prepared to offer to us in return. If these remaining requested concessions outvalue the concessions offered to us, the President then must choose from among the requests those in nearest "accordance with the characteristics and needs of various branches of American production" and which in toto correspond to the reciprocal concessions offered by the other country.

by the act's requirement that adequate opportunity be afforded to interested private persons to present their views; and (d) by the express direction, contained in section 4 of the act, for the utilization of the elaborate information relating to all aspects of our foreign trade gathered by the official agencies of the Government.

The legislative history discloses an unmistakable congressional intent that domestic duty reductions should in no case—regardless of the concessions to our export trade offered in return—be granted without a careful study of the effect of such a reduction upon the position of American producers in the domestic market and a determination that no sound and important domestic interest would be unduly injured thereby. Congress did not authorize the President to adopt a policy of "50 percent free trade" to the extent that foreign nations might offer equivalent concessions. On the contrary, Congress extended the policy of protection adopted in the 1830 Tariff Act, to which the Trade Agreements Act is simply an amendment, so as to include the protection also of those engaged in production for our export trade. (See II. Rept., cit. supra, p. 13; S. Rept., cit. supra, p. 16.)

Thomas Jefferson, Secretary of State Blaine, President McKinley, and Theodore Roosevelt all urged a policy of tariff reciprocity which would extend protection to our export producers. Such a policy has from time to time been adopted in the platforms of both major parties and was specifically incorporated in the Tariff Acts of 1890 and 1897. This concept has thus acquired "a common understanding" which, in the language of the Supreme Court, gives it "the quality of a recognized standard." (See *Mahler v. Elby*, 264 U. S. 32, 40, upholding authorization for the deportation of aliens found by the Secretary of Labor to be "undesirable residents"; see also, *Mutual Film Corporation v. Ohio Industrial Commission*, 236 U. S. 230, 245-246, prohibiting films not deemed by board of review to be "of a moral, educational, or amusing and harmless character.")

Furthermore, the provisions for public hearings and for consultation with the experts of the Tariff Commission and of the Departments of State, Agriculture, and Commerce, supply criteria which make the standard still more definite and prevent arbitrary action. As the Supreme Court said in upholding the authority of the Secretary of War to prescribe changes in bridges required to render navigation thereunder "reasonably free, easy, and unobstructed":

"\* \* \* Congress \* \* \* did not invest the Secretary of War with any power in these matters that could reasonably be characterized as arbitrary. He cannot act in reference to any bridge alleged to be an unreasonable obstruction to free navigation without first giving the parties an opportunity to be heard." (*Union Bridge Co. v. United States*, 204 U. S. 364, 387.)

In *New York Central Securities Corporation v. United States* (278 U. S. 12), Chief Justice Hughes, speaking for the Court, upheld the delegation to the Interstate Commerce Commission of authority to permit the acquisition by one carrier of control over another if deemed by the Commission to be "in the public interest." At page 24 the Chief Justice said of this criterion:

"It is a mistaken assumption that this is a mere general reference to public welfare without any standard to guide determinations \* \* \* the term 'public' interest as thus used is not a concept without ascertainable criteria, but has direct relation to adequacy of transportation service, to its essential conditions of economy and efficiency, and to appropriate provision and best use of transportation facilities, questions to which the Interstate Commerce Commission has constantly addressed itself in the exercise of the authority conferred."

So here the criteria to be used in determining whether a specific duty reduction sought by a foreign nation is in accordance with the characteristics and needs of our various industries, do not differ essentially from the questions which the Tariff Commission, the Departments of Agriculture and Commerce and the Congress itself have continuously considered during the entire history of the tariff. They include, among other factors, the previous tariff treatment of the article, the nature of the article's use and its place in our national economy, a comparison of domestic production to imports and exports over a period of years in terms of value and of quantity, the principal sources of imports, costs and other factors governing production of the article at home and abroad, and the historical importance and present national significance of exports of other articles to the foreign negotiating country.

The adequacy of the standard requiring due consideration of the characteristics and needs of the various branches of American production is further demonstrated by the decision of the Supreme Court in *Hampton and Company*

v. *United States* (276 U. S. 304, 409), which established the doctrine that in the fixing of tariff rates, as in the fixing of rates under the interstate commerce power:

"If Congress shall lay down by legislative act an intelligible principle to which the person or body authorized to fix such rates is directed to conform, such legislative action is not a forbidden delegation of legislative power. If it is thought wise to vary the customs duties according to changing conditions at home and abroad, it may authorize the Chief Executive to carry out this purpose, with the advisory assistance of a Tariff Commission appointed under Congressional authority."

The "flexible" tariff there sustained was designed to assist "domestic producers to compete on terms of equality with foreign producers in the markets of the United States" (276 U. S. at p. 404). The Trade Agreement Act is to assist domestic producers to compete in foreign markets on terms of equality with foreign producers. There as here the President was supplied with an expert body of advisers and in both cases Congress provided full opportunity to interested private parties to be heard. There the President was to determine foreign and domestic costs of production and in so doing was to consider, "insofar as he finds it practicable," in addition to costs of production per se, the wholesale selling prices of foreign and domestic articles, advantages granted to foreign producers by their Government or other agencies, and "any other advantages or disadvantages in competition." The application of the standard here considered would seem to involve the exercise of no broader discretion.

3. The third standard applied by the President to proposed reductions in our tariff rates—namely, contrasting them with the reciprocal concessions applicable to our exports—closely parallels the criterion for executive action provided for by the Tariff Act of 1890, sustained in *Field v. Clark* (143 U. S. 649). That provision also sought expressly to further "reciprocal trade" through tariff bargaining, although by means of threatened penalties rather than reciprocal concessions. There the President was to determine whether countries exporting certain articles to us gave our goods "reciprocally unequal and unreasonable" customs treatment. Here he is to determine whether the requested reductions in our duties, when compared with concessions on our exports offered by the negotiating country, afford no more than "corresponding market opportunities for foreign products in the United States." The 1890 provision is more than ample precedent for this standard, since the President was apparently required to compare the benefits to certain foreign countries of our general tariff treatment with the benefits our total export trade received from the customs regulations of those countries.

Again, the ascertainment of whether the total benefit to us of proffered concessions is equivalent to the benefit to the foreign nation of reductions sought in our own tariff rates is a determination which clearly involves no greater discretion than the comparison between domestic and foreign costs of production, sustained in the *Hampton case, supra*.

#### FINDING REQUIRED BEFORE ACTION AUTHORIZED

D. Lastly, the President is authorized to act according to the procedure and the standards described above, only when he finds certain facts. It has been established from the earliest times that Congress may leave to executive officials the determination of facts upon the basis of which the legislative policy is to become effective. See e. g., *The Brig Aurora*, 7 Cranch 382. Under the Trade Agreements Act executive action is authorized only when the President "finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States" and that the expansion of our foreign trade will be promoted by the negotiation of a reciprocal trade agreement. The determination of the effect of foreign or domestic duties upon our foreign trade is plainly within the doctrines of *Field v. Clark* and *Hampton & Co. v. United States*, discussed immediately above. The further finding that negotiation will not be fruitless clearly permits no arbitrary determination and is appropriately left to the President, who is charged with the conduct of the country's foreign relations.

#### SUMMARY

In summary of the discussion as to delegation of legislative power, it is submitted that the powers of the President under the Trade Agreements Act with respect to duty modifications meet the tests laid down by the Supreme Court in its most recent pronouncements for proper delegation of legislative power.

even in respect of purely domestic matters. There is here plainly no vesting of "an unfettered discretion" in the President. Cf. *Schechter Corporation v. United States* (295 U. S. 495, 537-538). On the contrary the act is well within the rule that in respect of domestic affairs Congress performs its proper functions "in laying down policies and establishing standards, while leaving to selected instrumentalities the making of subordinate rules within prescribed limits and the determination of facts to which the policy as declared by the legislature is to apply." *Schechter Corporation v. United States, supra* (p. 530). See also *Panama Refining Co. v. Ryan*, 293 U. S. 388, 421. In view of the recent decision of *United States v. Curtiss-Wright Export Corporation*, referred to above, in which the Supreme Court has listed with approval numerous statutes affecting our foreign relations which authorize far broader Presidential discretion than that here involved, the constitutionality of the President's powers under the Trade Agreements Act would not seem open to question.

2. THE TRADE AGREEMENTS ACT DOES NOT VIOLATE THE CONSTITUTIONAL REQUIREMENT THAT TREATIES MUST RECEIVE THE CONSENT OF THE SENATE WITH TWO THIRDS OF THE SENATORS PRESENT CONCURRING

From its earliest days this Government has entered into numerous international agreements, as distinguished from treaties, in the fields of commercial and consular relations, patent, trade-mark and copyright protection, postal, navigation, radio and aviation arrangements, and the settlement of claims.

The Constitution in a single provision deals separately with treaties and agreements and thus itself recognizes the distinction. Section 10 of article I prohibits the individual States from entering into treaties but provides that with the consent of Congress any State may enter into agreements with a foreign power.

Two instances of legislation under which commercial agreements in the field of tariff duties were executed have come before the Supreme Court. *Field v. Clark* (143 U. S. 619) involved section 3 of the Tariff Act of 1890 which authorized the President to impose stated duties on named articles when imported from countries whose duties were reciprocally unequal and unreasonable. Immediately upon the passage of the act Secretary Blaine began negotiating agreements with those nations whose customs provisions, unless modified, called for the operation of the act. Some 12 agreements were concluded without Senate ratification in the course of the next two years, 3 of which had been concluded at the time of the argument of *Field v. Clark*. The act was challenged, in the language of the Supreme Court, "as delegating to him [the President] both legislative and treaty-making powers" (143 U. S. 681). After holding that the act did not constitute an improper delegation of legislative power, the Court went on to say (p. 694):

"What has been said is equally applicable to the objection that the third section of the act invests the President with treaty-making power."

The case of *Altman Company v. United States* (224 U. S. 583) involved a commercial agreement under section 3 of the Tariff Act of 1897, which expressly authorized the President without the necessity of senatorial ratification "to enter into negotiations" with countries exporting named articles to the United States, "with a view to the arrangement of commercial agreements in which reciprocal and equivalent concessions may be secured in favor of the products and manufactures of the United States", in return for our substitution of lower duties on the named articles in place of existing duties. The Supreme Court described the commercial agreement with France negotiated under this provision as "an international compact" although "not a treaty possessing the dignity of one requiring ratification by the Senate" (p. 601).

Similarly, Chief Justice Taft while Solicitor General ruled that Congress could authorize the Postmaster General to adhere to postal conventions with foreign countries without Senate ratification. 19 Op. Att. Gen. 513, 520. Again, in the more recent decision of *Monaco v. Mississippi* (292 U. S. 313, 331), Chief Justice Hughes, speaking for the Court, stated that the Federal Government may effect an international settlement "through treaty, agreement of arbitration, or otherwise." Finally, in the case of *United States v. Curtiss-Wright Export Corporation*, decided on December 21, 1933, and referred to earlier, the Supreme Court expressly stated that the Federal Government has "the power to make such international agreements as do not constitute treaties in the constitutional sense" (Pamphlet, p. 6). This and related powers the Court found to be "inherently inseparable from the conception of nationality" and essential to make the United States "completely sovereign." (Ibid.).

Senator DAVIS. Mr. Sayre, you spoke about the increase of production in the United States. Have not industry and agriculture increased their production, too, abroad?

Mr. SAYRE. In foreign countries?

Senator DAVIS. Yes.

Mr. SAYRE. Yes; of course; since 1929 there has been a world recovery in progress, as I suggest in this statement of mine. The recovery in world trade has not been as rapid as the recovery in domestic production in the various countries of the world, particularly in the United States. In other words, the recovery of world trade has decidedly lagged behind recovery in domestic production. There has been, nevertheless, as you suggest, since 1929, a pronounced movement toward recovery. We have not yet attained the same degree of prosperity which we had in 1929; but there has been a definite improvement in that direction, both in the United States, and in most of the countries of the world.

I wonder if I am answering what you have in mind?

Senator DAVIS. Has not foreign industry taken on the modern machinery of America, and increased their production in industry?

Mr. SAYRE. You mean in foreign countries?

Senator DAVIS. Yes.

Mr. SAYRE. There has been an increased production in most of the countries of the world, sir, although as I have just pointed out that has not been attended with an equally rapid increase in foreign trade because of these many hampering restrictions, and trade barriers that have been built up.

Senator DAVIS. While I was abroad in the latter part of November I noticed in a little town in South Wales that they are putting in a lot of strip machinery which will produce by employing 600 people, practically as much as all the tin sheet mills in Wales.

Mr. SAYRE. That, sir, is undoubtedly true.

Senator DAVIS. And in practically all of the mines and steel mills all of the modern machinery I have seen in the factories here is in use over there.

Mr. SAYRE. Yes; in other words, you are pointing out, sir, a movement, which is world-wide, toward national self-sufficiency in production. Each country for various reasons, partly because of military considerations, partly because of increasing trade restrictions, and partly because of other factors, is moving in the direction of national self-sufficiency, which is a very dangerous movement from the viewpoint of world peace. As we know, the various countries of Europe cannot possibly be economically self-sufficient, and remain prosperous. Neither can the United States.

Senator DAVIS. Then for world peace we must give up part of our markets here?

Mr. SAYRE. No; we must increase our markets here. The objective which we are seeking through the trade-agreements program is to increase our export markets. By increasing those export markets we increase domestic employment, we increase wages, we increase consumers' purchasing power at home, and thereby tremendously increase our domestic markets in this country. If I may give an example, for instance in our Canadian trade agreement, the agricultural industry of the country has profited not only by the direct agricultural concessions which we gained but also by the increased domestic market,

due to increased outlets for industrial goods. For example, let us say as a result of a trade agreement, a factory owner finds he can export increased quantities of his products. That means he increases his employment and his pay roll; and it means his employees will begin buying things which they could not buy before. For instance, they will begin buying more meat. Meat has a very elastic market. Following that Canadian trade agreement, partly as a result of it, I am convinced, we increased the domestic market for meat. And that helped our cattle people.

In other words, we are seeking by means of increased foreign trade to increase foreign markets, but also to increase domestic purchasing power and thereby increase domestic markets.

Do I make myself clear?

Senator DAVIS. I do not quite understand you, but this is what they told me while I was abroad: If we maintain the present rate of wages—I mean in the tin plate mill—they will be able to make it in those new strip mills there on the coast in the towns of Wales, where they manufacture this plate, and ship it into McKeesport and Pittsburgh cheaper than we can put it on the car in Pittsburgh.

Mr. SAYRE. That also brings up another aspect of the matter which I am glad you raised. Largely as a result of our own building up of high protection walls, largely as the result of the Smoot-Hawley Tariff, we have encouraged American industry to build branch plants in foreign countries.

Senator DAVIS. These plants I am talking about are not owned by Americans.

Mr. SAYRE. Then they are probably British. They may be using American machines. I know there has been an increased sale of American machines in many of the countries abroad.

Senator DAVIS. Practically all of this modern machinery is American machinery.

Mr. SAYRE. The result of that is, of course, to increase production in those various countries, and in that way make it more difficult to increase the employment of labor in this country. In other words, the certain result of excessively high protectionism is to induce either the building abroad of branch plants or the installation of American machines in foreign plants, and in that way to cut off American export markets with disastrous results. I think that is a tendency which we must reckon with.

Senator VANDENBERG. Dr. Sayre, I do not want to argue with you. The last thing I want to do is argue the Smoot-Hawley tariff bill this afternoon, but you made the statement it was that bill which forced the building of these branch plants.

Mr. SAYRE. I said that was one factor, an important factor, in the tendency toward the building of branch plants.

Senator VANDENBERG. That is not what you said. But is it not a fact that most of the branch plants were built before the Smoot-Hawley bill was passed?

Mr. SAYRE. I believe not, sir. So far as Canadian branch plants are concerned, I think I am correct in saying that following the passage of the Smoot-Hawley tariff bill, there was a great increase in the building of branch plants in Canada. I speak subject to correction sir, as I have not the statistics here, and I should want to verify the statement; but I believe that that is true.

Senator VANDENBERG. I have understood from some study that it showed something like 1,800 branch plants were in existence abroad before the Smoot-Hawley tariff bill was passed, and that since then the rate of expansion has been decidedly less rather than more.

Mr. SAYRE. I would like to look that up. I cannot tell you offhand.

Senator VANDENBERG. It would be an interesting thing to find out definitely.

The CHAIRMAN. Dr. Sayre, can you get us the facts as to that?

Mr. SAYRE. Yes; I think that would be a good thing to put in the record.

Senator HARRISON. I think at the time that the Ways and Means Committee first started considering the Smoot-Hawley tariff bill because the Republican Party was so entrenched in power, they perhaps decided to start doing that and, of course, that is a little different from the situation of the Democratic Party.

Senator VANDENBERG. The situation is just reversed now.

The CHAIRMAN. If you can find out what the number was before they started a consideration of the tariff and what it was since it would be very informative.

Mr. SAYRE. I would be very glad to.

(The matter referred to follows:)

#### FOREIGN BRANCH FACTORIES AND THE SMOOT-HAWLEY TARIFF

On December 5, 1928, the Ways and Means Committee of the House of Representatives gave public notice of tariff readjustment hearings to begin on January 7, 1929. These hearings were held from January 7 to February 27, 1929. The bill was introduced in the House on May 7, 1929 and became law on June 17, 1930.

Prior to the consideration and enactment of this legislation, many American manufacturers had established branch plants in foreign countries. One of the important reasons for this trend was the growth of our export trade; another, the height of foreign tariffs. In 1929 and in the following years our own tariff policy became an important factor in the situation. The prospect of higher tariffs in Canada and other countries in the event our tariff rates should be raised was generally realized early in 1929. This forewarning doubtless helped to speed up the branch factory movement in that year. The increase in the Canadian tariff in 1930, and again in 1932 in connection with the Ottawa agreements, tended to sustain the movement despite the increasing severity of the depression. The increase in the tariffs of the United Kingdom and other countries in the years following the passage of the Hawley Smoot Act also played a part in the branch factory movement.

A report prepared by the Bureau of Foreign and Domestic Commerce, printed as Senate Document No. 120 of the Seventy-third Congress, second session, sets forth certain statistical information as of 1932 with respect to American branch factories abroad. According to this report an increasing number of such factories have been established throughout the past 70 years. Despite the restrictive effect of the world crisis of 1929-30 on capital movements, numerically and in terms of total investment there was a marked increase in this tendency, so far as manufacturing companies are concerned, in the years 1929 and 1930, as contrasted with the gradual increase in the preceding years. Even the later effects of the prolonged economic depression caused what the report characterized as "a surprisingly slight decline" in the tendency. The report explained the continuation of the establishment of foreign branches despite the effects of the world depression as follows:

"This continued development in late years is to be attributed chiefly to the tariff pressure exerted primarily by Canada, but also to some extent by Great Britain, and is specially significant as an indication of the influence of tariff policies in forcing the establishment of industrial plants during a period characterized by excess industrial capacity."

The following table lists the foreign branches involving an investment of \$50,000 or more each which were established by American manufacturing companies between 1919 and 1932, as set forth in the report referred to:

Year	United States companies	Foreign units	Investment	Year	United States companies	Foreign units	Investment
1919	27	34	\$42,577,557	1926	35	49	\$26,921,127
1920	43	52	54,189,586	1927	43	54	44,120,498
1921	20	37	14,306,211	1928	45	64	35,701,070
1922	22	22	24,701,095	1929	70	99	78,094,191
1923	25	34	14,675,255	1930	61	81	55,550,953
1924	28	39	22,653,758	1931	49	55	29,717,504
1925	33	49	29,236,145	1932	43	53	11,502,399

Senator VANDENBERG. I was simply challenged by the fact that you started out by charging all the branch plants to the passage of this Smoot-Hawley tariff bill.

Mr. SAYRE. I do not think I said that. I should be glad to have the stenographer look back and see what I said. I think that I said that the Smoot-Hawley tariff bill was only one factor.

The CHAIRMAN. That question was raised in the discussions by the distinguished opposition, and that is the main thing they assigned which forced them to go abroad.

Mr. SAYRE. Yes.

The CHAIRMAN. So then Senator Vandenberg correctly interprets that.

Senator VANDENBERG. Dr. Sayre, may I ask you what the effect was of the repeal of 516-b of the Tariff Act of 1930?

Mr. SAYRE. Yes, sir. As you know, Senator, prior to that repeal—that partial repeal, I should say—there were two sections, one covering importers, and a second one covering producers.

The effect of the partial repeal of section 516-b was to leave to importers the same rights they had before, and to leave to producers the same rights which every taxpayer has when rate adjustments are made. As you know, the Supreme Court has expressly held that no one constitutionally has a vested right in a tariff rate or in a tax rate. We all agree to that, of course.

Section 516-b was passed, if I remember correctly, in 1922, originally in order to give to producers, as distinguished from importers, a right to contest importations on the ground that the rate of duty being charged was illegal.

Many importers and others, felt that the application of the law only resulted in barrassing tactics. In very few, I believe, of the suits that were brought did the courts sustain the contention of the producers. The effect of the Trade Agreements Act was to repeal section 516-b so far as products covered by trade agreements are concerned, because Congress felt at the time the matter was brought before it that to leave that provision in effect would simply allow any producer who cared to, to interrupt and prevent the successful operation of the Trade Agreements Act, and to strip from the foreign countries the benefits which they bargained for and supposedly obtained under trade agreements. In other words, under section 516-b, as I understand it, the Secretary of the Treasury at the instance of competing producers could be made to hold up the adjustment of the import duty for months, sometimes even for years, during long court proceedings, although, in very few of those proceedings heretofore have the courts finally sustained the producers' contention. Nevertheless,

the result has been indefinitely to hold up the modification of import duties. I believe it was for that reason that Congress passed the partial repeal.

I have before me here an excerpt from the Congressional Record in which the matter was discussed, which if you so desire I should be glad to read, or to insert in the record.

Senator VANDENBERG. You may insert in the record anything that you care to put in. I was interested in finding out this: At the time of the debates, perhaps that is in your memorandum, Senator Hebert said this was going to rob the American citizen of the right to litigate, which he felt was important in the protection of his interests.

Mr. SAYRE. I have that here, sir.

Senator VANDENBERG. Have you Senator Harrison's reply?

Mr. SAYRE. Yes; shall I read it? I think it would be just as well to. First, Senator Harrison said:

The purpose of the amendment is as follows: In 1922 we gave the privilege to producers in this country or other parties interested, of taking certain appeals when there was an importation of goods into this country, whether it was with reference to valuation, or classification, or the amount of tariff duties imposed. That was broadened greatly, as those who were here in 1930 will recall, so that any producer could interpose a protest when goods were brought into this country, and would have the right of appeal to the courts, which might interfere with importations and might delay a matter indefinitely. The object of this amendment is merely to remove those restrictions which are in the present law from the operation of the proposed trade agreements."

He spoke from experience. There were very great delays.

Senator VANDENBERG. Yes.

Mr. SAYRE. And then comes Mr. Hebert's statement, Senator, if you wish it?

Senator VANDENBERG. Yes.

Mr. SAYRE. Senator Hebert stated:

Mr. President, as I listen to the explanation made by the Senator, I assume the the privilege which the law now extends to American producers to interpose objections to changes made in the tariff act in pursuance of the provisions of the law now in force will be removed entirely?

To which Senator Harrison answered:

So far as the proposed trade agreements are concerned, the object is not to permit any person to come in and destroy the effect of a trade agreement by interposing some objection when goods come in from some country with which we have such an agreement, whether it is directed against a classification, or valuation, or whatnot, and taking an appeal and tying the matter up in the courts indefinitely. That is the object of the amendment.

Then Mr. Hebert came back with this reply:

In other words, the protection afforded to American manufacturers under the tariff law of 1930, so far as articles subjected to the operations of this measure are concerned, is to be removed by the proposed amendment?

And Senator Harrison says:

So far as the trade agreements are concerned. Otherwise they would have no effect.

That was the conversation which took place, sir.

Senator VANDENBERG. Then, somewhere in connection with the record the very able Senator from Mississippi added:

That is what we intend to do, since we want no interference or delay from domestic interests.

Mr. SAYRE. May I interrupt for 1 second? It was not domestic interests, because domestic importers have a full right.

Senator VANDENBERG. The record says "domestic interest."

Mr. SAYRE. I am sorry to interrupt.

Senator VANDENBERG. What I am interested in is do you know, and I ask for information because I do not know, whether this robs the American producer of an essential litigating right affecting his interest realistically?

Mr. SAYRE. My answer is, "it does not". It take away from him no right that the American taxpayer ordinarily has. It does take away from him a privilege, as distinguished from a right—a privilege which was given him in 1922, and which was, as our experience shows, exercised in an abusive way.

Senator VANDENBERG. Does this in any way involve the joining of issue to test the constitutionality of the act?

Mr. SAYRE. It does not prevent an importer from bringing a case to test the constitutionality of the act.

Senator VANDENBERG. Does it prevent a producer from bringing a case to test the constitutionality of the act?

Mr. SAYRE. Not if he can prove damage. You remember, Senator, that under the Constitution our Supreme Court and the other constitutional Federal courts are limited to "cases and controversies." Of course, one must prove he has a "case" or a "controversy" in order to come before a Federal court, a constitutional Federal court, including the Supreme Court. That means that the Supreme Court is not going to waste its time trying moot cases. In other words, you have got to prove some damage. But the producer is on no different plane with respect to this than any other taxpayer.

Senator VANDENBERG. You are so confident of the constitutionality of the act I assume you would welcome a decision of the court so we could quit arguing about it, or would that start the argument all over again?

Mr. SAYRE. I should have no hesitation in going before the Supreme Court, but I think really as the result of the recent *Curtiss-Wright* decision the question has now become academic. You will remember I argued 3 years ago, and I still maintain the truth of what I said then, that this act is within the principles laid down by the Supreme Court for determining within what limits Congress has the constitutional right to delegate power to the President. You remember that the Supreme Court laid it down, if I correctly remember in the *Hampton case*, that the legislation must set forth an intelligible principle for the guidance of the executive in making his determinations. We spoke of that matter 3 years ago. I then pointed out that the Trade Agreements Act does lay down such an intelligible principle. I reiterate that, and I am prepared to argue it here and now if you desire me to,

Senator VANDENBERG. No; I would not want to argue the question. Dr. Sayre. I would not presume to do that.

Mr. SAYRE. I will presume to make the statement that the question has become academic in view of the *Curtiss-Wright* decision. In that case the Supreme Court held that a sharp distinction must be drawn between the delegation by Congress of power to the President (1) to be exercised within the domestic or internal field, and (2) to be exercised within the foreign or external field. It held that the limitations applicable to the delegation of power within the first field did not

apply to the second, and that so far as the external or foreign field is concerned there is a very large sphere within which the President may act, either by virtue of his general constitutional power to conduct foreign relations, or by virtue of a constitutional delegation of powers.

Senator VANDENBERG. We are getting a little away from the thing I was interested in, and I simply wanted your opinion as to whether the repeal of section 516 (b) in any way hampered the American producer in testing the constitutionality of the act.

Mr. SAYRE. I should say that it imposes no more severe restriction upon him than is imposed upon any American citizen by virtue of the fact that under the Constitution cases triable in the Federal courts must be "cases" or "controversies." In other words, he must be prepared to prove some kind of damage if he is to go into court.

It does take away from him a privilege, as distinguished from a right, which was given to him in 1922 and which resulted in such an abuse of power that Congress saw fit to terminate it.

Does that answer your question, Senator?

Senator VANDENBERG. I think so; yes.

Now, I wanted to ask a little bit about the most-favored-nation theme.

Mr. SAYRE. I would be very happy to have the chance to speak on that if I may.

Senator VANDENBERG. I assume the need for the extension of this act involves your belief that there is a need for a large number of additional trade agreements?

Mr. SAYRE. Yes. That is what I said in my prepared statement part of which is incorporated in the record.

Senator VANDENBERG. Yes.

Mr. SAYRE. There has been a decided lag in recovery so far as international trade is concerned. We have not yet recovered all the export markets that we ought to. Some of the most important export markets are still not covered by trade agreements. In other words, there are still very important countries with which we have not yet made trade agreements. I think it is extremely important, if we are going to restore our export markets, to continue making trade agreements.

Senator VANDENBERG. And that is for the purpose of removing discriminations against our trade?

Mr. SAYRE. That is for a twofold purpose: First, as you suggested, to remove discriminations against our trade; and second, and equally important, to reduce existing trade barriers.

Again, in the part of my statement which I did not give orally, I spoke about various trade barriers, such as quota restrictions.

Senator VANDENBERG. Yes.

Mr. SAYRE. And foreign exchange control provisions and export and import license requirements. There is a network of trade barriers all over the world strangling international trade. And until we get those trade barriers lowered, and until, as you suggested, we get lessened discrimination against American goods, we will never regain the export markets which we should.

Senator VANDENBERG. I understand you would not extend the most-favored-nation privilege to any country which does discriminate against us; is that correct?

Mr. SAYRE. It is correct, subject to modification. You will remember that under the provisions of the act the President is directed to extend these concessions to other countries except those which in effect are discriminating against our trade.

There are a few countries to which we are bound by the explicit language of some treaty to extend the benefit of trade-agreement concessions to them. Until we can get such treaties denounced or replaced by other treaties we are bound by them. There is one additional qualification, which I must mention in answer to your question, and that is this: Whether or not a country is discriminating against American trade may be a very difficult question to answer. Because of some practice in quota administration or exchange control administration or what not it may become very questionable whether discrimination exists or not. We have a committee which is sitting constantly examining all kinds of cases of alleged discrimination to determine whether discrimination really exists or not. If we find discrimination then we make protests to the foreign countries concerned. I have had a number of different interviews with ambassadors and ministers, saying, "Here, American trade is being discriminated against in this respect or in that respect. What are you going to do to stop the discrimination? If you do not stop it then we cannot continue generalizing concessions to you." Then follow negotiations, perhaps for a month, or even longer. If the country ceases its discrimination, then we will continue to give it the benefit of most-favored-nation treatment. In other words, it takes a little time to adjust all these matters.

Subject to these qualifications, the general answer to your question is yes, we do confine generalizations to those countries which do not discriminate against our trade.

Senator VANDENBERG. Of course, you have discussed the thing which is in my mind, and inasmuch as you have generalized to everybody except Germany and Australia, it occurred to me you must have failed to find essential discriminations against anybody else, and I could not understand why you needed 3 more years to determine as to Germany and Australia.

Mr. SAYRE. There are two or three countries with which we have treaties where our relations must be clarified in some way, and may I say that we are now at work on that.

Senator GERRY. What are the countries in which we have the most-favored-nation clause?

Mr. SAYRE. I have a memorandum which I will be glad to incorporate in the record, giving a list of them.

(The document referred to follows:)

*Treaties and executive agreements of the United States containing the most-favored-nation clause*

TREATIES	Date in force
Argentina.....	<sup>1</sup> Dec. 20, 1854
Austria.....	May 27, 1931
Belgium.....	June 11, 1875
Bolivia.....	Nov. 9, 1862
Borneo.....	<sup>1</sup> July 11, 1853
China.....	June 20, 1929
Colombia.....	<sup>1</sup> June 10, 1848
Costa Rica.....	<sup>1</sup> May 26, 1852
Danzig, Free City of.....	Mar. 24, 1934

<sup>1</sup> Date of exchange of ratifications.

*Treaties and executive agreements of the United States containing the most-favored nation clause—Continued*

TREATIES—continued	Date in force
Denmark <sup>2</sup> .....	<sup>8</sup> Apr. 26, 1826
Estonia.....	May 22, 1926
Ethiopia.....	Sept. 19, 1914
Finland.....	Aug. 10, 1934
Great Britain <sup>4</sup> (in force also with Irish Free State).....	<sup>3</sup> July 3, 1815
Irish Free State. (See Great Britain.)	
Honduras.....	July 19, 1928
Hungary.....	Oct. 4, 1926
Italy.....	Nov. 18, 1871
Japan.....	July 17, 1911
Latvia.....	July 25, 1928
Liberia.....	<sup>1</sup> Feb. 17, 1863
Morocco.....	<sup>6</sup> Jan. 28, 1837
Muscat (in force also with Zanzibar) <sup>6</sup> .....	<sup>7</sup> Sept. 30, 1335
Norway.....	Sept. 13, 1932
Paraguay.....	Mar. 7, 1860
Poland.....	July 9, 1933
El Salvador.....	Sept. 5, 1930
Siam.....	Sept. 1, 1921
Turkey.....	Apr. 22, 1930
Yugoslavia.....	Nov. 15, 1882
Zanzibar. (See Muscat.)	

EXECUTIVE AGREEMENTS

Executive agreements other than trade agreements under act of June 12, 1934:

Albania.....	<sup>8</sup> July 28, 1922
Bulgaria.....	Aug. 18, 1932
Chile.....	<sup>9</sup> Sept. 28, 1931
Czechoslovakia.....	May 1, 1935
Dominican Republic.....	Sept. 25, 1924
Ecuador.....	June 12, 1936
Egypt.....	May 24, 1930
Greece.....	Dec. 9, 1924
Iran (Persia).....	<sup>10</sup> May 10, 1928
Lithuania.....	July 10, 1926
Portugal.....	June 28, 1910
Rumania.....	Sept. 1, 1930
Saudi Arabia.....	Nov. 7, 1933
Spain <sup>11</sup> .....	Nov. 27, 1927

Trade agreements under act of June 12, 1934:

Belgium.....	May 1, 1935
Brazil.....	Jan. 1, 1936
Canada.....	Do.
Colombia.....	May 20, 1936
Finland.....	Nov. 2, 1936
France.....	June 15, 1936
Guatemala.....	Do.
Haiti.....	June 3, 1935
Honduras.....	Mar. 2, 1936
Netherlands.....	Feb. 1, 1936
Nicaragua.....	Oct. 1, 1936
Sweden.....	Aug. 5, 1935
Switzerland.....	Feb. 15, 1936

<sup>2</sup> Abrogated by notice, 1856; renewed by convention of which ratifications were exchanged Jan. 12, 1858.

<sup>3</sup> The date given is that of signature. Though subject to ratification, the treaty provides that it shall be in force from its date.

<sup>4</sup> Extended by conventions of Oct. 20, 1818, and Aug. 6, 1827.

<sup>5</sup> Date of ratification by the President of the United States; no date is specified in treaty for its entry into force and no ratification by Morocco was necessary.

<sup>6</sup> Accepted by Zanzibar after separation from Muscat, Oct. 20, 1879.

<sup>7</sup> Date of exchange of ratifications; the treaty does not specify the date of its entry into force.

<sup>8</sup> Date of official recognition of Albania by the United States.

<sup>9</sup> Also retroactively, from May 22, 1931, in respect of certain tariff reductions extended to France.

<sup>10</sup> Retroactively.

<sup>11</sup> Extending previous regime.

*Treaties and executive agreements of the United States containing the most-favored nation clause—Continued*

## SUMMARY

Treaties.....	29
Executive agreements:	
Simple.....	14
Trade agreements.....	13
	27
Total treaties and Executive agreements containing the most-favored-nation clause.....	56

<sup>12</sup> These 56 treaties and agreements are with 53 countries.

Mr. SAYRE. We have most-favored-nation treaties and executive agreements with roughly 50 nations—or I believe 53 nations, to be exact. Since the passage of the act 3 years ago the number has slightly increased. I would be glad to incorporate the list in the record, or if you like I can read it here and now.

Senator VANDENBERG. How many are there?

Mr. SAYRE. About 50, roughly.

Senator GERRY. You just said you had increased the number of nations that have the most-favored-nation clause. In your new treaties do you include your most-favored-nation clause?

Mr. SAYRE. I wonder, Senator, if you are not confusing treaties and trade agreements. In our trade agreements we are negotiating on the most-favored-nation basis. On the other hand, these treaties of which I speak were made, perhaps 10, 20, or more years ago. For instance, there is a treaty with one country which was made in 1871. And of course that treaty cannot be modified without laying it before the Senate.

Senator GERRY. Have not some of those nations held that tariff agreements were not included in the most-favored-nation clause? Did not France hold that?

Mr. SAYRE. I think not, if I correctly understand your question. That is, if I correctly understand you, you are asking whether with respect to treaties containing the most-favored-nation clause some nations have contended that tariff rates do not come within the scope of those favored-nation clauses. Is that your question, sir?

Senator GERRY. Yes.

Mr. SAYRE. The answer is no, foreign nations have not taken that stand.

There is some question with regard to just what the most-favored-nation clause means with respect to quota provisions or exchange control. So far as tariff rates are concerned I think it is clear, and agreed to by practically every nation—and it might almost be regarded therefore, as a part of international law—that the most-favored-nation provisions do include tariff rates.

Senator GERRY. Did France hold that?

Mr. SAYRE. We did not have a most-favored-nation treaty with France.

It was because we did not have a most-favored-nation treaty with France that we had such great difficulty in negotiating a trade agreement with that country.

France some years ago began pursuing a commercial policy not based on the most-favored-nation policy. She set out, instead, to bargain for exclusive preferences with this nation and with that

nation, and to give exclusive preferences in return. Every exclusive preference she gave meant discrimination against every other nation. And the United States consequently found it was being discriminated against in a wholesale way by France—so much so that when we began negotiating a trade agreement with France we said: "We will not negotiate with you except on the basis of the most-favored-nation policy in principle. That means we must have the benefit of the French minimum tariff rate with respect to all those commodities which enter into the negotiations." France said she could not give this to us. For months we were in a square head-on collision over that. Finally, we forced France to accord to us virtual most-favored-nation treatment, so that, as a result of that grant, we secured a reduction on 4,328 French tariff items. In other words, we got the benefit of reductions on 4,328 items simply by securing in the trade agreement most-favored-nation treatment.

Senator GERRY. Have you got what we lost also? That is, if we did lose, and I do not know; I am seeking information.

Mr. SAYRE. Seeking what?

Senator GERRY. I am seeking information. Probably we had to give certain things in order to get these benefits. Where would we take our loss in return for the reduction on the 4,328 items?

Mr. SAYRE. I do not think we suffered any loss.

Senator GERRY. Did we not give them anything?

Mr. SAYRE. Yes, we did; but not in things which hurt us.

Senator GERRY. I know, but you did give them certain things.

Mr. SAYRE. The whole objective underlying these trade agreements is to gain foreign concessions without undue injury to our domestic producers. Negotiations would be easy if we could hand out concessions without considering what they cost. In place of that, we have to go over every suggested concession with a fine-toothed comb to study what its effect would be upon domestic producers.

Again and again when certain concessions are proposed, we have to say: "We cannot touch that because it is going to produce injury to certain American producers." On the other hand, there are many instances where we can afford to grant concessions by cutting tariff rates on certain speciality articles—articles, for example, which are made in France and not made here.

As the result of that French trade agreement I think there was very little injury done to any American producer who had any important place in our domestic economy. We gave concessions which cost us exceedingly little, and in return we received concessions of large value to us.

Senator GERRY. Yes; but you must have given them something.

Mr. SAYRE. We did give them something, such as cigarette papers—

Senator GERRY (interposing). And you are contending that we did not lose anything in return. I do not see how that could occur.

Mr. SAYRE. We can often cut down excessive tariff rates, which have no economic justification, without injurious domestic repercussions to ourselves, and yet with considerable benefit to the other country. For instance, let me illustrate what I mean. In our Canadian trade agreement we gave a concession which has been very much criticized on cattle. What were the facts? The cattle which we allowed to come into this country at reduced rates were strictly limited to a quota

of three-quarters of 1 percent of our domestic slaughter. To Canada, however, that concession was very valuable, because for Canada, producing so many fewer cattle than we do, it was a large proportion of Canadian production. If my memory serves me correctly it constituted something like 15 percent of the total Canadian production. To us it was only three-quarters of 1 percent.

You have heard it said doubtless that we injured our cattle producers by that concession. On the contrary, in framing that concession, of great value to Canada, we were very careful not to allow our markets to be inundated with cattle in a way which would prove injurious to our domestic producers. In the first place, we limited the concession to heavy cattle, cattle weighing over 700 pounds each. In the second place we imposed this strict quota limitation of three-quarters of 1 percent of our domestic slaughter; and this was applicable, as you probably remember, not only to Canadian cattle, but to cattle from all countries. What was the effect of that concession?

Senator GERRY. Here is one thing right now that has to do with American cattle raising, and while it is not so important in my state I am getting complaints from people outside Rhode Island that they are very much afraid with this clause in the trade agreements you are going to have an influx of cattle with foot-and-mouth disease or Bangs' disease. Of course, you have got a theory——

Mr. SAYRE. No; I have got facts.

Senator GERRY (continuing). Just one minute. I want to ask a question. You have got a theory, of course, that this is going to work this way. And, of course, you know the test of the pudding is in the eating.

Mr. SAYRE. I agree with you thoroughly.

Senator GERRY. What about after the agreement has been working and the cattle are being shipped in as to diseases?

Mr. SAYRE. Let me give you the facts.

Senator GERRY. I am getting letters on cattle being shipped in as to foot-and-mouth disease, from other countries.

Mr. SAYRE. Let me say first with regard to foot-and-mouth disease; nothing in the Canadian agreement or in any other trade agreement prevents the Department of Agriculture from imposing any restrictions which it sees fit to protect us from foot-and-mouth disease.

Let me say that these letters which you say have been sent you concerning foot-and-mouth disease undoubtedly refer, not to any trade agreement, but to a treaty negotiated with the Argentine. That was a treaty signed May 24, 1935, which would not prevent the Department of Agriculture from imposing restrictions against the shipment of cattle from any infected area it saw fit to guard against foot-and-mouth disease. The treaty provides that either country, the United States or the Argentine, shall have the right to impose sanitary restrictions as against any territory or zone of the other country which is infected or exposed to infection. One object of the treaty was to make it possible to quarantine a certain district or area within a country so that other areas not affected and not exposed to infection could be left free from the embargo.

Senator GERRY. That happens to be the Argentine.

Mr. SAYRE. Yes, sir.

Senator GERRY. But you take the foot-and-mouth disease and it is the most contagious disease for cattle in the world.

Mr. SAYRE. Yes, sir. And I am just as interested in keeping it out of the United States as you are.

Senator GERRY. You think you will be able to do it, but I am not certain whether you will or not.

Mr. SAYRE. We have not touched the matter in our trade agreements. We have in no way lessened the power of the Department of Agriculture. The subject is not even related to trade agreements.

Senator GERRY. I just raised it because you were talking about cattle, and I am asking for information.

Mr. SAYRE. And I am trying to give it to you, sir.

Senator GERRY. You spoke of certain areas. Supposing you had a general disease of that sort, which was very prevalent all through the country, could you cut out all cattle from that country, or only certain areas?

Mr. SAYRE. You mean if the Department of Agriculture saw fit to impose restrictions?

Senator GERRY. That just gets down to the question of restriction. And that would be a question of restriction just as health restrictions are, would it not?

Mr. SAYRE. Possibly we misunderstand each other. What I am trying to make clear is that there is absolutely nothing in the Canadian trade agreement or any other trade agreement to prevent the Department of Agriculture from imposing any restrictions it chooses because of foot-and-mouth disease, or any other disease.

I am wondering if I am answering your question.

Senator GERRY. I think that part of it is clear.

Mr. SAYRE. There is nothing whatever in these agreements to prevent the imposition of sanitary restrictions.

Senator GERRY. The reason I started to ask you as to this was because you mentioned as to what could happen only as to an area.

Mr. SAYRE. Yes, sir.

Senator GERRY. And I imagine the Health Department would have a right to stop anything that was bringing in an infectious disease.

Mr. SAYRE. As to quarantine regulations, we have been very careful in the framing of our trade agreements not to prevent the imposition at any time of sanitary or health restrictions.

The CHAIRMAN. May I ask this question: Dr. Sayre, is not this the only difference: under the present law the Secretary of Agriculture has a right to put a restriction or quarantine against a whole country when they find the foot-and-mouth disease or some other disease?

Mr. SAYRE. That is true.

The CHAIRMAN. And you have negotiated a treaty with the Argentine, and in this new treaty you propose to quarantine, or you agree you have got the right to quarantine any area?

Mr. SAYRE. Any area affected or exposed, that is correct.

The CHAIRMAN. That is correct. That is about the only difference in the proposition?

Mr. SAYRE. Yes. And let me add that that was the law prior to the passage of the Smoot-Hawley Tariff Act; that is to say, the Department of Agriculture was doing that right along up until 1930. Then in 1930 in the Smoot-Hawley Tariff Act these provisions were in-

serted, which made it impossible to impose a quarantine against an area or district as distinct from a whole country. We are now suggesting a treaty with the Argentine which goes back to the law as it existed prior to the passage of the Smoot-Hawley Tariff Act, when the Department of Agriculture was free to impose restrictions against isolated infected areas without quarantining an entire nation.

The reason we propose that, is a very real one. Other countries have sought to impose unwarranted embargoes against our own export trade, and particularly against our agricultural exports.

I have a memorandum before me giving various instances of this, which I will be glad to recite to you if you desire. One instance is of an infection in California, on account of which the United Kingdom, if I remember correctly, sought to embargo American exports coming from middle western and other States.

The result of using sanitary provisions for embargo or protective purposes, and not for sanitary reasons, is disastrous. We have had a taste of it ourselves; and because of our own experience we feel it very unwise to continue using sanitary provisions for tariff protection purposes, if I may so phrase it.

Senator CAPPER. I would like to ask a question.

Mr. SAYRE. I have not yet answered the Senator's question. Let me finish answering him and then let me come back to you, if I may.

You asked about Canadian cattle, and you said in theory I might be all right, but that you were interested in the facts. Now, I am also interested in the facts; and facts are what I am trying to give you.

Senator GERRY. I beg your pardon. What I said was that you had a theory and you thought you had done a beneficial thing, but that the facts remained to be tried out. You may be right, I do not know.

Mr. SAYRE. Precisely. Let the facts tell the story.

Senator GERRY. I do not believe, for example, that you have had near enough time to tell about the Canadian treaty. You can take one item and make a very good case. Anybody who is a debater ought to be able to do that. Of course, I do not know much about this Canadian treaty.

Mr. SAYRE. I am heartily in agreement with you, that it is too early for any final conclusions as to the effects of the Canadian agreement.

Senator GERRY. But what I am referring to is that the proof is going to be after a year—as to whether it is going to work out.

Mr. SAYRE. I am entirely and heartily in sympathy with you, and particularly so, Senator, when you say that a year's experience is not enough to show what the ultimate effects of a trade agreement are going to be. All we can do is to try to reduce the trade barriers. It takes time for trade to adjust itself after that to new opportunities. I do not think that trade or export figures gathered within a few months after an agreement has become effective tell the whole story. I am in hearty agreement with you on that.

Senator GERRY. What I have got in mind is this: How many foreign countries are working on these favored-nation agreements? It is not a treaty; you are making the distinction, that these are agreements?

Mr. SAYRE. These are agreements.

Senator GERRY. These are agreements and not treaties, as I understand it?

Mr. SAYRE. Yes.

Senator GERRY. How many nations are following this policy, not these nations who are entering into an agreement with us so far as we are concerned, but how many nations are following that policy?

Mr. SAYRE. There are a great many. Let me say that the most-favored-nation policy, which really is neither more nor less than a policy of equality of treatment, is one which nations as a whole have followed from early days. The United States, for instance, when it adopted the single column tariff, was following the most-favored-nation treatment policy. Again, under section 336, the flexible tariff provision, the adjusted tariff rate becomes under the President's Proclamation applicable not to a single country, but to all countries.

Senator GERRY. Let me say this—

Mr. SAYRE (interposing). I have not answered your question.

Senator GERRY. All right.

Mr. SAYRE. That policy of equality of treatment as I say, has been followed, speaking very generally, by most nations from time immemorial. It was the early policy followed by European nations as well as by American nations.

Of late years, however, there has been a tendency on the part of some nations, and France is one of them, along with certain others—

Senator GERRY (interposing). Is not England one of them?

Mr. SAYRE. No, sir. England in the main follows a most-favored-nation policy pretty generally. Of course, there are exceptions. A country makes innumerable treaties or agreements. The general underlying policy of Great Britain is based upon the most-favored-nation policy. France does not follow it generally.

Senator GERRY. What I am trying to do is get some information on this very important matter. I know very little about it.

Mr. SAYRE. Yes, sir.

Senator GERRY. What I want to find out is this: If you enter into a treaty with France and have certain rates on certain commodities and then if we have a favored-nation clause in another treaty where the country employs very, very cheap labor—

Mr. SAYRE. Yes, sir.

Senator GERRY. Which pay practically no wages at all; can they come in?

Mr. SAYRE. Yes.

Senator GERRY. Under exactly the same duty as the country that is paying a much nearer standard of wages to what we are?

Mr. SAYRE. Yes.

Senator GERRY. Now, I take it in some of those provisions you must take into consideration the rate of wages paid.

Mr. SAYRE. Yes, sir.

Senator GERRY. And when you get into this particular clause with a country paying very, very low wages, how do you safeguard against that?

Mr. SAYRE. I am afraid we are getting away from your question about importations of Canadian cattle, but I have the facts here to prove that American cattle producers were not in fact injured by the effect of the Canadian trade agreement upon American cattle prices.

If you wish I will abandon that and proceed to answer your other question, which is along another line, along the line which Senator Vandenberg began asking about, concerning the most-favored-nation policy.

Senator VANDENBERG. I only began it is all.

Senator GERRY. I beg the Senator's pardon for interrupting.

Mr. SAYRE. May I go into it?

Senator VANDENBERG. Yes, indeed. Go ahead.

Mr. SAYRE. Your question is, How can we protect ourselves if we follow this most-favored-nation policy? How can we protect our own producers if when we grant a concession to one country we extend it to others so as to cause floods of commodities coming in from some other country which has cheaper labor. Let us take Japan, if you like. The answer is to be found in the nature of our program. Once a nation pursues the most-favored-nation policy with respect to a trade-agreement program, such as ours, it means that you cannot give concessions indiscriminately. You must restrict the concessions which you give in the main to those commodities of which that other country is the chief or a principal source of supply. In other words, when we are negotiating with country X we cannot afford to give to country X concessions on goods coming in mainly from country Y, because in that event country Y would gain the chief advantage of the agreement, and also country Y would not care to make a trade agreement with us when her turn came around, because she would already have gained the most valuable concessions from us. For that reason the adoption of a most-favored-nation policy in connection with trade agreements means first and foremost a policy of restricting concessions given in each agreement to those in the main of which the other country is the chief or a principal source of supply.

Senator GERRY. Let me interrupt you again. Is not there a possibility when you do that, enter into a treaty with a country that is the main source of supply, that another may find with a reduced rate they can reduce it further and the first thing you know you have got a flood of it?

Mr. SAYRE. Yes.

Senator GERRY. And your trade agreement with the first country may be on an even basis?

Mr. SAYRE. Yes.

Senator GERRY. You may find later that you are trading with a country that has got a terrific supply of some commodity.

Mr. SAYRE. Yes. In the event that after we have made a trade agreement with some country there comes in a flood of imports from some third country, we are protected by the so-called escape provision. In other words, we have provided in our trade agreements that if some third country comes to enjoy the chief advantage of a concession which we have made we are then at liberty to withdraw that concession.

Senator GERRY. That is with your new agreements?

Mr. SAYRE. Yes.

Senator GERRY. How about these 50 treaties that still exist with the favored-nation clause?

Mr. SAYRE. Some of our most-favored-nation commitments are in Executive agreements. In the first place, a number of them are subject to abrogation on comparatively short notice. Again, in the negotia-

tion of our trade agreements it is precisely the question which you raise that the negotiators have their minds concentrated upon. They are not going to give a concession if there is a good chance that some other country will reap the chief advantages, or if there is a chance, perhaps because of devaluation or perhaps because of a shift in trade currents that our domestic producers will be injured by quantities of imports from some third country perhaps with a lower standard of living. In other words, these are some of the very things which we keep in mind when we are working on the negotiation of a trade agreement.

You speak of Japan. We have in our minds not only Japan but many other countries.

Senator GERRY. Japan is not the only one?

Mr. SAYRE. No; not by any means. There are many countries which are producing cheap goods, and when we negotiate trade agreements one of our purposes is to formulate the kind of trade agreements which will not subject our producers to undue injury through such results as you suggest. We have that very much in mind, sir.

In all of our later trade agreements we have such an escape clause as I have mentioned. And let me say that our trade agreements have been so carefully formulated that we have not had to use a single one of those escape clauses.

Senator GERRY. How many trade agreements have you made?

Mr. SAYRE. Fifteen.

Senator GERRY. How many have been made lately of those 15?

Mr. SAYRE. I have the dates here, sir. The last was made just a month or two ago. I think these are in the list which I have already inserted in the record.

Senator GERRY. Just see they are in the record.

Mr. SAYRE. We are making them all of the time. Would you like to look at it?

Senator GERRY. Thank you. Is there any other country—and after I ask this question I am through—that has adopted this policy as to trade agreements to carry out this similar policy to what you are doing?

Mr. SAYRE. You mean the use of trade agreements?

Senator GERRY. Yes; with the most-favored-nation treatment.

Mr. SAYRE. Yes. There are a great many nations following the most-favored-nation policy.

Senator GERRY. On the same principle on which you are doing it?

Mr. SAYRE. Many nations are entering into trade agreements, but many are not following quite the same program as we are. Great Britain, for instance, has the power to make executive agreements under certain circumstances, and by virtue of the parliamentary system over there it can secure parliamentary ratification in short order.

Senator GERRY. That is the question Senator Connally and you were debating this morning?

Mr. SAYRE. Yes. Now, Great Britain is making a great many commercial agreements, and not all of them are of the same pattern as ours.

I am thinking, for instance, of the one which Great Britain made with the Argentine. I said a moment ago that, on the whole, Great Britain was following the most-favored-nation policy. In her agree-

ment with Argentina, Great Britain did not strictly follow the most-favored-nation policy.

Senator GERRY. That is my understanding. And is not Great Britain dealing individually with each nation much more than we are?

Mr. SAYRE. Yes; it is. But so far as tariff agreements are concerned, any tariff concession which Great Britain makes to any other nation is immediately extended to us.

Senator GERRY. Because we have a treaty with Great Britain to that effect, is that not correct?

Mr. SAYRE. But when it comes to exchange control provisions, then you are up against the question of the precise meaning of the most-favored-nation clause. Different people have different conceptions as to what it means. We have worked out a pretty distinct and definite conception as to what we understand it to mean, and we have written that into our trade agreements. So that those nations with which we enter into trade agreements generally accept our definition as to its meaning with respect to exchange control, quota, restrictions, import and export licenses, and the like.

Senator GERRY. But, of course, that does not apply to the countries in which you have the old treaties with respect to the most-favored-nation clause?

Mr. SAYRE. No; and they are not all of uniform type.

Senator GERRY. Therefore, with these new treaties, until those old treaties are abrogated you have danger. In other words, you have to keep in mind all the 50 other treaties that have the favored-nation clause.

Mr. SAYRE. Absolutely. We have to keep in mind every country to which we are bound by the most-favored-nation provision. Of course, if it is an Executive agreement, it may be subject to revocation on 30 days' notice, and that is another story. But these are factors which we must keep constantly in mind in the negotiation of these trade agreements.

The CHAIRMAN. Dr. Sayre, Senator Capper wishes to ask you a question.

Senator CAPPER. Dr. Sayre, you said awhile ago, under the terms of the trade agreement with Canada, with respect to cattle, either nation could impose any restriction it might see fit to make.

Mr. SAYRE. Of a sanitary nature.

Senator CAPPER. Yes. Now, that cannot be said of the treaty with Argentina, can it? We are now imposing restrictions there from the United States, and we are proposing under that new treaty to withdraw those restrictions, at least in the terms under which they have heretofore been employed.

Mr. SAYRE. No, sir. If the treaty were put into effect it would but slightly modify the existing situation, and I should be very happy to point out in just what respect it would modify it.

Senator CAPPER. But under the Argentine treaty heretofore for a good many years we have made it impossible for them to let in cattle infected with the foot-and-mouth disease.

Mr. SAYRE. Yes.

Senator CAPPER. Now we are modifying that a little, but it is still possible for the foot-and-mouth disease to get into this country, it seems to me.

Mr. SAYRE. No, sir. If this new treaty came into force it would have no effect upon the actual imports of cattle from the Argentine.

Senator CAPPER. What I had in mind is setting up a different arrangement with Canada than you are with the Argentine.

Mr. SAYRE. Of course, when we were discussing the question of cattle imports from Canada, we were discussing it in connection with the trade agreement. Under our trade agreements there is absolutely nothing to prevent the Department of Agriculture from imposing any restrictions which it may desire and which the law empowers it to impose.

Senator CAPPER. Why should not that also be true of our relations with the Argentine?

Mr. SAYRE. It would be. Nobody proposes to modify that. We have no trade agreement with the Argentine, you understand?

Senator CAPPER. No; but I am speaking of the treaty.

Mr. SAYRE. We have negotiated a treaty with the Argentine, which is to this effect: As I was saying a few moments ago to Senator Harrison, under the law until 1930, the Department of Agriculture could impose restrictions against importations of cattle from any infected area or district as distinct from a country. Then in 1930 a provision was inserted in the Smoot-Hawley tariff which prevented the Department of Agriculture from doing that, which provided in effect that if the Department of Agriculture imposed any restriction it must be against a country as a whole. Now, here comes the Argentine. Argentine is an important producer of cattle in its northern districts. Each one of those dots [indicating a portion of a map] represents, I believe, 5,000 head of cattle production.

Here is Patagonia, way down in the south, producing no cattle for export, producing almost no cattle at all, as you see from this map. In Patagonia there is no access to and no exposure from this district up here [indicating a portion of map]. They are as widely and effectively separated as New Orleans is from Labrador. Argentina cannot afford to have the United States employing so-called sanitary restrictions in order to embargo all importations. The question is not a vital one to Argentina so far as imports and exports from and to the United States are concerned, because there are practically no cattle in Patagonia. It is only a sheep and mutton country, and owing to the price situation and to other factors Argentine sheep and mutton are not going to come into the United States. But if it becomes a general practice to use sanitary restrictions in order to enforce economic embargoes, then the Argentine, an important cattle-producing country, is going to be up against it with respect to other countries. We have had unfortunate experiences ourselves with sanitary embargoes enforced against us. I have a list here of several different occasions when, because of infection in a restricted and isolated area, American products from all over the country have been embargoed. We protested vigorously against such embargoes—so vigorously that in most cases we were able to secure a modification of the sanitary restrictions so as to confine them to the particular areas where the disease existed, or where there was exposure to the disease.

This new treaty with the Argentine, which has been negotiated but has not yet been ratified by the Senate, provides simply that either country shall be free to impose restrictions as against any areas in the other infected with disease or exposed to disease. In other words

under this treaty the Secretary of Agriculture would be free to pick out an infected area or an area exposed to infection and say: "We shall allow no importations of products or of cattle coming from that area", but with respect to importations from other areas of the country, the Secretary of Agriculture would be free to impose no restrictions.

Insofar as this Argentine sanitary treaty is concerned, let me make it clear that it has nothing whatsoever to do with tariff rates or with importations of live cattle.

The article which is directly concerned, and which I have been discussing, is article III, which reads as follows:

Each contracting party recognizes the right of the other party to prohibit the importation of animal or plant products originating in or coming from territories or zones which the importing country considers to be affected with, or exposed to, plant or animal diseases or insect pests dangerous to plants or human life until it has been proven to the satisfaction of the party exercising such right that such territory or zone of the other party is free from such contagion or infestation or exposure to contagion or infestation—

And so forth, and so on.

Senator CAPPER. The livestock producers of the West are thoroughly satisfied with the restrictions that we now have against the foot-and-mouth disease in the Argentine, and they are unable to understand why we have to modify or change that.

Mr. SAYRE. I think one reason for modification, Senator, is this: The United States at one time enjoyed a very prosperous trade with the Argentine. We were selling to the Argentine far more than we were buying from them. After 1929 that trade fell away very greatly. Today we are selling to the Argentine only a comparatively small proportion of what we did before. We want to win back that trade. In order to win it back we have got to convince the Argentine that the trade will be profitable to both sides. If we fail to eliminate those of our sanitary restrictions against the Argentine, which are clearly excessive and needless from the standpoint of sanitary protection, it is doubtful whether the Argentine will care to negotiate a trade agreement with us. When I say it is doubtful, I do not know; she may or she may not, I do not know. In our embargo against importations from Patagonia, Argentina feels she has a real grievance against us. If we are going to increase the good understanding between the two countries, which I regard as a necessary foundation for a profitable trade agreement, it seems clear that we should use sanitary restrictions only for sanitary purposes, and not for economic embargoes.

I make that statement not only because of the Argentine situation, but because of the world situation. It is to the vital interest of the United States to prevent foreign nations from imposing sanitary restrictions against our products for economic purposes. They have done it before and they will do it again; and unless we are in a position effectively to oppose such measures we are going to suffer in our agricultural export markets.

Senator CAPPER: The arrangement we have had heretofore, and which still exists, has been very satisfactory to the livestock interests, and this new convention seems to be very satisfactory to the Argentine and not to the producer.

Mr. SAYRE. I think the convention is not satisfactory to many of our livestock producers, only because they have greatly misunderstood its terms and provisions. We have heard, sir, from many livestock producers and livestock organizations, who by their letters show a total misapprehension of what the treaty provides. I am afraid that some people have made it their business to spread misrepresentations about that treaty.

Senator CAPPER. They have had a year in which to inform themselves.

Mr. SAYRE. And we have been constantly sending out letters trying to correct the widespread misunderstanding about the treaty.

It boils down to this insofar as American cattle producers are concerned: The ratification of this treaty will affect not a single tariff rate, it will cause no increased competition for our cattle producers, since Patagonia produces no cattle for export, and it will have no restricting effect upon the power of the Department of Agriculture to impose sanitary restrictions whenever and wherever needed.

Senator CAPPER. But it changes the program which the Department of Agriculture set up for a number of years.

Mr. SAYRE. No; I beg your pardon, sir. The Department of Agriculture set up the program which we have embodied in this treaty. That was changed in 1930 by the Smoot-Hawley tariff. The treaty is based upon the program which was followed by the Department of Agriculture up until 1930 and under which we felt that we were getting abundant protection.

The CHAIRMAN. What is the status of the treaty with the Argentine?

Mr. SAYRE. It is now before the Committee on Foreign Relations.

Senator CAPPER. It has been there over a year.

Mr. SAYRE. Yes.

The CHAIRMAN. You are not negotiating with the Argentine as to a trade agreement now?

Mr. SAYRE. No, sir; we are not at present negotiating a trade agreement with the Argentine. The treaty has nothing to do with trade agreements.

Senator CAPPER. No; I understand that, but the American Livestock Association only a few weeks—

Mr. SAYRE (interposing). Mr. Mollin, I believe, is going to appear here Friday, and will tell you—I won't say what he is going to tell you, but doubtless you will hear from him as to the Argentine convention.

The CHAIRMAN. He appeared before the House Ways and Means Committee, did he not?

Mr. SAYRE. I am not sure whether he did or not.

Senator CAPPER. There is another question I would like to ask you: Now, under the Canadian quota what is the total number of cattle affected?

Mr. SAYRE. 156,000 head could be brought in under the reduced duty. Under the Canadian trade agreement there was a quota provision with respect to cattle weighing over 700 pounds equal to three-fourths of 1 percent of the average annual total number of cattle slaughtered in the United States during the calendar years from 1928 to 1932; that is we took the average slaughter during a previous 5-year period, and then said we would allow three-fourths of 1 percent of that average to come in under the reduced duty. That quota

limit includes cattle not only of Canadian origin, but cattle from any country whatever. After the quota is filled, then all cattle imports must pay the same rate which they paid prior to the making of the trade agreement. What were the actual results of the agreement? We have made extended investigations to determine whether, as has so frequently been charged, American cattle producers were injured by a lowering of prices caused by Canadian importations. We have looked into that matter very carefully indeed.

We found that the charge that the duty reduction on Canadian importations was the cause of declining cattle prices between January and June of 1936 is not supported by fact. Plentiful feed crops and high cattle prices in the summer and later months of 1935 led to a great expansion of feeding operations in the fall of 1935. The movement of these increased supplies to market in the first half of 1936, when American cattle producers sent to market 15 percent more cattle than during the comparable period in 1935, drove prices during this period well below the 1935 highs. This abnormally heavy marketing of domestic-fed cattle resulted in an exaggeration of the normal seasonal downward trend of steer prices.

This is what is interesting: The largest decline occurred in the prices of prime and choice grades of cattle. Receipts of these classes of cattle at Chicago during the first half of 1936 were almost double those of the preceding year, and the result was a 33-percent decline in price between January and June. Imports from Canada of prime and choice grades of cattle were negligible. The least price drop occurred in medium grade cattle, prices of which declined by only 9 percent between January and June; 80 percent of the slaughter cattle imported from Canada during this period were of medium grade. Since therefore the prices of cattle declined most in the classes of which we imported least, it becomes evident that the domestic situation rather than imports from Canada were the predominant factors in the price decline.

Let me add that since June the trend of prices for fed cattle has again been upward. In other words, the maximum price decline for cattle was in prime cattle of which the imports of Canadian cattle were least. Of the imports from Canada, 80 percent of the slaughter cattle during this period were of medium grade, in which the price decline was least. In other words, the price decline was, mainly due to abnormal domestic marketing induced by the higher prices in 1935.

Senator CLARK. And if I understand you correctly, the drop was in proportion to the increase in domestic slaughtering rather than in the imports?

Mr. SAYRE. Yes; that is true.

Senator VANDENBERG. The domestic producers disagree with you in respect to that?

Mr. SAYRE. I do not think one can say so. I discussed the matter with a number of cattle people out in Kansas City and one very prominent man out there at first was inclined to disagree with me. But as the months went by and as the results became more and more apparent he finally wrote me that he had changed his opinion and that what I had said was correct.

I really think it is the truth, sir.

Senator CAPPER. But there were many complaints out there about a year ago that the market had been adversely affected.

Mr. SAYRE. Yes; quite.

Senator CAPPER. What is the total number of cattle, under the Canadian agreement?

Mr. SAYRE. The number fixed by the quota is 156,000 head.

Senator CAPPER. That number can come in at any time?

Mr. SAYRE. At any time during the year. Many people said that we were going to flood the American market, that the Canadians would rush in their cattle at the very beginning of the year to get ahead of the Mexicans. That did not take place. As a matter of fact, the greater part of the quota was filled during the first 6 months of the agreement. The quota was not completely filled, I believe, until November. Most of the quota cattle, however, came in during the first half of the year, but not in such proportions as seriously to depress cattle prices.

Senator CAPPER. Would it not be to the advantage of the producers if those cattle could be distributed by months?

Mr. SAYRE. Distributed by months?

Senator CAPPER. Yes.

Mr. SAYRE. That was suggested. We studied that possibility when we were negotiating the trade agreement. We decided after discussing the matter pro and con, not to impose such a restriction for various reasons. One of the reasons was that the Treasury Department felt that monthly quotas would be very difficult to administer and to enforce. Another reason was that to impose monthly restrictions would make the concession of less value to Canada and hence of less bargaining value for ourselves.

We wanted to regiment Canadian marketing only so far as was necessary to prevent injury to our own producers. We decided not to impose such monthly limitations; and I think the results have justified our decision.

Senator CAPPER. It makes it possible, and I think it has happened, for dumping on the market and it affects the market adversely.

Mr. SAYRE. I think not anything comparable with the flooding of the market with domestic cattle. In other words, the price situation was due to our own farmers rushing their fed cattle onto the market, because you see in the preceding year there was an over supply of fed cattle and these were dumped on the market during the first half of 1936. The result was depressed prices. On the other hand, there is, I believe, always a seasonal decline during the first 6 months, and then a recovery. That has occurred this year.

Senator VANDENBERG. Dr. Sayre, I would like to ask you just one question about this most-favored-nation business.

Mr. SAYRE. Yes; I wanted to come back to that.

Senator VANDENBERG. I would like to know what the editors of the London Economist mean when they say:

It is fully possible that Great Britain has already gained more from the concessions made by the United States and her treaties with other countries than could be obtained in a direct Anglo-American treaty.

What do they mean?

Mr. SAYRE. I think they probably refer to such matters as the concession on spirits which was given in the Canadian trade agreement; and which inured to the advantage of British sellers of spirits. What more they mean I do not know. I certainly think it is an untrue statement. I would like to reply to it.

Senator VANDENBERG. Would we get any compensation for that advantage to the British distillers?

Mr. SAYRE. I think we distinctly would, and have.

Senator VANDENBERG. From Great Britain?

Mr. SAYRE. Yes; from Great Britain. We secured most-favored-nation treatment from Great Britain, which means a lot to us.

Senator VANDENBERG. During the first 11 months of 1936 our exports to England went up 2 percent and out imports went up 24 percent. I was wondering if that had any bearing on the conclusion of the London Economist's editors that they were getting along pretty well without making any bargain with us.

Mr. SAYRE. I do not know. I do not pretend to fathom what was in the mind of that writer. But I can reply to what he said and be glad to do so, if you desire to have me.

Senator VANDENBERG. I am just challenged by the fact that a rather authoritative London publication should assert that Great Britain's bargains with other countries had already been of such great advantage there really was nothing left to bargain for.

Mr. SAYRE. That reflects a current notion which has become widespread over the United States, namely, that the most-favored-nation policy means giving something for nothing. Many have said just that. I would like to show that that is quite untrue. I would like, if I may, with your permission to show exactly what we do get under the most-favored-nation policy and why we follow that policy, I think that this will constitute the best answer to your question.

Senator VANDENBERG. Would you show me some advantage that we get from Great Britain as a result of our most-favored-nation clause.

Mr. SAYRE. Yes; from Great Britain as well as from other countries.

Senator VANDENBERG. Let us talk about Great Britain.

Mr. SAYRE. I cannot talk of Great Britain alone, because international trade is in its very nature triangular. A correct picture of international trade cannot be gained from considering merely the flow of trade between a given pair of countries, a large part of international trade is in its very nature multiangular. For instance, we sell to Great Britain ordinarily far more than we buy from Great Britain. We sell to European countries generally far more than we buy from European countries.

We, in turn, buy from most Latin-American and tropical countries more than we sell to them. There is a constant triangularity of flow, and the moment you cut off that triangularity of flow you strangle trade. Triangularity of flow is dependent upon policies of equality and non-discrimination. Inasmuch as the United States is dependent upon large European markets for the sale of a very substantial portion of its agricultural products, therefore, and inasmuch as we buy from most European countries considerably less than we sell to them, any policy based upon the effort to equalize exports and imports between each two countries must hurt the United States irretrievably.

Let me answer the question you put, because I think it is a very real one. Why should the United States follow this most-favored-nation policy? Are we not losing by it more than we gain? Is it not a policy of giving away something for nothing?

Senator VANDENBERG. My question is related to a specific exhibit at the moment, Dr. Sayre.

Mr. SAYRE. If I may be permitted I would like to answer it, and then come back to Great Britain. I do not think the British situation could be understood except against the general background.

Senator VANDENBERG. How long will it take, Dr. Sayre?

Mr. SAYRE. It will take about 5 minutes.

Senator VANDENBERG. All right. I will try and remember my question.

Mr. SAYRE. Write it down or have the stenographer repeat it, because I do not want to fail to answer it. I want to come back to it.

Why do we follow the most-favored-nation policy? I think we must recognize that the only other course open would be a policy of dealing in exclusive trade preferences. Under such a policy, the United States would give to each country an exclusive trade preference in return for gaining an exclusive trade preference from it. Now, that is a very plausible kind of a policy. It will readily win the approval of superficial observers, since it has many apparent advantages. The United States, under such a policy, would give exclusive advantages in return for exclusive advantages. In other words, reductions in duty by each country—

Senator VANDENBERG (interposing). Does that apply to Mr. Peek as a superficial observer?

Mr. SAYRE. I make no reference to Mr. Peek.

In other words, reductions in duty by each country would apply only to products of the other, like products of third countries being subject to higher rates. Thereby we would seem to afford protection to domestic producers against competing imports from other nations, to secure American exporters against competition in the markets of the other country from exporters in third countries, and at the same time to increase the inducement to other nations to make concessions to us in return for securing for their exports corresponding advantages in our markets. We would trade special privilege for special privilege; and thus it might be supposed we could bargain away the foreign trade barriers which hamper the free flow of American exports. It sounds good.

The alternative is a policy of equality of treatment, or as it is often called, most-favored-nation treatment, under which concessions given to one nation are extended to all nations alike, without discrimination, so long as they on their side abstain from discrimination.

Now, why is the policy of trading in exclusive preferences disadvantageous from the viewpoint of American interests? There are a number of reasons. In the first place one must remember this, that it is impossible to give an exclusive preference to one country without discriminating against every other country. In other words, an exclusive preference constitutes in its very essence discrimination.

Senator VANDENBERG. That is correct.

Mr. SAYRE. You say that is correct?

Senator VANDENBERG. Yes.

Mr. SAYRE. I do not think one can escape it.

Senator VANDENBERG. It is also reciprocal.

Mr. SAYRE. Yes; but the result is that once you follow that policy of dealing in exclusive preferences it means you invite retaliation from other countries. In other words, if you set up exclusive preferences

and hence discriminations against other countries, they will surely retaliate by setting up discriminations against you. Surely there is no escape from that. So the result of following a policy of trading in exclusive preferences is a rising tide of discriminations, and a rising tide of trade barriers—the very opposite of the objective which we are trying to accomplish by our trade-agreement program.

Senator BAILEY. Can you not get around that by making more agreements? For example, if they retaliate against you you can say, "Here is a proposition we do not like, and now we are making another agreement with you"?

Mr. SAYRE. That means you are never safe. You may make a trade agreement, and the very next day the country may undercut what you have gained in the trade agreement by granting a still lower rate to a third country. It may be that all you have given in the trade agreement is given for nothing. Here is an example: We made a trade agreement with Belgium, under which Belgium cut the duty on automobiles from something like 10,000 francs to 6,000 francs. In that Belgian agreement we inserted the most-favored-nation provision. Seventeen days later Belgium made a trade agreement with France, and gave to France a rate of 4,000 francs. Now, had we not had that most-favored provision in the Belgian agreement it would have meant that the French automobile exporters could have cleaned out the Belgian market as against the American automobile exporters. In other words, the only way we got protection for the American automobile exporter was by writing into our agreement a most-favored-nation provision to the effect that if any subsequent concessions should be given by Belgium to third countries, the United States should enjoy the benefit of such concessions. It was by virtue of the most-favored-nation provision that American automobile exporters got the benefit of that 4,000-franc rate.

Senator BAILEY. That is only an agreement with Belgium not to cut their rates?

Mr. SAYRE. No. The agreement with Belgium was that if it should give concessions to any other country with respect to any commodity, the United States should enjoy the benefit not only of those concessions, which it had already given, but also of those which it might give in the future.

Senator BAILEY. Yes; but those were with Belgium. The criticism on the trade agreement is not necessarily Belgium, but as applying to other countries.

Mr. SAYRE. Yes.

Senator BAILEY. In other words, if you give a favored rate to Belgium you have to give it to other countries.

Mr. SAYRE. Yes.

Senator BAILEY. That is what I am afraid of. That was in the example that you gave us to whether we want to give rates to any other country. But that is another question. There are other questions here entirely aside from going into the rate you will agree to give to some other country.

Mr. SAYRE. Yes; but if we are not protected by the promise of most-favored-nation treatment, namely a promise of nondiscrimination against American products, American exporters will lose their security.

Senator BAILEY. That sort of thing is another matter.

Mr. SAYRE. Yes.

Senator BAILEY. It is one spot of it, but it is not all of it.

Mr. SAYRE. Let me come back to that when I finish answering Senator Vandenberg.

I said there were a number of good reasons why trading in exclusive preferences would not work. I said the first reason was that it would invite retaliatory action, it would mean rising trade barriers, and it would bring about the very thing which we are out to prevent.

A second reason against trading in exclusive preferences is that it would result in what might be called economic instability. What I mean is that American exporters, when they gained a concession in a trade agreement, would never know but that that concession might be undercut, undermined by new and greater concessions given to other countries by the trade-agreement country, and thus they might be robbed of the advantages which they thought they were getting and which we paid for in the trade agreement. In other words, there would be no stability. Every trade agreement would be subject to being undermined by future trade agreements. You would have to renegotiate and give fresh concessions by one trade agreement after another continuously with constant instability. And business must have stability if it is to function profitably.

Senator VANDENBERG. It needs some stability in international exchange incidentally, does it not?

Mr. SAYRE. Yes; that is one of the factors making for instability, one of the problems we are anxious to alleviate insofar as possible. All factors which make for instability, and they are innumerable, must be minimized just so far as it is possible by our program, if we are to seek more stable conditions.

Senator VANDENBERG. Your discussion is terribly interesting, but I do not see how it bears upon the question I asked you.

Mr. SAYRE. The advantages to the United States of following the most-favored-nation policy have a distinct bearing upon the question which you asked. There are other ways in which the policy works to the advantage of the United States.

If we follow the policy of giving and receiving exclusive preferences sooner or later it is going to mean regimentation of foreign trade. You cannot follow that policy without sooner or later regulating the amount of exports or imports in given commodities. In other words, you are going to be forced sooner or later into a system of selective imports and exports. And that means a straight jacketing and regimentation of foreign trade. Germany is a country, for instance, which followed that policy. At first it seems as if you could trade in preferences without trade regimentation. But sooner or later if you follow such a policy you get into a position where you are forced to increase your regimentation. And you end up with a degree of regimentation which to my mind is thoroughly inconsistent with American beliefs and American traditions. In other words, if you are going to avoid regimentation both of the import and export business I think you have got to keep clear of exclusive preferences and follow instead the most-favored-nation policy.

Senator CONNALLY. May I ask a question here?

Mr. SAYRE. I will come back to your question if you will let me finish.

Senator CONNALLY. I just wanted to get my request on the record.

Mr. SAYRE. A fourth reason why the United States cannot afford to adopt a policy of trading in exclusive preferences is that today, as has already been brought out, we are bound by a great many treaties or executive agreements, insuring most-favored-nation protection to each side. If we abandon our policy of most-favored-nation treatment it means we must abandon the protection which American commerce today enjoys against discrimination in some 50 different countries.

I don't want to weary you by going into specific details; but once you take away that protection, American business is going to suffer. It will become subject to unending discriminations, and discriminations are what we are fighting against all of the time, and what strike untold hurt and injury to every exporter.

A fifth reason why it would be ruinous for the United States to follow the policy of trading in exclusive preferences is this: As I was suggesting a short time ago, most of the trade of the world is triangular or polyangular. That is particularly true of American trade. America sells great quantities of commodities to European markets, sells far more than it can buy of European manufactured goods in return. Again, the United States buys from Latin-American countries, exclusive of the Argentine, far more than it sells to them.

We import immense amounts of coffee, bananas and other tropical products which we do not produce here. If you do anything to cut across that triangular flow of trade, it means you are going to reduce American export markets, particularly in Europe, where we sell more than we buy. If you follow a policy of discrimination, sooner or later that leads to what is known as bilateral balancing, that is seeking to equalize exports to and imports from each separate country. As you know, Germany is seeking to equalize its exports and imports with each country. And largely as a result of that policy Germany today has not the money to buy the American cotton that she wants and needs. Bilateral balancing leads to the strangulation of international trade. Once the United States adopts that policy and thereby invites other nations to practice it against ourselves, we will surely lose many of the foreign markets upon which our agriculture and our industry are vitally dependent. In other words, a policy of dealing in exclusive preferences and leads sooner or later to bilateral balancing; and this inevitably means the loss of valuable and vitally necessary American export markets.

Now, let me say before I come to your specific question that this most-favored-nation policy is not in any sense a policy of the Democratic party alone. It is a Republican policy as much as a Democratic policy. I have before me Mr. Hoover's veto of a bill in 1932, in which he says [reading]:

My fourth objection to the bill lies in the further request that I should negotiate with foreign governments reciprocal trade agreements under a policy of mutual tariff concessions. This proposal is in direct conflict with other proposals "to eliminate discriminatory tariffs; prevent economic wars; and promote fair, equal and friendly trade," all of which latter are desirable.

A firmly established principle of the American tariff policy is the uniform and equal treatment of all nations without preferences, concessions, or discriminations (with the sole exception of certain concessions to Cuba). No reform is required in the United States in the matter, but we should have at once abandoned this principle when we enter upon reciprocal concessions with any other nation. That is at once unequal treatment to all other governments not parties thereto. That is the very breeding ground for trade wars. This type of preferential tariff

agreement which exists abroad today is one of the primary causes of trade wars between other countries at the present moment.

It has been the policy of our Government for many years to advance most-favored-nation treaties with a view to extinguishing these very processes, preferences, and trade frictions and to secure equal treatment to us by the other nations in all their tariff and economic arrangements. We have such treaties or Executive agreements with 31 nations. If we adopted this complete reversal of policy and now negotiated reciprocal tariff agreements, we should either under our most-favored-nation obligations need to extend these rights to all nations having such treaties with us, or to denounce such treaties.

Then he goes on to say [continues reading]:

The struggle for special privileges by reciprocal agreements abroad has produced not only trade wars but has become the basis of political concessions and alliances which lead to international entanglements of the first order. These very processes are adding instability to the world today, and I am unwilling to enter upon any course which would result in the United States being involved in such complexities and such entanglements.

Also, I should like to quote from the platform of the Republican Party its declaration of allegiance to the most-favored-nation policy.

Senator VANDENBERG. It does not make much difference unless it is quite a long ways back.

Mr. SAYRE. I will insert it in the record, but it declares very unequivocally for the most-favored-nation policy.

This is what the Republican Party in its platform of 1932 declared [reading]:

The historic American policy known as the most-favored-nation principle has been our guiding program, and we believe that policy to be the only one consistent with a full development of international trade, the only one suitable for a country having as wide and diverse a commerce as America, and the one most appropriate for us in view of the great variety of our industrial, agricultural, and mineral products, and the traditions of our people. Any other plan involves bargains and partnerships with other nations and as a permanent policy is unsuited to America's position.

Senator VANDENBERG. I do not see what in the world this has to do with the question I asked you.

Mr. SAYRE. You asked me what do we gain from Great Britain by extending to her the benefit of Canadian concessions under our most-favored-nation policy. Great Britain is one of our most important export markets.

Once we begin entering upon a series of discriminations against Great Britain, we must abandon hope of increasing our export markets there, if indeed we can succeed in retaining the markets we already have. We are dependent upon selling to Great Britain more than we buy from her. Ordinarily we sell considerably larger quantities of goods, both agricultural and industrial, to European countries than we buy from them. The moment we abandon the most-favored-nation policy, which means the policy of equality of treatment—the moment we adopt in its place a policy of discriminations, which Mr. Hoover says leads to world instability, we are endangering European and other markets which are vital to us and are inviting discriminations against ourselves by every nation of the world. Nothing could be more suicidal from the viewpoint of American industry than that.

Senator VANDENBERG. I am simply inquiring about the facts.

Mr. SAYRE. Yes.

Senator VANDENBERG. As asserted by the London Economist, and I am just wondering if that is so.

Mr. SAYRE. As to the London Economist, whoever wrote that lost sight of these things that I am saying.

If we should abandon the most-favored-nation policy toward Great Britain we would lose dollars and cents by encouraging and inviting discriminatory practices by Great Britain against American trade. That would cost us dearly.

Senator VANDENBERG. I am not raising the question of how we ought to deal with Great Britain. I am simply trying to find out if it is true, as the editor of the London Economist says, quoting again [reading]:

It is fully possible that Great Britain has already gained more from the concessions made by the United States and her treaties with other countries than could be obtained in a direct Anglo-American treaty.

Do you believe that is possible?

Mr. SAYRE. I do not believe it is possible. It depends, of course, upon what kind of an Anglo-American trade agreement the writer had in mind. If it was simply a trade agreement covering nothing very real, simply a make-believe, such a statement might seem possible. I do not believe for a moment it is possible if you are talking about a trade agreement that covers real and substantial concessions. Great Britain has not gotten very much so far in the way of specific trade concessions from our trade-agreement policy. She has gotten some concessions of value, but on the other hand, we have gotten concessions of value from Great Britain under the most-favored-nation policy. She is refraining from discriminations against our trade, and she is giving us the benefit of such concessions as she makes to other countries.

Senator VANDENBERG. Is it fair to ask whether neutrality is involved in our negotiations with Great Britain respecting trade?

Mr. SAYRE. I think it is fair to ask, but I do not think I am able to answer. Neutrality is a matter which lies outside of trade agreements. I do not feel that I have sufficient knowledge to answer your question with a yes or no. I think the answer depends upon a great multiplicity of factors, some of which nobody knows yet. It all depends upon what evolves.

Senator VANDENBERG. I was wondering if the current reports were true that Great Britain had practically notified us that except she could be assured of the continuity of trade in time of war she would not be interested in any agreement.

Mr. SAYRE. No such notification has come to my attention, sir. All I can answer is as of my own personal knowledge.

Senator CONNALLY. As soon as the Senator from Michigan wears down I would like to ask you a question.

Senator VANDENBERG. In defense of the secretary, I should like to say that for the last 20 minutes he has been answering a question that I asked before you came in.

The CHAIRMAN. Dr. Sayre, Senator Connelly desires to ask you a question.

Senator CONNALLY. The theory of these agreements is going to be reciprocal? That is what we call them?

Mr. SAYRE. Yes, Senator Connelly; in other words, we secure concessions in return for those which we give.

Senator CONNALLY. Is it not a fact whenever you introduce the most-favored-nation doctrine you do not get anything in exchange from all the other countries?

Mr. SAYRE. We certainly do.

Senator CONNALLY. How?

Mr. SAYRE. Let me explain. We might negotiate trade agreements on the basis of giving and receiving exclusive preferences rather than on the basis of the most-favored-nation policy.

Senator CONNALLY. Is not that what England is talking about now, and it is a manufacturing country and ships exports out of the country to other countries?

Mr. SAYRE. She buys a lot of our raw materials.

Senator CONNALLY. Exactly, but she sits back as soon as she makes an agreement with another country and says: "We will just sit still and let this fall in our laps."

Mr. SAYRE. No, sir; for two reasons.

Senator CONNALLY. One good reason is enough.

Mr. SAYRE. I will give you one good reason. Before you came in I was explaining that in negotiating trade agreements under the most-favored-nation policy we follow the policy, must necessarily follow it, of restricting our concessions to commodities of which the agreement country is the chief or a principal source of supply. The negotiators in studying the commodities which comprise the trade between the United States and the country under consideration bear this policy always in mind in determining what concessions can be made. Certain commodities are thrown out of the list as coming primarily from other countries.

Now, a question was asked as to what was going to happen if trade channels change so that some third country comes to enjoy the chief benefit of a trade-agreement concession. To meet that very point we are providing in our trade agreements an escape clause to the effect that if this should come about we are then at liberty to modify or withdraw the concession. So, one answer to your question is that by confining our negotiations to commodities of which the other country is the chief or a leading source of supply, we avoid the danger of which you speak.

Before that you asked me the question, does not the most-favored-nation policy mean giving away something for nothing? By no means. We agree to accord to other nations most-favored-nation treatment only in return for an agreement that we will receive most-favored-nation treatment from them. In other words, we receive in return a promise that every reduction which such a country has made in the past or may make in the future in its agreements with other countries shall inure to the advantage of American trade; and, those advantages measured in dollars and cents are very real, believe me.

I suppose not a day passes that complaints do not come into the State Department from American producers saying "over there in such and such a country we are getting a raw deal", and the very first thing we have to do is to determine whether or not there has been discrimination. If discrimination has been shown we go at that foreign country and hammer at them, doing everything possible to remove the discrimination—in very many cases with favorable results. With Australia we were not able to hammer the thing out to prevent discrimination, and so we said to Australia "We cannot generalize to you"; the same is true with Germany. In other words, this most-favored-nation policy forms a lever to force foreign countries to quit discriminations against American commerce.

Senator CONNALLY. Do you not think the very term "most-favored-nation" involves discrimination itself? You are naturally going to favor one over another.

Mr. SAYRE. Under most-favored-nation agreements, each party agrees to give to the other the same commercial treatment as that accorded to the most-favored nation.

Senator CONNALLY. That is a fact?

Mr. SAYRE. Nevertheless, no nation is bound under this policy to extend concessions to other nations which discriminate against it. That exception is well recognized in international law.

Senator CONNALLY. Yes.

Senator BAILEY. Does Great Britain follow the most-favored-nation clause?

Mr. SAYRE. As I was saying a moment ago, in the main it does.

Senator BAILEY. Does it with us, now?

Mr. SAYRE. Yes.

Senator BAILEY. Do we have the same treatment that Canada and Australia does?

Mr. SAYRE. Possibly what you have in mind is that the British Empire, as you know, contains a number of dominions, such as Canada, New Zealand, Australia, and South Africa. When the British Empire agreed to give us most-favored-nation treatment, it was understood that Canada would not be considered a foreign country so far as Great Britain was concerned. In other words, no foreign nation would claim that it is being discriminated against by the United States merely because goods can be brought, let us say, into New York from another American State without the payment of any duty.

Senator BAILEY. But it has been held by the Treasury that Canada is separate from Great Britain.

Mr. SAYRE. With respect to certain matters.

Senator BAILEY. We send our Minister there, for example.

Mr. SAYRE. Yes, sir.

Senator BAILEY. And they have a different one here from Great Britain?

Mr. SAYRE. Yes, sir.

Senator BAILEY. That is entirely different from an American State.

Mr. SAYRE. Yes; that is true. In certain respects they are separate entities, but in other respects they are not. The analogy is different as to trade agreements.

Senator BAILEY. We propose with respect to Great Britain to overlook the fact of those important nations which are member nations, and we will not get on a parity with those members, is that right?

Mr. SAYRE. Let me put it this way: You are probably referring to the Ottawa Conference of 1932, when the United Kingdom entered into agreements with the separate dominions, giving and receiving separate and preferential treatment as between each other. Those agreements are on a preferential basis. Because they are on a preferential basis we are finding it exceedingly difficult when we come to negotiations with the United Kingdom or the dominions.

We shall have to reckon with those Ottawa agreements. It may be that there will be a square head-on collision.

It may be that we will have to insist on a modification of those Ottawa agreements if we are going to have trade agreements with the United Kingdom or the dominions.

That I do not know.

Senator BAILEY. Suppose you do not do that?

Mr. SAYRE. Suppose we do not do what?

Senator BAILEY. Have you not put the United Kingdom in an advantageous position with respect to Australia and Canada as compared to the United States?

Mr. SAYRE. No more so than we are with respect to Cuba. The United States has a preferential agreement with Cuba now which is not based upon our general policy, as our general policy is the most-favored-nation policy.

In the same way the United Kingdom has preferential agreements with some of its dominions. Those constitute a departure from the out and out most-favored-nation treatment if you regard those dominions as foreign countries.

Senator BAILEY. I do not like to ask you, but suppose we make an agreement with Canada under the most-favored-nation clause, the United Kingdom would get the benefit of that, but if England makes one with Canada we do not get the benefit of that? Is that the fact?

Mr. SAYRE. The fact is that when we make the trade agreement with Canada we negotiated for and got the most-favored treatment granted to any foreign nation. That did not prevent the United Kingdom from getting rates preferential to ours.

Senator BAILEY. That is because you regard the United Kingdom as a foreign nation?

Mr. SAYRE. That is one of the factors which I had in mind when I said that we will have to take into very serious reckoning the Ottawa agreements when we come to negotiate, if we do negotiate with Great Britain.

Senator BAILEY. Let me ask you another thing; we go into this thing under this new act for 3 years?

Mr. SAYRE. Yes.

Senator BAILEY. Have you any escape clause if you should discover that we have made a very bad mistake and the imports were coming into this country—

Mr. SAYRE. We have an escape clause which has reference to imports coming in from third countries greater than those from the country with which we make the trade agreement. That is the kind of an escape clause we have adopted.

Senator BAILEY. Is that relative or absolute?

Mr. SAYRE. Let me read it to you. I am not quite sure just what you mean by "relative or absolute."

Senator BAILEY. Relative to the amount other countries might be exporting.

Mr. SAYRE. It is phrased in rather general language, and I have a copy here, if I can put my finger on it. I will read it to you in just a moment. I am going to read article 14 of our Canadian trade agreement:

The Government of each country reserves the right to withdraw or modify the concession granted on any article under this agreement or to impose quanti-

tative restrictions on such article if, as the result of the extension of such concession to third countries—

And I think this is the language which is the answer to your question—

such countries obtain the major benefit of such concession, and in consequence thereof an unduly large increase in imports of such article takes place, provided—

And so forth, and so on.

Senator VANDENBERG. Is that in every trade agreement, Dr. Sayre?

Mr. SAYRE. It was not in the first ones we made, sir. As we go on we are trying to improve all the time. I believe I am correct in saying it is in all our later ones.

The CHAIRMAN. Any other questions?

Senator VANDENBERG. Dr. Sayre, without arguing what value figures may be in respect of the balance of trade, I wonder if we can agree on the figures, just so we will have a common text ultimately.

Mr. SAYRE. We are not in such wide disagreement, are we, Senator?

Senator VANDENBERG. Was the balance of trade favorable in 1934 to the extent of \$478,000,000?

Mr. SAYRE. Just let me get the figures—1934? You are talking about commodities, are you not?

Senator VANDENBERG. Yes.

Mr. SAYRE. Yes; \$478,000,000 in 1934.

Senator VANDENBERG. And in 1935 was it approximately \$235,000,000 favorable?

Mr. SAYRE. Yes. In 1933 it was \$225,000,000.

Senator VANDENBERG. In 1936—

Mr. SAYRE. It dropped to \$34,000,000.

Senator VANDENBERG. Is that the lowest point in 40 years or so?

Mr. SAYRE. I do not know how many years, sir. I have the years here from 1919 on. The figure varies very materially. In 1919 it was over \$4,000,000,000, and it has varied very much from year to year. It goes up and down. So far as I know, this 1936 figure is the lowest it has been, certainly since 1919, and I think for a good many years before, probably.

Senator VANDENBERG. And would it be fair to say, if you included silver imports as a commodity, it would wipe out the 1936 balance entirely?

Mr. SAYRE. I do not think it is fair to include either silver or gold.

Senator VANDENBERG. I say, if you did.

Mr. SAYRE. If you did, I would want to look up the figures on silver imports.

Senator VANDENBERG. You can put that in the record, Dr. Sayre. I don't want to detain you on that account.

Mr. SAYRE. I will be glad to, sir.

Senator VANDENBERG. All right.

(The matter referred to follows:)

*United States imports of silver, 1932-36*

[In thousands of ounces and dollars]

Calendar year--	Ore and base bullion		Bullion, refined		United States coin (dollars)	Foreign coin (dollars)	Total (dollars)
	Ounces	Dollars	Ounces	Dollars			
1932.....	24,426	6,776	34,877	9,983	1,772	1,119	19,650
1933.....	21,361	6,508	141,056	50,134	1,008	2,575	60,225
1934.....	34,138	15,812	141,746	69,025	759	17,129	102,725
1935.....	47,204	30,258	474,061	303,172	1,418	10,683	354,531
1936.....	42,652	19,574	194,746	99,964	340	62,937	182,810

Source: Preliminary release of Jan. 13, 1937, by Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

Mr. SAYRE. I do want to say, however, that this export and import balance is only one part of the picture concerning our balance of international payments, as you know, of course, Senator.

Senator VANDENBERG. Yes.

Mr. SAYRE. There are shipping and freight services to be considered, tourists' expenditures to be considered, immigrants' remittances to be considered, interest and dividends, payments on debts, and so forth, all to be considered. Of course, international accounts must be brought into balance, and the chief interest in commodity balances is their effect upon the size of these other balances. Since the international accounts must be brought into balance, if you have an exceedingly large commodity balance, or excess of exports over imports, then you must have a correspondingly smaller balance of payments of other kinds or you must have corresponding gold shipments into the country. Increased gold shipments may not be a good thing because of its draining European countries of gold needed for the maintenance of currencies abroad, and thus weakening the currencies of some of our debtor countries.

In other words, when we talk about balance of international payments, the balance as between commodity exports and imports is only one part of the story. What is of the highest importance is that we should materially increase both our exports and our imports.

Whether our exports exceed imports, or imports exceed exports, let me add, does not depend primarily on trade agreements. The trade agreements have had, so far as I can see, no direct effect upon this balance of which you speak; that is, the factors affecting the relationship between the volume of exports and the volume of imports are multitudinous and various.

Senator VANDENBERG. I said we would not argue the fact; we are just trying to get figures.

Mr. SAYRE. Yes.

Senator VANDENBERG. Would it be equally true to say that from 1934 to date the imports have increased much faster than the exports?

Mr. SAYRE. I think it would; yes. Of course, the reasons for that are multitudinous again. The drought is one great reason for the importations of necessary feedstuffs. Increasing economic activity, again, is a very important factor. We must have more raw materials

if we are going to run more factories. Our imports, as you will see from a careful study of the break-downs of the figures, are made up largely of noncompetitive goods—things like rubber, on which the price has recently risen; tin; bananas; coffee; and various other commodities which are entirely noncompetitive. So, it is a very erroneous notion, which I am sure you do not entertain, but which many people do, that imports are in some way or other evil. Increased imports are often the sign of increased economic prosperity. The factor that we really are concerned about is increased national income.

The CHAIRMAN. Doctor, in that connection, will you put into the record the exports and imports of the United States, if that table shows it, from 1910 up to date?

Mr. SAYRE. Yes, sir; I will be happy to do so.

Senator BAILEY. I would rather have that in volume of goods than money. I do not think our argument is good on money, because the prices of commodities generally have risen 34 percent since 1933. That would not reflect the increased trade; that is increased price.

Mr. SAYRE. On the other hand, debts are payable in money and agricultural producers are dependent upon the payment of their mortgages and their various other obligations in money. Now, the very fact that they have exported or imported more or less cotton, shall we say, is not nearly as important to them as the money which they receive for it, the degree to which they are able to discharge their indebtedness.

Senator BAILEY. That is an entirely different factor from the volume of imports and exports.

(The matter referred to follows:)

*United States exports, including reexports, general imports of merchandise, and balance of trade, 1910-36*

[In millions of dollars]

	Exports including reexport	General imports	Balance of trade
1910.....	1,866.3	1,562.9	+303.4
1911.....	2,092.5	1,532.4	+560.1
1912.....	2,399.2	1,818.1	+581.1
1913.....	2,484.0	1,792.6	+691.4
1914.....	2,113.6	1,789.3	+324.3
1915.....	3,554.7	1,778.6	+1,776.1
1916.....	5,482.6	2,391.6	+3,091.0
1917.....	6,233.5	2,932.5	+3,281.0
1918.....	6,149.1	3,031.2	+3,117.9
1919.....	7,920.4	3,904.4	+4,016.0
1920.....	8,228.0	5,278.5	+2,949.5
1921.....	4,495.0	2,569.1	+1,925.9
1922.....	3,831.8	3,112.7	+719.1
1923.....	4,167.5	3,792.1	+375.4
1924.....	4,591.0	3,610.0	+981.0
1925.....	4,909.8	4,226.6	+683.2
1926.....	4,808.7	4,430.9	+377.8
1927.....	4,865.4	4,184.7	+680.7
1928.....	5,128.4	4,091.4	+1,037.0
1929.....	5,241.0	4,399.4	+841.6
1930.....	3,843.2	3,090.9	+752.3
1931.....	2,424.3	2,090.6	+333.7
1932.....	1,611.0	1,322.8	+288.2
1933.....	1,675.0	1,449.6	+225.4
1934.....	2,132.8	1,655.1	+477.7
1935.....	2,282.9	2,047.5	+235.4
1936 (preliminary).....	2,453.5	2,419.2	+34.3

Source: Foreign Commerce and Navigation of the United States, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

*Annual indexes of changes in quantity of exports of United States merchandise and of imports for consumption, 1913-36*

[1923-25 average=100]

Year	Quantity index exports of United States merchandise	Quantity index imports <sup>1</sup>	Year	Quantity index exports of United States merchandise	Quantity index imports <sup>1</sup>
1913.....	84	66	1925.....	107	104
1914.....	(?)	(?)	1926.....	115	112
1915.....	(?)	(?)	1927.....	124	118
1916.....	(?)	(?)	1928.....	128	115
1917.....	(?)	(?)	1929.....	132	131
1918.....	(?)	(?)	1930.....	109	111
1919.....	120	81	1931.....	89	98
1920.....	116	88	1932.....	69	79
1921.....	96	74	1933.....	69	86
1922.....	89	96	1934.....	74	86
1923.....	91	99	1935.....	78	106
1924.....	102	97	1936 (11 months).....	81	116

<sup>1</sup> Based on general imports for all years through 1933 and on imports for consumption beginning 1934.

<sup>2</sup> Not available.

Source: Foreign Trade of the United States, 1935, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

Mr. SAYRE. You remember you asked me this morning what the decline was in the volume of world trade and I have had that figure looked up. In the volume of world trade there was a decrease to about 70 percent of the 1929 total. With respect to United States trade the volume, that is, the quantum, declined to less than 60 percent of its 1929 level.

Senator BAILEY. That is compared with the whole world?

Mr. SAYRE. The world exports were about 70 percent, and the United States about 60 percent of the 1929 totals, so there was a very substantial and material decrease in volume as well as in value. One can easily understand such a decline the moment one begins to look at the picture of actual international trade, harassed by quota restrictions, by exchange control restrictions, by export and import license requirements, by a thousand throttling devices and practices by countries all over the world, each seeking substantially to cut down its imports. Of course, as the imports of one country are the exports of another country, you get as a result strangulation of world trade.

Senator BAILEY. That is the drop. Now, what is the increase?

Mr. SAYRE. The increase since 1932? In quantum, you mean? I do not have the figures. I will be glad to get them, if you like.

Senator BAILEY. I would like to see it in the articles covered in these trade agreements.

Mr. SAYRE. I cannot tell you offhand.

Senator BAILEY. I want to see what the situation has been.

Mr. SAYRE. I will be very happy to tell you about that. For instance, take the Canadian trade agreement; that is one which has been much discussed. I might just give you the figures on that. The figures for the first 6 months during which it was in operation showed a total gain in our exports to Canada of \$23,000,000. I am going to give you round numbers, sir.

Senator BAILEY. Do you have it in detail?

Mr. SAYRE. Yes; I have it in full detail, sir, in the studies already inserted in the record. The total increase was \$23,173,000. The increase in commodities on which duties were reduced was \$15,493,000. In other words, of the \$23,173,000 increase, there was an increase of \$15,493,000 in commodities on which Canadian duties were reduced.

Again, there was an increase of \$5,756,000 in commodities on which Canadian duties were bound. There was an increase in commodities not covered by the agreement of \$1,924,000 out of the total of \$23,173,000.

Senator BAILEY. You are referring to our exports to Canada?

Mr. SAYRE. Yes; during the first 6 months of the operation of that agreement.

Senator BAILEY. Let us see the other side, the imports.

Mr. SAYRE. In the imports, there was a total increase of \$29,895,000. Of that, \$12,401,000 was in commodities on which duties were reduced. A very important item in connection with that was whisky. I have a table here before me which shows the break-down of that total of \$29,895,000, and, as I say, \$12,401,000 was in commodities on which duties were reduced. Of that \$12,401,000, \$4,683,000 pertained to whisky, and I have not heard many complaints in this country about Canadian whisky coming in here.

Again, a fairly substantial item was cattle.

Senator CONNALLY. How much is that, Dr. Sayre?

Mr. SAYRE. \$2,857,000. As I explained, when you were probably out of the room, we have a very careful quota provision so that not more than 156,000 head could come in during the year, and we have been very careful to make an analysis as to whether these Canadian imports affect cattle prices in this country or not. I think we have proved to the satisfaction, not only of ourselves but of many who were critical of the concession, that cattle prices were not materially affected by Canadian importations, and that the decrease in cattle prices was due mainly to increased domestic supplies. As you know, the quota on cattle was less than three-quarters of 1 percent of our domestic production.

Senator CONNALLY. How about agricultural exports in the \$22,000,000 or \$23,000,000? Did we get any increase in agricultural exports?

Mr. SAYRE. In cattle?

Senator CONNALLY. Any kind of agriculture.

Mr. SAYRE. Yes, sir; very markedly. I will be glad to read them to you, sir. For instance, on fruits, here are oranges and tangerines, \$297,000; grapefruit, \$175,000. Then follow other fruits, of which I have a list here. I will be glad to put this whole document into the record.

Senator CONNALLY. Were those increases?

Mr. SAYRE. They were the amounts of increases during 6 months, the first 6 months of the operation of the agreement, and it goes on down here for several pages.

Senator BAILEY. While you have those pages before you, can you give me the imports of lumber from Canada, the increase?

Mr. SAYRE. Yes, sir. As you know, there was a quota on lumber. That quota has not been filled.

Senator TOWNSEND. Do you have any record showing the imports of silver?

Mr. SAYRE. I do not have them here.

Senator TOWNSEND. Will you furnish that for the record?

Mr. SAYRE. Yes, sir; I suppose the Treasury Department will doubtless have that, and I shall be glad to put it in if it is obtainable.

On lumber—soft woods, I take it, is the one you are interested in—the importation was \$2,449,000. That did not fill the quota.

Senator BAILEY. Is that the total or the increase?

Mr. SAYRE. The increase for 6 months, in soft woods. On hardwoods, \$276,000. Those are the figures you are interested in.

Senator BAILEY. Do you have the figures for pulp?

Mr. SAYRE. Which kind? You are interested in newsprint paper, are you not? Standard newsprint paper, \$5,649,000; wood pulp, mechanically ground, bleached or unbleached, \$194,000; sulphite, bleached, \$1,035,000; soda pulp, bleached and unbleached, \$76,000; pulpwoods, \$331,000.

I think those are the ones you are interested in, sir.

The CHAIRMAN. There is no tariff on pulp?

Mr. SAYRE. None. There has not been for years. Of course, many of the interests of this country are insistent that there should be none—particularly the newspapers.

The CHAIRMAN. Do you know about what the price of lumber is now? Is it up or down?

Mr. SAYRE. I cannot answer that offhand.

The CHAIRMAN. I can answer it. A few days ago a big lumberman told me that it is about as high as it has been for a long time.

Mr. SAYRE. That is what I thought, but I do not know what the price is now. In fact, the lumber interests looked somewhat askance at the Candian lumber concession when we first proposed making it; but I believe they have now generally agreed that the trade agreement program is in the interest of the lumber industry. We have a letter from Mr. Compton, representing the National Lumber Manufacturers' Association, to that effect, and I believe he filed a statement with the Committee on Ways and Means urging the extension of the Trade Agreements Act.

Senator VANDENBERG. Dr. Sayre, I would like to see a table showing the increase in our trade with nontreaty countries. I would like to see whether or not we are getting along with those that we have no trade agreements with.

Mr. SAYRE. Yes, sir. I think I can read you just one or two statistics with regard to that which answers your question quite concisely.

Our exports to the 10 countries with which trade agreements were in force for at least 6 months prior to December 1936, were 12.3 percent greater during the first 11 months of 1936 than during the same period of 1935; whereas, our exports to all countries during the same period increased by only 8 percent. For the first 11 months of 1936 our exports to Canada showed an increase over the same period of 1935 of almost 17 percent. To Cuba there was an increase of 11 percent; to Sweden, 9 percent; and to Brazil, 11 percent.

This, you will remember, is compared to the average of all countries of 8 percent.

Now, I have more specific figures here if you are interested, Senator.

Senator VANDENBERG. Those were just the exports? How about the imports?

Mr. SAYRE. I am afraid I will have to insert them in the record. I haven't the figures here except with regard to specific countries.

Senator VANDENBERG. If you could just make up a little table and put it in the record showing our total exports and imports with, say, 25 of the leading countries of the world, and then indicate which are trade-agreement countries and which are not—

Mr. SAYRE. I will be glad to, Senator.  
(The matter referred to follows:)

*United States exports to and imports from trade-agreement countries and leading non-trade-agreement countries, 1935 and 1936*

[Thousands of dollars]

	Exports, including reexports		Imports for consumption	
	1935	1936 (preliminary)	1935	1936 (preliminary)
<b>Trade-agreement countries with effective date of agreement:</b>				
Cuba (Sept. 3, 1934).....	\$60,139	\$67,432	\$111,351	\$129,722
Belgium (May 1, 1935).....	58,304	58,787	39,384	58,672
Haiti (June 3, 1935).....	3,250	3,941	1,151	1,846
Sweden (Aug. 5, 1935).....	38,216	43,074	41,225	48,168
Canada (Jan. 1, 1936).....	323,194	383,953	286,112	377,616
Brazil (Jan. 1, 1936).....	43,618	48,977	99,255	102,862
Netherlands and Colonies <sup>1</sup> (Feb. 1, 1936).....	74,850	81,279	103,931	137,070
Switzerland (Feb. 15, 1936).....	7,612	7,659	16,096	20,931
Honduras (Mar. 2, 1936).....	5,633	4,906	6,226	6,043
Colombia (May 20, 1936).....	21,636	27,928	49,981	43,122
France and its colonies, dependencies, and protectorates other than Morocco <sup>2</sup> (June 15, 1936).....	127,651	144,023	68,410	77,630
Guatemala (June 15, 1936).....	3,918	4,553	6,137	5,375
Nicaragua (Oct. 1, 1936).....	2,434	2,412	2,727	1,894
Finland (Nov. 2, 1936).....	6,408	7,455	12,151	15,383
Costa Rica (not effective yet).....	2,318	3,028	3,089	3,347
<b>Leading non-trade-agreement countries:</b>				
Argentina.....	49,374	56,910	63,487	65,311
Australia.....	57,028	58,491	14,497	22,946
British India.....	31,424	20,812	61,953	70,699
British Malaya.....	4,500	5,021	131,650	167,900
Ceylon.....	1,260	1,275	11,368	13,949
Chile.....	14,948	15,741	24,728	20,187
China.....	38,153	40,819	63,790	73,754
Czechoslovakia.....	3,244	4,649	20,536	23,294
Denmark.....	12,481	12,050	3,293	2,871
Egypt.....	10,474	10,035	8,746	9,913
Germany.....	91,981	100,595	78,336	80,278
Gold Coast.....	3,103	3,306	8,312	13,295
Italy.....	72,416	58,797	37,642	42,192
Japan.....	203,283	204,312	151,398	172,535
Mexico.....	65,574	76,042	41,983	46,653
New Zealand.....	15,610	19,498	9,985	11,762
Norway.....	13,624	15,436	17,491	21,694
Panama.....	20,815	22,724	5,117	4,604
Peru.....	12,174	13,440	6,733	8,466
Philippine Islands.....	52,640	60,351	96,973	98,896
Poland and Danzig.....	24,486	20,278	9,345	12,065
Spain.....	41,303	21,564	19,292	18,800
Union of South Africa.....	52,860	70,075	3,815	6,025
United Soviet Socialist Republics.....	24,743	33,427	17,736	21,382
United Kingdom.....	433,899	439,950	151,727	190,262
Uruguay.....	6,223	8,531	6,881	11,511
Venezuela.....	18,585	24,079	21,465	26,221

<sup>1</sup> Netherland colonies include Netherland India, Netherland West Indies, and Surinam.

<sup>2</sup> French colonies, protectorates, etc., include French West Indies, French Guiana, French Indo-China, French Oceania, Algeria and Tunisia, other French Africa other than Morocco.

Source: Records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

*Value of United States trade with countries with which trade agreements were in effect during all or part of 1936. Data for effective periods of 1936 and corresponding periods of 1935*

[Thousands of dollars]

	Exports including reexports		Imports for consumption	
	1935	1936	1935	1936
Cuba (12 months ending December).....	60, 139	67, 432	111, 351	129, 722
Belgium (12 months ending December).....	58, 304	58, 787	39, 384	58, 672
Haiti (12 months ending December).....	3, 250	3, 941	1, 151	1, 840
Sweden (12 months ending December).....	38, 210	43, 074	41, 225	48, 108
Canada (12 months ending December).....	323, 194	383, 953	286, 112	377, 616
Brazil (12 months ending December).....	43, 618	48, 977	99, 255	102, 862
Netherlands and colonies (February through December).....	69, 081	74, 938	95, 145	127, 291
Switzerland (March through December).....	6, 100	6, 598	13, 400	18, 798
Honduras (March through December).....	4, 685	4, 216	5, 234	5, 645
Colombia (June through December).....	12, 487	17, 704	28, 763	26, 222
Guatemala (July through December).....	1, 868	2, 317	2, 367	2, 513
France (July through December).....	67, 844	74, 181	31, 093	38, 221
Nicaragua (October through December).....	578	620	364	337
Finland (November through December).....	1, 426	1, 867	2, 582	2, 804
Total, above countries.....	690, 790	788, 415	757, 486	940, 717
Percent increase.....	-----	14. 1	-----	24. 2
Total, all countries (12 months).....	2, 282, 874	2, 463, 487	2, 038, 905	2, 421, 056
Percent increase.....	-----	7. 5	-----	18. 7

Source: Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

The CHAIRMAN. Are there any other questions? Are there any records or anything you wish to submit, Dr. Sayre?

And just furnish the data which the Senators have requested.

Mr. SAYRE. Yes, sir.

The CHAIRMAN. If you can sit in, we will be glad to have you. We are going to start tomorrow morning at 10 o'clock, and Secretary Wallace will be here.

(Whereupon, at 4:02 p. m., a recess was taken until Thursday, Feb. 11, 1937, at 10 a. m.)

**ANALYSIS OF CANADIAN-AMERICAN TRADE DURING THE FIRST HALF YEAR UNDER THE RECIPROCAL AGREEMENT**

(This is one of a series; similar analyses of the operation of other trade agreements will be issued as soon as completed.)

**GENERAL SUMMARY**

Marked recovery in the trade with Canada, both outgoing and incoming, has taken place since the Canadian-American agreement came into operation on January 1, 1936. Canadian imports from the United States during January to June of this year were valued at \$179,000,000 as compared with \$156,000,000 in the first half of 1935, a gain of \$23,000,000. The United States imports from Canada during the same period were valued at \$160,000,000 as compared with \$130,000,000 last year, a gain of \$30,000,000.<sup>1</sup>

Account needs to be taken of the fact that a moderate general trade recovery is in progress in many countries and that various factors other than trade agreements are at work influencing the course of each country's commerce, as a whole or in particular commodities. Changes in the course of trade between any two countries should be judged against the background movement of each country's trade, as a whole or with other countries. Moreover, it takes time for the commercial possibilities opened up by the reduction of trade barriers to be fully utilized. It is significant, therefore, that the beneficial stimulus of the Canadian-American agreement has already become apparent. The trade between the two countries has improved more noticeably since its coming into operation than the trade of each with the world generally.

Canadian purchases from the United States showed a greater relative recovery over the first half of last year, 15 percent, than did Canada's total imports from all countries other than the United States, which increased 10 percent, and this tendency was even more marked during the second quarter under the agreement than in the first. The value of United States imports from Canada increased during the 6-month period by 23 percent, while American imports from all countries other than those with which trade agreements were in operation for the full half year rose less than 13 percent. Moreover, not only have both countries increased materially their volume of purchases from each other, but each has come to supply a larger share of the other's import requirements than they had for a number of years past.

**CHANGES IN AGRICULTURAL AND NONAGRICULTURAL TRADE**

From the nature of the economy of the two countries, agricultural products have usually made up a larger proportion of the Canadian products imported into this country than of American products imported into Canada. Of the \$30,000,000 increase in United States imports from Canada during the period, about \$7,000,000 was made up of agricultural products, an increase of about one-quarter over the preceding year. The rise in imports from Canada of nonagricultural items was larger in amount, close to \$23,000,000, and showed a rate of gain roughly the same as for agricultural products. Farm products on which duties had been reduced by the United States recorded a larger proportional gain in imports. During the same period there was a reduction in im-

<sup>1</sup> The first half of the year is the latest period for which a detailed tabulation of the trade movement between the two countries is available by individual commodities. The detailed analysis is, therefore, presented for that period. However, the figures of total trade for the third quarter have just become available, making possible the following general statement for the first 9 months under the agreement. Canadian imports from the United States from January through September 1936 amounted to a total of \$263,000,000, an increase of \$33,000,000 over the corresponding months of last year. The United States record of exports to Canada corresponds closely to this Canadian record of the importations from the United States. United States imports from Canada during the same period amounted to \$262,000,000, an increase of \$58,000,000 over last year.

Because of the closer comparability between the items in the Canadian statistical classification and the items in the Canadian tariff, upon which were based the concessions granted to the United States in the agreement, Canadian import figures have been used in this analysis as a measure of the American shipments to that country.

ports of other Canadian agricultural products, notably feedstuffs of various kinds.

The increases in Canadian purchases of American agricultural products during the first half year under the agreement contributed \$4,000,000 to the rise in total trade, whereas the much larger and diversified Canadian imports of American industrial products recorded a gain of \$19,000,000. However, the rate of increase was greater for the total of American agricultural products purchased by Canada, 18 percent, than for the nonagricultural group, 14 percent. The rate of increased sales in Canada of those American industrial products on which customs reductions were obtained was approximately the same as for those American farm products for which the import charges had been lowered, namely, about one-fourth.

#### CANADIAN IMPORTS FROM THE UNITED STATES

Those classes of American products, agricultural and industrial, on which reductions were obtained in import duties or valuations from Canada under the agreement showed, in general, the most marked recovery in trade during the first 6 months of its operation, namely, 24 percent, and accounted for \$15,000,000 out of the total increased trade of \$23,000,000. These trade increases were widely distributed among many classes of American producers, and were most notable in certain fresh fruits and vegetables; cotton and rayon piece goods and wearing apparel; furniture; periodicals, advertising pamphlets and printed matter, and various paper products; automotive products, including tractors; radios, refrigerators, and other electrical apparatus; electroplated ware; a wide range of machinery and implements, agricultural and industrial; and in metal products generally.

An additional \$6,000,000 gain in trade was made up of commodities on which previous duty-free admission or low duties into Canada were bound. The products in this category recording notable increases in Canadian purchases from the United States during the first half year were raw cotton, lemons, rough lumber, undressed furs, low-priced tractors and their parts, and structural iron and steel. All but the last of these products have been guaranteed by Canada continued duty-free entry from the United States for the duration of the agreement. Products not directly affected by the agreement, or for which comparable statistics are not available, accounted for the remaining \$2,000,000 increase, or for less than 10 percent of the total increased Canadian imports from the United States during the period.

Canadian purchases in this country have been stimulated also by the new privilege whereby Canadians returning from abroad may bring back duty free purchases up to a value of \$100 per person. This was established in May 1936 as a result of the undertaking on the subject in the agreement with the United States. From May to August of this year Canadians returning from visits to the United States reported such incidental purchases to an aggregate value of \$1,200,000. Last year the Canadian import totals included less than \$100,000 as the reported value of purchases by returning Canadian tourists.<sup>2</sup> Wearing apparel was the most common class of goods reported as purchased in the United States by visiting Canadians, accounting for about one-half of the total. Other important classes of purchases were furniture and household appliances, boots and shoes, tires, and other automobile accessories.

While no quantitative measure is available, American ports and transportation agencies have been benefiting since January 1936 from the privilege of being able to handle in transit the products of non-Empire countries shipped to Canada through the United States on the same terms as if such shipments came directly into Canadian ports. American commercial travelers have also benefited from the privileges provided by the agreement for bringing their samples in under bond, instead of having to pay full duty without possibility of refund.

#### UNITED STATES IMPORTS FROM CANADA

The products on which the United States granted duty reductions to Canada together accounted for 12 million dollars out of the nearly 30 million dollars increase in American imports from Canada during the first half year under

<sup>2</sup> American residents returning from abroad have long had a similar customs privilege; while no precise figures as to such incidental purchases are available, estimates on the subject are presented in the published reports on the international balance of payments of the United States.

the agreement. From the nature of the Canadian economy, the gains were concentrated in fewer products than in the case of American products going into Canada. The notable increases were recorded in imports of whisky, cattle (weighing 700 pounds or more), softwood lumber, horses, cheddar cheese, certain fish, maple sugar, seed potatoes, and turnips. In the case of cattle, lumber, and potatoes, the duty reductions to Canada were limited to specified quantities. These increased imports were in contrast to declines of half a million in other reduced items, notably oats unfit for human consumption, and by reductions aggregating  $4\frac{1}{2}$  million dollars in a group of products on which the American duties had not been changed, consisting almost entirely of wheat unfit for human consumption and other grain byproduct feeds, which had been imported during 1935 in exceptional quantities because of the drought of the preceding year.

The commodities on which continued duty-free entry into the United States was bound by the agreement accounted for an additional \$9.5 million import increase, consisting mostly of standard newsprint paper, various types of wood pulp, pulpwoods, unmanufactured asbestos, and crude artificial abrasives. The influence of the improving general economic conditions in the United States, which largely accounted for the increased importations of these duty-free industrial materials from Canada was also seen in the increase by \$3.3 million in American purchases from Canada of refined nickel and its alloys, the duty on which was unchanged. The influence of the rust injury to our spring wheat crop and the resulting premium prices in the United States was reflected in the \$9 million increased importation of full-duty wheat, on which no tariff change had been made.

#### PRINCIPAL CHANGES IN AMERICAN SALES TO CANADA

*Agricultural products.*—Among the products of American agriculture on which duties or charges were reduced under the agreement that found increased sales in Canada during the first 6 months, fruits and vegetables were most prominent. Oranges, on which the duty was waived entirely for the months of January through April, increased their sales in Canada during the period by nearly \$300,000. Grapefruit imports from the United States, which were given year-round duty reduction, rose by \$174,000. Other fresh fruits on which duties or valuations were reduced under the agreement found increased sales to the extent of \$247,000, mainly in apples, melons, plums, and cherries. Importations of lemons from the United States, which were bound free under the agreement, increased in value during the first half of 1936 by nearly \$460,000, a situation which was largely influenced by the unavailability of lemons from Italy during that period.

Among the fresh vegetables, on most of which the Canadian duties were cut in half to the United States by the agreement and the official advances in dutiable valuations moderated or removed, the most marked gains in Canadian imports from the United States during the first half year were in lettuce, \$224,000; tomatoes, \$145,000; and asparagus, \$81,000. The other fresh vegetables together, including onions and potatoes, accounted for additional increased sales during the period of nearly \$200,000. Dried fruits and nuts, on which duty reductions of varying degrees were granted, increased their sales in Canada by \$171,000. According to American export records, apricots and pecans were the leading items in this group. Less notable increases in Canadian food imports from the United States were recorded by canned fruits and fruit juices, cleaned rice, various pork products, dried eggs, and eggs in the shell.

Among nonagricultural natural products receiving reductions, moderate increases in Canadian imports were recorded for cut flowers and foliage, and for certain canned or preserved fish.

*Furs and leather.*—Among inedible animal products benefitting under the agreement, dressed furs showed increased imports into Canada from the United States during the period of \$134,000; and leather in various forms, including shoes, gained \$86,000.

*Cotton.*—Raw cotton and linters from the United States, which were assured against the imposition of any duty, recorded increased sales in Canada from January to June of about 43,000 bales, with an increased value of \$1.9 million.

*Textile products.*—Sales of American textiles in Canada had fallen off sharply in recent years, and on many of them only moderate reductions in duty were obtainable. It is significant, therefore, that sizeable gains in Canadian imports from the United States were made during the first half year under the agreement in several classes of textile products. Cotton piece goods from the United

States showed increased imports into Canada amounting to \$212,000 more than in the same period of last year. Miscellaneous cotton wearing apparel registered a gain of an additional \$100,000. Fabrics of silk or of silk mixtures showed increased sales of \$75,000. Wearing apparel and other products of rayon found a market in Canada to an increased value of \$133,000. Smaller gains were recorded for oilcloth and other coated or impregnated textile materials.

*Forest products and manufactures.*—Substantial gains in sales to Canada during the first half of 1936 were recorded by American producers of a broad range of forest products, including manufactures of wood and of paper, affected by the agreement. The chief gains were in the manufactured or processed products, with the principal increases, in order of magnitude, shown for periodicals, advertising pamphlets, and printed matter, various paper products, lumber, and furniture.

Among the partly-manufactured American forest products which showed increased sales in Canada during the first 6 months of 1936, the largest increase, \$298,000, was recorded for rough and partially dressed lumber and timber, consisting principally of Douglas fir, oak, and pine. This group has been assured continued duty-free entry from the United States by the agreement. This total includes a small proportion of dressed lumber, on which a reduction in duty was granted. Other lumber products that had been bound on the Canadian free list accounted for an additional increased business of \$83,000, mainly oak staves, telegraph, and telephone poles.

Of manufactured wood products, furniture, on which the Canadian duty had been reduced to the United States by almost half, made the most notable gain in sales, \$147,000. Other wood manufactures, on which varying duty reductions were granted, increased their sales by \$99,000, including plywood; hardwood flooring, on which official valuations were also reduced; and cooperage stock, on which the valuations were entirely eliminated.

Importations from the United States of wallboard, building board, and insulating boards, on which the Canadian duties were reduced by about one-third, increased by \$74,000, with smaller increases on cardboard and bristolboard. Gains in sales to Canada were made by a wide range of American manufacturers of paper and paper products, which received varying duty reductions, with an increased trade during the first half year of the agreement by \$263,000. The principal paper products affected were printing paper, photographic paper, waxed paper, tissue paper, paper bags, and paperboard containers.

Newspapers and periodicals, on which Canada granted the United States duty-free admission by the agreement, showed a prompt increase in importations during the first half of the year, amounting to \$544,000. A gain of \$162,000 was recorded for advertising pamphlets and printed matter, for which the duties had been reduced, with a smaller increase for pictorial postcards and greeting cards. Commercial blank forms, an item of minor importance, decreased by \$90,000.

*Iron and steel products.*—Iron and steel and their products, including machinery and automotive products, have long represented a very large proportion of our total annual sales to Canada. The majority of the products in this group were directly benefited by the trade agreement, either in the form of duty reductions, which affected most of the group, or an assurance that the existing duties and charges would not be increased. Canadian imports from the United States of iron and steel products affected by the Canadian-American trade agreement, including machinery and vehicles, aggregated \$42.9 million in the first 6 months of 1936, an increase over the corresponding period of 1935 of \$9.2 million. A very broad range of American producers, particularly of advanced manufactured products, participated in this enlarged volume of Canadian purchases.

In the heavy iron and steel group, structural iron and steel, on which the existing duty of \$3 per ton was bound against increase, made the largest gain, \$255,000. Of the heavy products accorded duty reductions, moderate increases were recorded for steel rails, and for sheets, plates, and hoops. Imports from the United States of castings and forgings, on which the duty was also reduced, decreased by \$234,000.

Imports of lighter weight iron and steel products, including hardware, from the United States, which now benefit by lower rates of duty upon entering Canada, increased by \$209,000. Steel ball and roller bearings, on which the duty was reduced about one-quarter, made the largest gain in this group, increasing \$165,000, while less important increases were registered for pipes, tubes, and fittings, and for hardware of various types.

**Automotive products.**—The significant change in the sales to Canada of automotive products, following the reductions in duties and other changes granted the United States under the agreement, was the substantial increase in sales of complete motor vehicles and chassis of American manufacture and of parts for replacement, each more than offsetting the decline in the sales of engines and other parts for assembly. Canadian importations from the United States of complete vehicles and chassis increased in value during January–June 1936 by \$2.1 million over the same period of last year. Passenger automobiles and chassis, which received, under the agreement, the double benefit of lower duties and the elimination of fixed maximum discounts, accounted for the principal share of this gain, registering increased sales of \$1.5 million. Trucks and busses, and chassis for them, which were granted similar benefits, were purchased in increased amounts of \$379,000 and \$160,000, respectively.

On the other hand, automotive parts, including engines, which have for some years represented the major part of Canadian purchases of automotive products from the United States, showed a decline during the first half of 1936 by \$250,000. While Canadian import statistics do not separate parts for assembly from parts for replacement, the breakdown from the United States records of exports to Canada shows a decline over last year of \$1.2 million, with parts for replacement, including engines, registering an increase of \$1.3 million. This tendency is confirmed by the fact that automotive engines alone, which are shipped predominantly for assembly, and are separately classified in the Canadian trade records, showed a decline in imports of \$440,000 over the same period of last year.

**Machinery, agricultural, industrial, and domestic.**—In the machinery group, imports of farm implements and farm machinery, on practically all of which the duty was cut in half by the agreement and in some cases subsequently further lowered, accounted for an increase of \$424,000 over the corresponding first 6 months of last year. Notable gains of \$173,000 for agricultural implements and \$116,000 for threshing machinery were recorded, with smaller increases shown for dairying and harvesting machinery.

Industrial machinery sales of which exceed in value by a large margin our sales of other types of machinery to Canada, increased to that country for the first 6 months of 1936 by \$3,100,000. Typecasting and typesetting machines were the only types of industrial machinery on which the existing free-entry status was bound, and here a small increase was recorded. All other machinery in this category affected by the agreement was granted tariff reductions ranging from minor decreases to complete elimination of duties, with special consideration for machinery of a class or kind not made in Canada. Among these, the most significant trade gains were made in the following classifications:

Metal-working machinery-----	\$192,000
Textile machinery-----	382,000
Printing machinery-----	283,000
Mining and metallurgical machinery-----	169,000
Refrigerating and ice-making machines-----	129,000
Paper and pulp-mill machinery-----	113,000
Power shovels-----	108,000

The number of electric refrigerators for domestic and store use imported by Canada from the United States was over three times that of the first half of last year, with an increase in value of \$279,000. Smaller trade gains were recorded for sewing machines and washing machines.

Canadian imports of office machinery from the United States, which also received duty reductions under the trade agreement, increased by \$209,000. Of this total, adding, calculating, and bookkeeping machines accounted for \$135,000; dictating machines and cash registers made up the remainder.

Among the other manufactures of iron and steel on which duties were reduced, the most marked gain was recorded for cooking and heating apparatus, which increased \$130,000. Other imports in this category showing appreciable increases over last year were steel furniture, precision tools, valves of iron and steel, and tinsplate containers.

**Electrical apparatus.**—Sales of electrical apparatus to Canada during the first 6 months of 1936, including radios and parts, increased over the corresponding period of last year by over a million dollars. Most types of American electrical equipment were accorded favorable treatment in the trade agreement, either through reduced duties or elimination of fixed valuations. Among those benefiting from reduced duties, the most important gain was registered in elec-

tric motors and parts, which increased \$168,000, with smaller increases recorded for dynamos and generators, batteries, rheostats and controllers, switches and switchboards, and telegraph and telephone apparatus. Electric light fixtures and appliances, on which the burdensome fixed valuations were eliminated, increased by \$141,000. Radio apparatus, including tubes, which was granted a reduction in duty as well as elimination of the fixed discount formerly applied to receiving sets, accounted for an advance of \$415,000. Imports of spark plugs and other ignition apparatus registered a decline of \$111,000.

*Other metal products.*—Among the nonferrous metals and products receiving reduced duties from Canada, the most notable gain was made in electro-plated and gilt ware, which increased \$271,000. Next in importance were brass manufactures, including brass wire and cloth, for which an advance of \$129,000 was reported. Of the other nonferrous-metal products, less outstanding increases were recorded for manufactures of copper, tin tubes, and watches and clocks.

*Nonmetallic minerals.*—Nonmetallic minerals and products that were granted tariff concessions under the agreement made appreciable gains in the first half year over the similar period of 1935. Canadian imports from the United States of products in this category affected by duty reductions increased \$663,000. The principal products sharing in the increased trade were lubricating oils, \$164,000; glass bottles, \$167,000; and fire brick, \$117,000. Products contributing to a lesser extent were asbestos brake lining, glass tableware, lamp bulbs, engine distillate, and axle grease.

*Chemical products.*—Canadian imports of chemical products from the United States in the first 6 months of the year increased less markedly, an increase of \$190,000 being recorded for those products on which duties were reduced. Among the chemical products sharing in the increased trade were compounds of tetraethyl lead, medicinal and pharmaceutical preparations, liquid fillers and anticorrosive paints, and compounds of sodium.

*Miscellaneous products.*—In the miscellaneous category, sizeable trade increases were recorded in many important items. Canadian imports from the United States of miscellaneous products benefiting from lower trade agreement duties accounted for an advance of \$1,324,000 over the total recorded in last year's comparable period. The individual product making the largest gain was photographic films, \$184,000, while less outstanding increases occurred in billiard tables and other game boards, optical and mathematical instruments, surgical and dental instruments, suitcases, pocketbooks, etc., musical instruments, and wax, other than paraffin.

#### PRINCIPAL CHANGES IN CANADIAN SALES TO THE UNITED STATES

*Whisky.*—Of the commodities on which duties into the United States were reduced under the Canadian-American trade agreement, the largest increase in imports recorded during the first half year of its operation took place in whisky. Following the reduction by one-half of the former \$5 per gallon duty, whisky imports from Canada rose from 1.5 million gallons during the first half of 1935 to 2.9 million gallons during the first half of this year, with an increase in trade value of over \$4.7 million. Limited as the concession was to whisky aged not less than 4 years, the increased importations from Canada, and from the United Kingdom, served to supplement the insufficient domestic supply of aged whisky.

*Agricultural products.*—Among agricultural products, which, until recent years, regularly constituted a very important part of American importations from Canada, the largest increase in imports of commodities covered by the agreement during the first half year were cattle weighing 700 pounds or more. The duty reduction, from 3 cents to 2 cents per pound, was limited to three-quarters of 1 percent of the average annual total number of cattle slaughtered in the United States during the years 1928-32, or not quite 156,000 head. Imports rose from the very low figure of 50,000 head during the first half of last year to 113,000 head this year, the value of the increased trade amounting to \$2.9 million. About 70 percent of the animal quota came in during the first 6 months, and, by the end of September, the quota was announced as practically exhausted, making possible no further imports under the reduced rate for the balance of the year. The price in the American markets of middle-grade steers, into which grade the bulk of the slaughter cattle from Canada fell, held up better under the heavy domestic marketings this year than did the prices of higher-grade steers, of which the imports were very light.

The duty reduction on calves weighing under 175 pounds, which was also 1 cent a pound, was limited to one quarter of 1 percent of total domestic

slaughterings, and here the imports from Canada during the first half of the year of the agreement amounted to 34,000 head, valued at \$480,000. No comparable figures for calf imports are available for 1935. By early August, the entire quota of 52,000 head had been used up, practically all by Canada. For the balance of this year, all imports of cattle weighing under 700 pounds are subject to the payment of the full duties. In the case of dairy cows, on which the reduction in duty was limited to 20,000 head annually, the imports have been very small, less than a quarter of the quota having been filled as late as September.

Imports from Canada of horses valued at less than \$150 each increased by 9,600 head during the first half year under the agreement, at an increase in value of \$1.2 million. These imports of work stock, used mostly on farms, came in to supplement domestic production of young stock, which is at a low level due to the decrease in farm demand during the depression.

Imports of cheese from Canada, almost all of which is of the cheddar type, increased during the first six months under the reduced duty by \$435,000. In quantity, imports were 3.8 million pounds, as compared with the abnormally low imports of less than one-half million pounds during the corresponding period of 1935, and with the average half-year imports during 1925-29 of 2.6 million pounds. With recovery of consumer buying power, more cheese was consumed in the United States this year, both domestically produced and imported, and at better prices, than in 1935, the price of cheddar cheese in July of this year averaging 27 percent higher than that of a year ago.

In the case of cream, the only other dairy product reduced in the Canadian agreement, the duty reduction was limited to 1½ million gallons a year. During the first half year of the agreement, only 6,000 gallons entered the United States, cream prices in the United States apparently not being attractive to imports from Canada, even over the reduced duty.

Maple sugar imports from Canada during the first 6 months of 1936 increased by \$327,000 over the corresponding period of last year. This was partly offset by a decline of \$132,000 in imports of maple sirup, the duty on which was not reduced under the agreement.

In the case of potatoes, the reduction in duty, on a seasonal basis, was confined to certified seed potatoes and limited to a 12-month quota of 750,000 bushels. During the first 6 months of 1936, imports of seed potatoes, almost negligible last year, increased in value by \$295,000, associated with the considerably higher domestic potato prices that prevailed in the United States than during the preceding year. The quota on which the duty reductions was granted has not, however, been fully utilized, American customs records showing 46 percent of the annual total to have been used by the end of September.

Importations from Canada of turnips and rutabagas, on which the duties were reduced, increased during the first half year by \$120,000. These shipments were mainly into the urban markets of northeastern United States, to which it is usually not profitable to transport the domestic crop.

Wheat for human consumption was not granted any concession in the Canadian agreement. However, due to the rust damage to the spring wheat crop last year, especially in our Northern Plain States, the main source of our durum wheat, 11,000,000 bushels of wheat were imported from Canada during the first half of this year, to a value of nearly \$10,000,000 an increase of \$9,000,000. A substantial portion of these imports is reported to have been of durum wheat to make up the domestic shortage, and most of the rest to have been selected grades of Canadian hard wheat for blending purposes, which are usually sold at a premium. These imports all paid the full United States duty of 42 cents a bushel, which has been operative since early 1924.

Partly offsetting the above increases in importations of agricultural products from Canada during the first half of 1936 has been the substantial decline in the importations of wheat unfit for human consumption and a number of other grain byproduct feeds, by an aggregate value of close to \$4.5 million. The importations of these fodders had been exceptional the preceding year, following the drought of 1934, and have apparently tapered off with the return of more normal domestic supplies. These products have all been subject to a 10 percent duty since the act of 1930, and were so continued under the agreement.

In this connection might be mentioned the sharp decline also in imports of hulled oats unfit for human consumption, on which a duty reduction was granted to Canada. (Imports of all oats during the first half of 1935, including some for food purposes, amounted to 761,000 bushels, valued at \$305,000.

During the same period of this year, the imports fell to \$14,000, of which the type reduced in duty made up only \$5,000.)

*Forest products.*—Newsprint paper and paper-making materials, for which the requirements of the American market are far greater than the domestic supply, have for years made up the largest group of products imported from Canada. They have long been on the free list of the United States tariff, and the American undertaking to Canada that most of them would continue duty free was an important feature of the Canadian-American trade agreement. During the first half year of its operation, the importation of standard newsprint paper from Canada increased by \$5.6 million; of the types of wood pulp bound free (mechanical, soda, and bleached sulphite), by \$1.3 million; and of pulpwoods, by \$331,000, reflecting an increase over last year in general paper consumption in the American market. This group together accounted for three-quarters of the total increase in American imports from Canada in products bound free by the agreement, and about one-quarter of the total increase in imports of all products. The domestic producers of newsprint during this period maintained their volume of 1935.

The principal class of forestry products on which the United States granted a reduction in the costs of admission was softwood lumber. Here imports from Canada during the first six months increased by 121,000,000 board feet, and in value by \$2.4 million. In the case of Douglas fir and Western hemlock, the lumber of particular interest to the Canadians, the quantity that might enter at the reduced rate was limited to 250,000,000 board feet annually, equivalent to about 5 percent of United States consumption. The actual importations of these species during the first six months amounted to 75,000,000 board feet, or less than one-third of the annual quota; by the end of September, only 107,000,000 board feet, or less than half of the year's quota, had actually been brought in, mainly into the Massachusetts, New York, and Philadelphia districts. The market price in the United States for Douglas fir and western hemlock is reported as practically unchanged in September 1936 from a year ago.

Maple, birch and beech lumber, other than flooring, on which a small reduction in duty was made, was imported for the use of American furniture and fabricating plants to an increased value of \$203,000 over the corresponding period of last year. These imports amounted to 6 percent of the total United States production, and the domestic price of these types of lumber is reported to have strengthened in the middle of 1936 over the year previous.

Smaller increases in imports were reported for logs and round or hewn timber of several species, aggregating \$92,000, and for railroad ties and wood laths, all of which had been duty free into the United States and were so continued. Shingles, mainly of cedar, which also remained duty free, but subject to the continuation of the arrangement limiting imports to 25 percent of our domestic production, showed some increase in value but a small decline in quantity from the imports during the corresponding period of 1935.

*Fish.*—The various classes of fresh and frozen fish on which duties were reduced to Canada showed a combined increased sale in the United States during the first half year under the agreement, valued at \$341,000. (This does not include chubs, mullet, and saugers, for which no separate figures were available for 1935.) The principal increases in imports were in fresh-water fish, notably yellow pike, by \$96,000; and whitefish, by \$81,000. In the case of both of these, a very large part of the United States consumption, which well exceeds the domestic catch, has for years been supplied from the northern lakes of Canada.

Increased importations were recorded also for two types of fish which have for some time been on the free list of the American tariff and were so continued under the agreement, namely fresh lobsters, by \$189,000, and smelts, by \$184,000. In the case of both of these fish, the catch in the Atlantic coast waters of the United States has for some years been inadequate for local needs, and has been supplemented largely from Canada.

*Metals, minerals, and chemicals.*—Reflecting the revival of industrial activity in the United States, among other factors, were the increases in importations from Canada during the first half of 1936 of a number of materials, chiefly metals and minerals, which are produced in the United States in only small quantities, if at all, and for which Canada has long been the chief source of supply of the consuming industries in the United States. These materials had long been on the free list of the American tariff and were so bound by the agreement. They consisted principally of unmanufactured asbestos in its various forms, of which imports increased by \$849,000; crude artificial abra-

sives, by \$284,00; nickel ore, matte, and oxide, by \$142,000; sodium cyanide, by \$111,000; and certain kinds of undressed furs, by \$95,000. In this connection might be mentioned nickel and alloys in the form of pigs and ingots, on which no reduction in duty was made, the imports of which increased over the preceding year by 3.3 million dollars.

Dead-burned refractory material, on which a small cut was made, recorded an increase in imports of \$62,000. Acetic acid, on which a reduction was granted to Canada, declined in imports by \$347,000. Vinyl acetate and synthetic resins made thereof, also reduction items, increased by \$84,000.

**TABLE 1.**—Total value of United States trade with Canada by months, January through June, 1933 to 1936

[Canadian-American trade agreement became effective on Jan. 1, 1936]

[Thousands of dollars]

	6 months ending June			
	Before agreement		After agreement	
	1933	1934	1935	1936
<b>Imports from Canada:<sup>1</sup></b>				
January.....	10, 706	16, 397	19, 235	24, 276
February.....	8, 530	14, 156	18, 142	22, 931
March.....	10, 055	17, 077	20, 877	30, 822
April.....	11, 078	16, 277	22, 353	20, 719
May.....	14, 810	18, 728	27, 024	28, 744
June.....	15, 262	18, 026	22, 313	30, 347
Total for 6 months ending June.....	70, 441	102, 161	120, 944	159, 830
<b>Exports to Canada of United States merchandise:<sup>2</sup></b>				
January.....	11, 499	17, 598	21, 624	25, 719
February.....	10, 830	18, 286	21, 958	23, 850
March.....	13, 109	23, 367	24, 210	26, 343
April.....	12, 584	24, 852	27, 478	30, 229
May.....	15, 353	30, 530	29, 273	35, 258
June.....	16, 929	26, 082	26, 532	33, 511
Total for 6 months ending June.....	80, 304	141, 324	151, 075	174, 940

<sup>1</sup> General imports for 1933, imports for consumption beginning with January 1934.

<sup>2</sup> In view of the closer correlation between the Canadian statistical classifications and the items in the Canadian tariff, upon which were based the concessions granted to the United States in the agreement, Canadian import figures have been used in the analysis as a measure of the American shipments to that country. This also avoids the inaccuracies arising from transshipments of United States merchandise in Canada and other technical difficulties.

Source: Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

**TABLE 2.—Total value of Canadian trade with the United States by months, January through June, 1933 to 1936**

[Thousands of Canadian dollars]

Months	January to June, inclusive			
	Before agreement			After agreement
	1933	1934	1935	1936
<b>Imports for consumption from United States:</b>				
January.....	14, 877	19, 430	23, 157	26, 285
February.....	13, 836	19, 634	23, 498	25, 969
March.....	18, 517	29, 064	31, 333	32, 797
April.....	11, 786	21, 784	23, 506	20, 229
May.....	18, 034	30, 065	28, 256	33, 560
June.....	18, 309	26, 699	25, 912	33, 995
Total for 6 months ending June.....	95, 449	146, 676	155, 662	178, 835
<b>Exports to United States<sup>1</sup> of Canadian produce:</b>				
January.....	10, 007	18, 317	17, 529	20, 130
February.....	8, 623	14, 393	15, 574	21, 555
March.....	10, 378	20, 199	21, 916	26, 846
April.....	8, 382	12, 870	15, 717	20, 765
May.....	13, 857	17, 202	22, 610	26, 505
June.....	14, 847	15, 944	21, 102	29, 462
Total for 6 months ending June.....	66, 094	98, 925	114, 448	142, 263

<sup>1</sup> In view of the closer correlation between the United States statistical classifications and the paragraph, of the United States tariff, upon which were based the concessions granted to Canada in the agreements, American import figures have been used in the analysis as a measure of Canadian shipments to this country. This also avoids the inaccuracies arising from transshipments of Canadian merchandise in the United States and other technical difficulties. Canadian export figures are exclusive of gold bullion.

Source: Summary of the Trade of Canada, Dominion Bureau of Statistics, Canadian Department of Trade and Commerce.

**TABLE 3.—Summary of changes in Canadian imports from United States during first half of 1936, by principal commodities—Classified according to treatment under the Canadian-American agreement**

[Value in thousands of Canadian dollars]

	Unit	Quantity		Value		Amount of change
		January to June, inclusive		January to June, inclusive		
		1935	1936	1935	1936	
Total imports for consumption from United States.....				155, 662	178, 835	+23, 173
Commodities on which Canadian duties were reduced, total. <sup>1</sup>				64, 544	80, 037	+15, 493
Oranges, mandarines, and tangerines (imports for January through April only). <sup>2</sup>	1,000 cubic feet.....	1, 411	1, 741	1, 769	2, 060	+297
Grapefruit.....	1,000 pounds.....	20, 995	21, 150	453	628	+173
Apples.....	Barrels.....	945	25, 519	7	92	+85
Melons.....				97	148	+51
Other fresh fruit, including plums, cherries, etc. <sup>3</sup>				589	690	+110
Lettuce.....	1,000 pounds.....	10, 471	29, 280	257	481	+224
Tomatoes.....	do.....	3, 285	9, 671	170	315	+145
Asparagus.....	1,000 pounds.....	872	2, 296	63	144	+81

<sup>1</sup> Imports from United States for the first half of 1936 of those commodities for which no comparable classification existed for 1935, and which cannot therefore be here included, amounted to about \$60,000, or less than 40 of 1 percent of the total imports of reduction items.

<sup>2</sup> Oranges, mandarines, and tangerines enter Canada from the United States free of duty during the months January through April. Imports during remainder of year from United States pay the same rate as before the agreement, 35 cents per cubic foot.

<sup>3</sup> This is the total for only those unspecified fresh fruits affected by tariff reductions, and not necessarily for all other fresh fruits. The same type of calculation is carried forth with regard to all groups containing

**TABLE 3.—Summary of changes in Canadian imports from United States during first half of 1936, by principal commodities—Classified according to treatment under the Canadian-American agreement—Continued**

[Value in thousands of Canadian dollars]

	Quantity		Value		Amount of change	
	Unit	January to June, inclusive		January to June, inclusive		
		1935	1936	1935		1936
Commodities on which Canadian duties were reduced—Continued.						
Other fresh vegetables, including onions and white potatoes. <sup>4</sup>			1,600	1,820	+220	
Dried fruits, including apricots.			134	196	+62	
Canned fruits and juices, including pineapples.	1,000 pounds	353 1,036	31	94	+63	
Nuts, including pecans, almonds, walnuts, and other shelled nuts.			104	213	+109	
Rice, cleaned.	Hundredweight	14,004 25,319	55	94	+39	
Flowers and foliage, natural, cut (imports for January through April <sup>5</sup> ).			22	60	+38	
Salt pork.	1,000 pounds	323 844	33	85	+52	
Eggs, dried or evaporated.	do.	6 41	2	34	+32	
Eggs in the shell (imports for January through April <sup>5</sup> ).	Dozen	10,694 88,462	7	27	+20	
Fish, fresh or preserved.			184	280	+96	
Furs, wholly or partly dressed.			244	378	+134	
Boots, shoes, and slippers of leather.	Pair	50,402 77,016	163	218	+55	
Other leather and manufactures.			315	376	+31	
Cotton piece goods.			1,622	1,234	+212	
Miscellaneous cotton wearing apparel.			129	230	+161	
Fabrics of silk or silk mixtures.			292	337	+75	
Wearing apparel of artificial silk.			29	93	+64	
Other artificial silk and manufactures.			218	287	+69	
Oilcloth, linoleum, and other impregnated cloth.			291	391	+100	
Miscellaneous rubber manufactures.			359	472	+113	
Furniture of wood.			145	293	+148	
Other manufactures of wood, including plywood, cooperage, and hardwood flooring.			559	602	+43	
Paperboards, including wallboard and insulating boards.	1,000 pounds	679 2,091	39	113	+74	
Cardboards and Bristol boards.			173	202	+29	
Miscellaneous paper and paper manufactures including printing paper, photographic paper, tissue paper, waxed paper, and paperboard containers.			1,530	1,792	+262	
Newspaper and periodicals.			1,312	1,856	+544	
Advertising pamphlets and printed matter.	1,000 pounds	1,128 1,420	458	621	+163	
Pictorial post cards and greeting cards.	do.	91 109	111	141	+80	
Commercial blank forms.			274	184	-60	
Steel rails.	Tons	1,684 4,497	55	105	+50	
Iron and steel sheets, plates, hoop, band, and strip.	Hundredweight	97,804 112,990	380	421	+41	
Castings and forgings.			847	613	-234	
Steel balls and roller bearings.			104	329	+165	
Pipes, tubes, and fittings.			203	202	-86	
Passenger cars and chassis.	Number	1,870 3,802	1,132	2,678	+1,546	
Trucks and chassis.	Number	537 916	403	783	+380	
Busses.	Number	5 28	14	173	+159	
Automobile engines, including truck engines.	Number	22,210 26,212	3,830	3,389	-441	
Automobile parts.			9,821	10,012	+191	
Other vehicles, including motorcycles, locomotives, and parts, and railway cars and parts.			302	476	+174	
Tractors (valued over \$1,400) and parts.			375	606	+231	
Diesel engines and parts.	Number	55 76	227	332	+105	

<sup>4</sup> The reduction in the Canadian duty on white potatoes was received by the United States through the application of most-favored-foreign-nation treatment accorded products of the United States, but was not specifically covered in the agreement. Beginning May 2, this duty was made dependent upon what white potatoes would pay upon importation into the United States from Canada.

<sup>5</sup> The reductions in Canadian duties on cut flowers and foliage and eggs in the shell were received by the United States through the application of most-favored-foreign-nation treatment accorded products of the United States, but were not specifically covered in the agreement. Beginning May 2, the duties on these products were made dependent upon what such products would pay upon importation into the United States from Canada.

**TABLE 3.—Summary of changes in Canadian imports from United States during first half of 1936, by principal commodities—Classified according to treatment under the Canadian-American agreement—Continued**

[Value in thousands of Canadian dollars]

	Quantity		Value		Amount of change	
	Unit	January to June, inclusive		January to June, inclusive		
		1935	1936	1935		1936
<b>Commodities on which Canadian duties were reduced—Continued.</b>						
Marine and other internal-combustion engines	Number	3,776	4,805	386	463	+77
Farm implements and machinery				923	1,347	+424
Office machinery and appliances				592	802	+210
Sewing and washing machines and vacuum cleaners				558	680	+124
Mining and metallurgical machinery				352	521	+169
Metal-working machinery				1,102	1,594	+492
Paper- and pulp-mill machinery				116	227	+112
Printing machinery				582	866	+284
Refrigeration machinery, industrial				180	309	+129
Power shovel, steam, electric, or other, and parts	Number	5	19	46	134	+108
Textile machinery				1,054	1,437	+383
Other miscellaneous machinery				2,153	3,377	+1,224
Steel furniture				84	105	+21
Cooking and heating apparatus				263	393	+130
Brass manufactures				820	1,004	+184
Electroplated and gilt ware				70	341	+271
Nickel and nickel-plated ware				284	207	-77
Clocks and watches, movements, cases, and parts				172	225	+53
<b>Electrical apparatus:</b>						
Motors and parts				428	596	+168
Dynamos, generators, and parts				81	152	+71
Starting and controlling devices				156	208	+52
Light fixtures and appliances				184	236	+52
Spark plugs and other ignition apparatus and parts				197	86 <sup>a</sup>	-111
Other electrical apparatus				1,357	1,646	+289
Radio apparatus, including tubes				629	1,044	+415
Brick, fire, for furnaces				276	393	+117
Glass containers				192	359	+167
Glass tableware				256	290	+34
Lubricating oils	1,000 United States gallons	7,592	8,552	1,262	1,428	+164
<b>Medicinal and pharmaceutical preparations.</b>						
Compounds of tetraethyl lead	1,000 pounds	976	1,270	525	623	198
Other chemical products				1,283	1,322	+39
Films				228	412	+183
Surgical and dental apparatus				412	484	+72
Refrigerators, electric, domestic, and and store	Number	2,162	7,064	150	429	+279
Pocketbooks, portfolios, satchels, etc.				114	168	+54
Other commodities on which Canadian duties were reduced.				15,699	18,020	+2,321
<b>Commodities on which existing free entry into Canada or existing Canadian duty was bound,* total.</b>						
				14,452	20,208	+5,756
<b>Structural iron or steel</b>						
Raw cotton and linters	Tons	6,443	12,950	256	511	+255
Lemons	1,000 pounds	47,420	70,302	6,491	8,404	+1,913
Rough and partial dressed lumber and timber	Boxes	103,403	191,085	364	824	+460
Other partial manufactures of wood:				1,266	1,888	+322
Poles, telegraph and telephone						
Staves of oak	Number	870	9,851	5	33	+28
Tractors and parts	1,000	2,247	4,204	52	95	+43
Other commodities, bound, free, or dutiable.				1,978	3,827	+1,849
				4,040	5,226	+1,186
<b>Other commodities (predominantly non-agreement).</b>						
				76,666	78,590	+1,924

\* "Structural iron or steel" is the only group on which the existing Canadian duty was bound. All of the other commodities are bound at the existing free rate of duty.

Source: Compilation from Quarterly Trade of Canada, Dominion Bureau of Statistics.

TABLE 4.—Summary of changes in United States imports from Canada during first half of 1936, by principal commodities—Classified according to treatment under the Canadian-American agreement

(Value in thousands of dollars)

	Quantity		Value		Amount of change	
	Unit	January to June, inclusive		January to June, inclusive		
		1935	1936	1935		1936
Total imports for consumption from Canada.			129,944	159,839	+29,895	
Commodities on which United States duties were reduced (includes also some principal commodities for which only relatively exact comparable data were available for 1935), total.			19,095	31,496	+12,401	
Whisky (aged not less than 4 years in wood containers).	Proof gallon	1,523,059	2,876,691	6,936	11,019	+4,683
Cattle:						
Weighing 700 pounds or more (including dairy cows).	Number	50,255	113,388	3,109	5,906	+2,857
Weighing less than 700 pounds, each, total.	Number	22,143	44,456	816	775	-41
Weighing less than 175 pounds each.	Number	( <sup>1</sup> )	34,963	( <sup>1</sup> )	480	-----
Weighing 175 but less than 700 pounds each (no reduction for this class).	Number	( <sup>1</sup> )	10,373	( <sup>1</sup> )	295	-----
Horses, except for slaughter or breeding, valued at not more than \$150 per head.	Number	3,078	12,670	350	1,522	+1,163
Sawn boards, planks, deals, and sawed timber (except cabinet woods):						
Softwoods	M feet	127,838	248,007	3,009	5,553	+2,449
Hardwoods	M feet	7,520	15,877	94	570	+276
Cheddar cheese	1,000 pounds	1,454	4,826	58	493	+435
Cream	Gallon	287	6,055	8	8	+8
Fish, fresh or frozen (excluding chubs, for which no comparable data were available for 1935, and muller and saugers which are given later).	1,000 pounds	16,658	20,474	1,008	1,849	+341
Maple sugar	1,000 pounds	1,016	2,977	154	481	+327
Seed potatoes	1,000 pounds	2,857	23,397	27	322	+295
Turnips and rutabagas	1,000 pounds	41,263	58,984	236	365	+129
Fresh-water fish, n. e. s., fresh or frozen, total.	1,000 pounds	4,438	7,366	390	426	+46
Mullet	1,000 pounds	( <sup>1</sup> )	29	( <sup>1</sup> )	15	-----
Saugers	1,000 pounds	( <sup>1</sup> )	524	( <sup>1</sup> )	231	-----
Other fresh-water fish, n. e. s., fresh or frozen (no reduction for this class).	1,000 pounds	( <sup>1</sup> )	3,116	( <sup>1</sup> )	180	-----
Other products on which United States duties were reduced.				2,109	1,542	-567
Commodities on which existing United States duties were bound, total.				7,358	2,822	-4,536
Wheat, unfit for human consumption.	Bushel	5,435,797	1,728,110	3,809	1,007	-2,802
Bran, shorts and other wheat by products feeds.	Ton (2,000 pounds)	123,010	103,571	2,979	1,600	-1,379
Screenings, chaff, etc., of grains or seeds, except flaxseed.	Ton (2,000 pounds)	20,609	18,220	266	90	-206
Other products on which existing United States duties were bound.				274	125	-149

Footnotes at end of table.

**TABLE 4.—Summary of changes in United States imports from Canada during first half of 1936, by principal commodities—Classified according to treatment under the Canadian-American agreement—Continued**

[Value in thousands of dollars]

	Quantity		Value		Amount of change	
	Unit	January to June, inclusive		January to June, inclusive		
		1935	1936	1935		1936
Commodities on which existing free entry into the United States was bound (excludes products for which exactly comparable data were not available for 1935), <sup>1</sup> total.			58,068	67,602	+9,534	
Standard newsprint paper.	1,000 pounds	1,035,206	2,237,530	33,062	30,611	+5,649
Wood pulp:						
Mechanically ground, bleached and unbleached.	ton	61,649	71,136	1,061	1,255	+194
Sulphite, bleached.	ton	105,566	130,924	5,998	7,033	+1,035
Soda pulp, bleached and unbleached.	ton	6,042	6,883	219	295	+76
Pulpwoods.	cord	366,363	397,817	2,486	2,817	+331
Shingles, of wood.	square	908,362	877,058	2,277	2,341	+64
Asbestos, unmanufactured.	ton	53,353	70,694	1,793	2,642	+849
Artificial abrasives, crude.	1,000 pounds	65,130	70,395	1,480	1,764	+284
Nickel ore, matte and oxide.	1,000 pounds	10,811	11,729	1,437	1,670	+142
Lobsters, fresh.	1,000 pounds	5,123	5,918	1,152	1,341	+189
Smelts, fresh or frozen.	1,000 pounds	4,446	6,323	421	605	+184
Sodium cyanide.	1,000 pounds	7,571	8,821	694	805	+111
Undressed furs of mink, muskrat, beaver, and wolf.	number	682,159	322,867	1,675	1,770	+95
Other products on which existing free entry into United States was bound.				3,413	3,744	+331
Important commodities on which no change was made, total.			7,625	10,004	+12,279	
Wheat (full duty).				889	9,069	+9,080
Nickel and alloys.				6,563	9,894	+3,331
Maple sirup.	1,000 pounds	2,234	274	173	41	-132
Other commodities (includes some agreement items for which no exactly comparable data were available for 1935, but excludes those for which imports in 1935 have been estimated and listed above), total.			37,798	38,015	+216	
Agreement commodities having no comparable data for 1935.			( <sup>1</sup> )	669		
Nonagreement products.			( <sup>1</sup> )	37,316		

<sup>1</sup> This represents total imports from Canada of all whisky in the first half of 1935 but, approximately comparable, since bulk of whisky imported in 1935 was aged not less than 4 years in wood containers.

<sup>2</sup> No separation in 1935 of cattle weighing less than 700 pounds. In order to get comparable data, the class of 175- to 700-pound cattle is also shown here, although no reduction in duty was granted on this weight of cattle.

<sup>3</sup> Less than \$500; or, to be exact, 227 gallons valued at \$246.

<sup>4</sup> Estimated imports of Cheddar cheese were not separately classified in 1935. It is estimated that 95 percent of the total imports of cheese from Canada were Cheddar in 1935. Total imports of cheese from Canada in the first half of 1935 amounted to 477,883 pounds, valued at \$60,825.

<sup>5</sup> In 1935, imports of mullet and saugers were reported in the classification, "Fresh water fish, n. e. s., fresh or frozen." Since the agreement provides for entry of these specified fish at a lower rate than that applicable to other types of fish included in this basket category in 1935, they are separately classified for 1936. Canada is practically the sole supplier of mullet and saugers.

<sup>6</sup> The imports of these bound-free products for which no comparable data were available in 1935 amounted to \$416,000 in the first half of 1936.

<sup>7</sup> Not separable for 1935.

<sup>8</sup> See attached supplementary table for further analysis of these products.

Source: Compilation from material of Statistical Section, U. S. Tariff Commission.

SUPPLEMENT TO TABLE 4.—Further analysis<sup>2</sup> of imports from Canada of agreement commodities having no strictly comparable data for 1935

[Value in thousands of dollars]

	Quantity		Value		Amount of change	
	Unit	January to June, inclusive		January to June, inclusive		
		1935	1936	1935		1936
Total imports from Canada of agreement products having no exactly comparable data for 1935 (as reported in table 4).				699		
Those for which reduced United States duties were granted.				283		
Those for which free entry into United States was bound.				410		
Principal products on which United States duties were mainly reduced and for which fairly comparable data are available:						
Ice skates and parts.....			\$ 40	73	+33	
Acetylene black.....	1,000 pounds.....	\$ 381	430	\$ 38	44	+6
Ferrosilicon containing 8 but less than 30 percent silicon content.	1,000 pounds.....	\$ 517	474	\$ 46	31	-15
Talc, steatite, or soapstone, ground and washed (except toilet preparations) valued at not over \$12.50 per ton.	1,000 pounds.....	\$ 5,415	6,482	\$ 28	29	+1
Chickens, ducks, geese and guineas, total.	1,000 pounds.....	50	88	10	20	+10
Chickens and guineas <sup>1</sup> .....	1,000 pounds.....	( <sup>o</sup> )	88	( <sup>o</sup> )	20	
Ducks and geese <sup>1</sup> .....	1,000 pounds.....	( <sup>o</sup> )	( <sup>o</sup> )	( <sup>o</sup> )	( <sup>o</sup> )	
Lake herring, crescoes, and chubs, total.	1,000 pounds.....	453	792	47	93	+43
Chubs <sup>1</sup> .....	1,000 pounds.....	( <sup>o</sup> )	230	( <sup>o</sup> )	32	
Lake herring and crescoes <sup>1</sup> .....	1,000 pounds.....	( <sup>o</sup> )	562	( <sup>o</sup> )	61	
Herring, smoked or kippered, not in oil, whole or beheaded, total.	1,000 pounds.....	1,005	777	29	21	-8
Hard dry smoked <sup>1</sup> .....	1,000 pounds.....	( <sup>o</sup> )	733	( <sup>o</sup> )	18	
Other <sup>1</sup> .....	1,000 pounds.....	( <sup>o</sup> )	44	( <sup>o</sup> )	3	
Herring, smoked or kippered, not in oil, eviscerated, split, skinned, boned, or divided, total.	1,000 pounds.....	150	180	13	15	+2
Boned, whether or not skinned. <sup>1</sup>	1,000 pounds.....	( <sup>o</sup> )	107	( <sup>o</sup> )	8	
Eviscerated, split, skinned or divided. <sup>1</sup>	1,000 pounds.....	( <sup>o</sup> )	73	( <sup>o</sup> )	7	
Oats, total.....	Bushel.....	761,021	39,717	305	14	-291
Oats, hulled, unfit for human consumption. <sup>1</sup>	Bushel.....	( <sup>o</sup> )	19,918	( <sup>o</sup> )	5	
Other oats <sup>1</sup> .....	Bushel.....	( <sup>o</sup> )	19,799	( <sup>o</sup> )	9	
Products on which reduced duties were granted still unaccounted for. <sup>1</sup>					23	

Footnote at end of table.

**SUPPLEMENT TO TABLE 4.—Further analysis<sup>1</sup> of imports from Canada of agreement commodities having no strictly comparable data for 1935—Continued**

[Value in thousands of dollars]

	Quantity		Value		Amount of change	
	Unit	January to June, inclusive		January to June, inclusive		
		1935	1936	1935		1936
<b>Principal products on which the existing free entry into United States was mainly bound and for which fairly comparable data are available:</b>						
Scallops, total.....	1,000 pounds	418	690	77	126	+49
Fresh but not frozen <sup>11</sup> .....	do.	(9)	690	(9)	126	-----
Other <sup>12</sup> .....	do.	(9)	(10)	(6)	(10)	-----
<b>Agricultural machinery, implements, and parts, n. e. s., total.</b>						
Parts of plows, cultivators, tooth or disk harrows, drills, planters, horse-rakes, and mowers. <sup>11</sup>				(6)	284	-----
Other agricultural machinery, implements, and parts, n. e. s. <sup>12</sup>				(6)	337	-----
<b>Other products on which free entry into United States was bound still unaccounted for, total.</b>					28	-----

<sup>1</sup> This analysis takes into account every reduction item of which the imports in the first half of 1936 were greater than \$10,000. Thus the total of imports of reduction items not accounted for is made up of products the imports of which were each less than \$10,000.

<sup>2</sup> In 1935 imports of ice skates and parts were classified together with roller skates and parts. It is estimated that 80 percent of the imports in this composite category were imports of ice skates and parts.

<sup>3</sup> This figure represents imports of all black pigments shipped in from Canada. According to chemical experts this was made up of acetylene black.

<sup>4</sup> In 1935 all ferrosilicon containing 8 percent but less than 60 percent of silicon content were reported in one category. It is estimated that about 54 percent of the imports during the first half of 1935 of this composite group were imports of ferrosilicon containing 8 percent but less than 80 percent silicon, the type on which a reduction in duty was granted.

<sup>5</sup> In 1935 imports of all ground talc, steatite, or soapstone were reported in one class. It is estimated that 75 percent of the imports of this composite group during the first half of 1935 were imports valued at \$12.50 per ton.

<sup>6</sup> Not separable in 1935.

<sup>7</sup> Reduction applied to imports of this class only.

<sup>8</sup> No reduction on imports of this class.

<sup>9</sup> Imports of ducks and geese from Canada in the first half of 1936 amounted to 106 pounds, valued at \$20.

<sup>10</sup> Imports of other scallops from Canada in the first half of 1936 amounted to 248 pounds, valued at \$26.

<sup>11</sup> Existing free entry bound for import of this item.

<sup>12</sup> Agreement did not affect this item.

**ANALYSIS OF CUBAN-AMERICAN TRADE DURING THE FIRST 2 YEARS  
UNDER THE RECIPROCAL AGREEMENT**

(A general summary of this study was issued to the press on December 30, 1936. That summary, with some modifications, is incorporated in the present statement. Prepared by an interdepartmental committee, consisting of representatives of the Departments of State, Commerce, and Agriculture, and of the Tariff Commission.)

**GENERAL SUMMARY**

The striking two-way revival in Cuban-American trade that characterized the first year after the reciprocal trade agreement came into effect on September 3, 1934, has continued into the second year of its operation, September 1935 through August 1936, according to an analysis of the official trade returns by an interdepartmental committee, consisting of representatives of the Departments of State, Commerce, Agriculture, and of the Tariff Commission. The rate of recovery in the trade between the United States and Cuba during these 2 years since the agreement has been in operation has been much more pronounced than the increase in the commerce of either country with the world generally.

United States exports to Cuba during the second year recorded a further rise in value over the gains during the first year of the agreement, while United States imports from Cuba did not sustain the abnormal rise that marked the first year.

During the second full year of the operation of the Cuban-American trade agreement, September 1935 through August 1936, the value of United States products sold to Cuba aggregated 64 million dollars, as compared with 55 million dollars during the first year, and with an average of less than 30 million dollars during the depressed 2-year period preceding the agreement. Compared with that 2-year period the rate of increase in the value of our exports to Cuba was 85 percent for the first agreement year and 113 percent for the second.

The value of American imports from Cuba reached the figure of 151 million dollars during the first 12 months under the agreement, after an exceptionally low average value for the 2 preceding years of 51 million dollars. This large figure for the 12-month period following the conclusion of the agreement was due primarily to the fact that sugar shipments to the United States and withdrawals of sugar from bonded warehouses, which would normally have been made during the early part of 1934, were postponed in anticipation of the reductions in the rates of duty on sugar under section 336 of the Tariff Act and under the trade agreement, which reductions became effective on June 8 and September 3, 1934, respectively. Four-fifths of the Cuban sugar quota for the calendar year 1934 was filled during the 4 months following the conclusion of the agreement, from September to December 1934. The entire 1935 quota was filled during the first 8 months of 1935. Hence the import figure for the first year under the agreement, September 1934 through August 1935, includes four-fifths of the 1934 calendar-year quota and all of the 1935 quota. In addition, the unit values of our imports of sugar from Cuba—i. e., the prices received by the Cubans, in the 12 months following the agreement—showed a substantial increase over those which prevailed during the 12 months prior to the agreement. This was due to the additional returns which Cuba derived through the reduction in duty on Cuban sugar, coupled with the quota system stabilizing marketings of all sugars—foreign, insular, and continental—in the United States.

During the second year under the agreement, September 1935 through August 1936, when marketings of Cuban sugar were not disturbed by earlier withholding of shipments in anticipation of tariff changes, the total value of United States imports from Cuba declined to the more moderate figure of 115 million dollars. This figure, however, was still more than double the average of the two preagreement years.

The Cuban situation differs in two important respects from that of the other countries with which agreements have been concluded by the United States

under the authority of the Trade Agreements Act passed by Congress in June 1934. In the first place, the duty concessions granted by each country in the Cuban-American agreement apply exclusively to the products of the other, in line with the special preferential relations that have historically prevailed between the two countries since the establishment of the Republic of Cuba. Secondly, the sugar-control program instituted pursuant to the Jones-Costigan amendment May 9, 1934, to the Agricultural Adjustment Act, has had the dual effect of stabilizing marketing of Cuban sugar in this country and increasing the return on these marketings.

#### UNITED STATES EXPORTS TO CUBA

The American products on which Cuba granted reduced duties or increased preferences accounted for an increase of 14½ million dollars in our exports during the second agreement year over the last preagreement year, September 1933 to August 1934.<sup>1</sup> An additional \$7,000,000 increase was recorded for those commodities from the United States on which the previous duties were bound against increase or which were guaranteed continued duty-free admission into Cuba. Taken together, all these products affected by the agreement accounted for an increase in trade of over 21½ million dollars out of the 28½-million-dollar total increase in value of American exports to Cuba during the second agreement year over the preagreement period. During the first year under the agreement the additional sales to Cuba of all agreement items were valued at 16 million dollars more than in 1933-34.

The gains in exports to Cuba during the second agreement year were quite widely distributed among various American producers, agricultural and industrial, and, in most cases, equaled or exceeded the level recovered during the first agreement year. The classes of food and related products granted duty reductions which record the most notable increases over the preagreement year in value of shipments to Cuba were: Lard and other forms of pork; white potatoes and onions; selected canned fruits and vegetables; certain vegetable and animal oils and fats; and canned sardines. The increased shipments of a number of these products, especially of lard, are the more notable considering the domestic shortage in the United States following the drought of 1934. Among the industrial products receiving tariff benefits the outstanding gains in American exports to Cuba during the second agreement year were made by automotive products; radio apparatus and electric refrigerators; sugar-mill machinery, sewing machines, and typewriters; structural steel, pipes and fittings; wire and other metal products; certain textile yarns, fabrics and manufactures; upper and patent leather; paper boards and writing paper; glass containers; ready-mixed paints; certain nonproprietary druggists' preparations; cigarettes; and toys.

The increases in shipments to Cuba among the products on which the existing duty or duty-free treatment were bound against change were most marked during this second year in flour not wholly of American wheat; Southern pine lumber; bituminous coal; petroleum products; raw cotton; certain fresh fruits; boots and shoes, and special types of leather; certain textile products, including cotton and rayon fabrics and cotton bags; various types of paper; and proprietary medicines. While increases in exports to Cuba were general for practically all major classes of commodities, there were some particular products that declined, including certain vegetable oils, certain textiles, and certain petroleum products.

The remaining \$7,000,000 increase was made up mostly of a variety of products not specifically included in the agreement but sharing in the benefits of the enlarged general Cuban purchasing power resulting from the agreement and the sugar-control plan. This total included also some classes of merchandise partly affected by the agreement, but for which no separate comparable statistical data are available.

#### UNITED STATES IMPORTS FROM CUBA

From the nature of Cuban resources, American imports from that country are concentrated in a small number of products and are predominantly agricultural. Most of these products either supplement an inadequate domestic supply in the United States or are products largely distinctive with Cuba. The Cuban products granted tariff reductions by the United States accounted for 61 million

<sup>1</sup> No similar break-down by commodities is available for 1932-33.

dollars out of the total 67-million-dollar increase in imports during the second agreement year as compared with the last year before the agreement. Cane sugar, the principal crop of Cuba and barometer of its prosperity, has for years dominated American imports from that country, and during this period accounted for over 57 million dollars of the increased trade. Of distinctly secondary rank were the increases in American imports from Cuba of leaf tobacco and cigars, and of rum. Less notable increases were recorded for certain off-season vegetables, principally tomatoes, and secondarily eggplant, lima beans, peppers, okra, white potatoes, and cucumbers; certain subtropical fruits, including pineapples, grapefruit (during certain months), mango and guava paste and pulp; crude glycerin, and mahogany boards.

The products of Cuba for which free entry into the United States was bound by the agreement showed varying changes up and down, apparently in response to the special influences affecting the American import trade in the particular products. On balance, these products as a group contributed a million dollars of the increase in value of United States imports from Cuba during the second agreement year over the preagreement period. Among these duty-free items, varying increases in trade values were recorded for bananas and avocados; henequen and binding twine; and for iron ore, chrome ore, and copper concentrates; while shipments of Cuban manganese to the United States declined, after an increase during the first year. The increase by nearly 5 million dollars in imports of inedible molasses, on which the American duty was not changed by the agreement, was due to certain exceptional developments, including the increased demand for use in the production of alcohol in the United States.

#### PRINCIPAL CHANGES IN UNITED STATES SALES TO CUBA

##### AGRICULTURAL AND FOOD PRODUCTS

The combined exports to Cuba of American agricultural products that were granted reductions in duty, increases in percentage of preference, or bindings of existing tariff treatments amounted to 12.9 million dollars during the second agreement year, September 1935, through August 1936, making an increase of 5.2 million dollars, or 68 percent, over the corresponding 12-month period preceding the coming into effect of the agreement on September 3, 1934. This improvement in agricultural exports to Cuba would undoubtedly have been still greater but for the droughts of 1934 and 1936 in the United States, which curtailed the supplies of many farm products available for export. In the face of these circumstances, the substantial increases in shipments to Cuba of virtually all the farm products on which Cuba granted concessions or assurances are especially significant.

*Lard and pork.*—The most prominent single product was hog lard, for which the once important Cuban market had declined sharply under increasing duties and reduced purchasing power to nearly one-tenth its former volume. Under the agreement, Cuba made a drastic cut in the lard duty.<sup>2</sup> There followed an immediate recovery in United States exports of lard to Cuba, with shipments during the first agreement year practically doubling in quantity (from 17 to 33 million pounds) and tripling in value (from 1.1 million to 3.3 million dollars). This large increase took place despite a decline of about 40 percent in hog and lard production in the United States resulting from the drought of 1934, and at a time when our total lard exports declined by nearly 70 percent. While the 1934-35 level was not fully sustained during 1935-36, the second agreement year, partly due to the low level of domestic production and somewhat higher export prices in the United States, shipments during the latter period were 1.7 million dollars above the preagreement level. Apparently there was a considerable amount of deferred purchasing awaiting the further reduction in the Cuban duty and removal of the consumption tax, effective September 3, 1936, for reports from Habana indicate exceptionally large importations during the period immediately following.

Bacon, ham, and shoulders, and other pork products, on which the duties were also reduced, recorded an increase of \$152,000 in sales during the second agreement year over the preagreement year.

<sup>2</sup> Cuba undertook, moreover, to reduce the duty further at the beginning of the second year, and again at the beginning of the third year, by which date, also, the consumption tax on hog lard was to be eliminated. These further reductions have taken place, as scheduled.

*Other fats and oils.*—Reductions in the Cuban duties were secured also on various oils and fats used in the manufacture of lard substitutes. However, Cuban consumers ordinarily prefer lard to the substitutes, and when the sharp reduction in the duty under the agreement made lard again available at a moderate price the Cuban demand tended to return to lard. This fact, combined with shorter supplies and higher prices in the United States for cottonseed oil, apparently accounts for the decline in shipments to Cuba of crude and refined cottonseed oil from 7 million pounds, valued at \$352,000, during the last preagreement year, to a negligible amount during 1935-36. In this connection it should also be noted that the United States was on an import basis for cottonseed oil in 1934-35 and 1935-36.

Edible tallow and stearin, also materials for lard substitutes, on which the Cuban duty was bound, likewise experienced a material dropping off in sales, from \$243,000 in the preagreement year to \$44,000 during the second agreement year. These declines were, of course, more than offset by the increased shipments of lard, earlier mentioned, and by an increase of \$190,000 in the exports to Cuba from the United States of soy bean and other edible vegetable oils and fats on which the duties were also lowered.

Related to this group are the inedible vegetable oils and byproducts used principally in the manufacture of soap, on most of which the duties were either reduced or bound under the agreement. Cuban purchases of these products from the United States increased steadily from \$121,000 in 1933-34 to \$471,000 in 1935-36. On the other hand, exports to Cuba of inedible tallow and other animal oils and fats, on which the trade agreement bound the existing duties, declined from \$374,000 in the last preagreement year to \$58,000 in the second agreement year.

*Cereals.*—Exports to Cuba of milled rice, which were of negligible importance during the 12 months preceding the agreement, reached a value of \$978,000 during the first agreement year, and of \$843,000 during the second year. The bulk of these shipments took place during the period of approximately 10 months when the processing tax export-refund provision (amendment of Mar. 13, 1935, to the Agricultural Adjustment Act) enabled American rice exporters to take advantage of the trade agreement concession in competition with other foreign rice on the Cuban market.

Exports of wheat flour from the United States to Cuba during the first year under the agreement totaled 973,000 barrels, valued at \$4,592,000, and during the second year 1,004,000 barrels, valued at \$4,958,000, as compared with only 817,000 barrels, valued at \$3,592,000, during the year immediately preceding the agreement. A reduction was granted in the Cuban duty on flour milled wholly of United States wheat, while the duty was bound against increase in the case of flour milled in the United States but not wholly of United States wheat. In addition, Cuba agreed to abolish within 2 years the consumption tax on wheat flour, which was done on September 3, 1936.

Statistics covering exports of wheat flour from the United States were not broken down between flour wholly of United States wheat, and other than wholly of United States wheat, prior to January 1, 1935. However, estimates based upon shipments by leading ports and on representative flour prices indicates that our shipments to Cuba of flour wholly of United States wheat totaled about 215,000 barrels, valued at approximately \$1,050,000, during the year preceding the agreement, and increased to 235,000 barrels, valued at \$1,130,000, during the first year under the agreement. During the second year under the agreement, according to our export statistics, shipments of such flour totaled 170,000 barrels, valued at \$807,000. But for reduced supplies of the types of wheat commonly used in flour exported to Cuba, our exports of flour wholly of United States wheat during the first agreement year would doubtless have been larger. Further reductions in the supply, below domestic requirements in the United States, during the second year were probably responsible for the decline shown in comparison with the first agreement year.

Our exports to Cuba of flour other than wholly of United States wheat are estimated at 602,000 barrels, valued at \$2,542,000, during the preagreement year, and 738,000 barrels, valued at \$3,462,000, during the first year following the agreement, while during the second agreement year the actual total was 885,000 barrels, valued at \$4,151,000.

*Vegetables.*—Seasonal reductions in Cuban duties were obtained for white potatoes from July through October and for onions from the middle of June to the middle of November of each year, the previous tariff treatment of these products being bound for the remainder of the year. Exports of white potatoes to Cuba increased from 230,000 bushels, valued at \$211,000, in the pre-

agreement year to 994,000 bushels, valued at \$571,000, in the first agreement year and to 856,000 bushels, valued at \$516,000, in the second agreement year. Onions showed increasing shipments from the United States by 8 million pounds, or \$245,000, during the first year under the agreement and by 17 million pounds, or \$348,000, during the second year as compared to the last preagreement year. Other fresh vegetables on which the existing Cuban duties were bound showed increases of \$55,000 in shipments during the second agreement year over the preagreement period. Lesser increases were recorded in the sales to Cuba of dried beans, and of canned peas, corn, and asparagus, on which the duties were also reduced.

*Fruits.*—The principal advantage secured for fresh fruits, of which Cuba has been a minor purchaser, was the binding against increase of the existing duties. During the second agreement year our shipments of fresh apples increased by \$59,000, of pears by \$36,000, and of grapes by \$38,000 over the preagreement year. Following the reduction in the Cuban import duties on canned fruits, shipments from the United States to that country increased during the first agreement year by \$75,000, and during the second year by more than \$100,000, over the preagreement year. The principal fruits involved were canned peaches and pears.

*Miscellaneous food products.*—Among nonagricultural food products, exports of canned sardines, on which the Cuban duty was reduced, increased from \$71,000 during the preagreement year to \$128,000 during the first agreement year and to \$231,000 during the second year.

#### NONAGRICULTURAL PRODUCTS

Cuba is primarily an agricultural country, and, despite the important trade in certain foodstuffs, nonagricultural items make up the greater part of the total value of our exports to the island. The Cuban-American trade agreement directly affected several hundred commodities among our nonagricultural exports to Cuba. Many of our principal manufactured products were granted reductions in duty by Cuba, usually with an increased percentage of tariff preference; for others, particularly raw materials and semimanufactured commodities, Cuba pledged continuation of existing tariff treatment. The aggregate value of nonagricultural products sold by American producers to Cuba during the second agreement year (September 1935 through August 1936) totaled 49.3 million dollars, making an increase of \$22,000,000 over the last preagreement year (September 1933 through August 1934), and a further advance over the level recovered during the first year under the agreement.

*Automotive products.*—Among the industrial products granted duty reductions of varying degree by Cuba, the largest gain to American trade in the second agreement year was recorded by automotive products, the exports of which were higher by 2¼ million dollars than during the last preagreement year. Sales of passenger cars and chassis gained 1½ million dollars; motor trucks and busses, \$640,000; parts and accessories, \$166,000. The related products of automobile tires and tubes recorded increased exports to Cuba by \$204,000, although not quite sustaining the increase during the first agreement year, \$231,000.

*Electrical apparatus.*—The revival in consumer purchases, following the enlarged buying power created by the greater returns to Cuba from its sales to the United States, which largely explains the striking increase in the automotive business, was further reflected in increased purchase from the United States of electrical apparatus. Radio apparatus made the largest gain in this group; shipments to Cuba from the United States during the second agreement year increasing by \$587,000 over the preagreement year. Sales of American electric refrigerators increased by over \$300,000 (household types by \$267,000, store types by \$50,000) and parts for electric refrigerators by \$62,000. Sales of incandescent light bulbs, on which the United States was given a marked increase in the margin of preference, increased by \$85,000.

*Machinery and other metal products.*—The more profitable operation of Cuban industries apparently made possible the purchase of new machinery, equipment, and supplies, which is reflected in increased shipments of these classes of goods from the United States. Sales of sugar-mill machinery alone increased by \$270,000 during the second agreement year, as compared with the preagreement year. The sales of sewing machines for domestic and factory use were greater by \$150,000. Exports of textile machinery and parts showed a smaller increase, of \$64,000. A large number of other types of machinery also shared in the growth of United States exports to Cuba. On most classes of

machinery from the United States the Cuban duties were reduced by the agreement.

A variety of metal products, on which duty reductions were granted, also experienced larger shipments to Cuba. In this category, the principal increases during the second agreement year as compared with the last preagreement year were in iron and steel bars, by \$105,000; galvanized sheets, by \$148,000; structural shapes, by \$149,000; pipes and fittings, by \$129,000; steam boilers, by \$74,000; metal drums and containers, by \$77,000; copper wire, by \$111,000; other wire and manufactures, by \$96,000; nails and bolts, by \$70,000; and razor blades, by \$68,000. Exports of barbed wire, on which Cuba assured free entry if for fences, showed an increase of \$87,000. Shipments to Cuba of tin plate and related products, not included among the agreement items, were greater by \$242,000 during 1935-36 than during 1933-34.

In the field of office equipment, the largest gain over the preagreement period was recorded by typewriters and parts, the exports of which increased by more than \$100,000 during the second agreement year. Smaller gains were shown for other business appliances, filing cabinets and the like.

*Textiles.*—Sales of textile products of various kinds, for which Cuba had been an important market for American producers, showed marked recovery in a number of items during the last 2 years. The largest single gain was recorded in the sales of woven fabrics of rayon, on which varying reductions in duty for such American products were obtained from Cuba. The trade increased from less than \$200,000 during the last preagreement year to \$620,000 during the first year after the agreement, and to over \$2,000,000 during the second year. On cotton and rayon mixtures, in chief value of cotton, the existing tariff rates were mostly bound against increase. Here a more moderate increase in trade, of \$208,000, took place during the second agreement year.

Of cotton piece goods as a whole, excluding rayon mixtures, Cuban purchases from the United States were larger during this second agreement year by about \$600,000 than during the 12 month period preceding the agreement. However, it is difficult to judge to what extent the duty reductions obtained on most fine cotton fabrics contributed toward this total increase in trade. It is not possible to isolate completely in the trade statistics the types of fabrics upon which reductions in duties were obtained under the agreement, from those on which the duties were bound at their previous level.<sup>a</sup> Moreover, a factor which has materially influenced the sales of textiles in the Cuban market since early 1935 is the Cuban legislation restricting imports from a number of foreign countries which had formerly been suppliers of large quantities of cotton and rayon piece goods to Cuba. To be conservative, therefore, all cotton fabrics have been regarded, for the purposes of this study, as among the products from the United States on which the previous Cuban tariff treatment was bound against increase, although that does not allow for benefits received from the actual duty reductions obtained on certain types of fabrics.

However, it does seem significant that with the improvement in general purchasing power in Cuba under the operation of the trade agreement with the United States, Cubans have been able to increase their total volume of purchases of foreign textiles, with American producers as the principal beneficiaries. At the same time, the revival and extension of activity on the part of the small Cuban cotton textile industry was reflected in an increase during the second agreement year of \$334,000 over the prearrangement year in the importation from the United States of raw cotton, on which the nominal Cuban duty was bound.

Yarns of various kinds, on which Cuba granted the United States increased preferences, recorded substantial gains during the second agreement year over the last preagreement year; cotton yarns by \$71,000, rayon yarns by \$245,000, and silk yarns by \$85,000. Shipments from the United States of cotton blankets, on certain types of which the Cuban duties were reduced, increased by \$108,000. Cotton bags, on which the previous duty was bound, recorded an increase of \$122,000. Cuban purchases of silk hosiery, also a duty reduction item, increased to almost \$100,000 during the second agreement year from \$3,000 in the preagreement year. Increases were shown for various other textile products, such as absorbent cotton and knit wool wearing apparel.

<sup>a</sup> While, in general, reductions in duty were obtained on most fabrics of close construction, the Cuban import classification of cotton textiles—on a combination weave, weight, and thread-count basis—does not allow any correlation with the trade-name classification in the United States export statistics for cotton textiles, which alone are available in detail.

*Leather and products.*—On certain types of leather from the United States, the Cuban duties were reduced by the agreement; on others, the existing tariff treatment was bound against increase. Among the reduction items, exports of upper leather of various kinds increased during the second year by \$833,000, and those of patent upper leather by \$74,000, as compared with the preagreement year. Among the types on which duties were bound, shipments of cattle-side upper leather were higher by \$155,000. Of leather boots and shoes, also a bound item, imports revived from \$43,000 during the preagreement year to \$157,000 during the first agreement year and to \$300,000 during the second agreement year.

*Lumber, paper, and products.*—Cuba guaranteed under the agreement that unplanned southern pine lumber, for which Cuba had been an important market for American producers, would continue to be admitted duty-free from the United States. The increase in shipments of southern pine from the United States, comparing the second agreement period with preagreement year, amounted to \$450,000. Smaller increases were recorded for other kinds of lumber, secondary in the Cuban trade, on which duty reductions were secured.

Material increases in sales to Cuba were recorded during the second year as compared with the preagreement year for boxboard, by \$101,000; and for bristol and miscellaneous paperboards, by \$141,000; on both of these the Cuban duties were reduced by the agreement. Shipments of plain writing paper, likewise a reduction item, increased by \$141,000. Among the types of paper on which Cuba undertook to maintain the existing favorable tariff treatment, larger sales were recorded for newsprint (bound free if for newspapers), by \$74,000; uncoated book paper (bound free if for magazines), by \$70,000; surface-coated paper, by \$99,000; and wrapping paper, other than kraft, by \$63,000.

*Nonmetallic mineral products.*—Among the glass products for which duty reductions were obtained, a trade increase of \$351,000 over the preagreement figure was recorded during the second agreement year for glass containers, and a smaller increase of \$94,000 for plain table glassware. Exports of plate and window glass, also duty-reduction items, were greater by \$41,000 than during the last preagreement year.

Shipments to Cuba of bituminous coal, which continued duty-free under the agreement, increased during the second year by \$184,000 over the last year before the agreement. The existing Cuban tariff treatment of petroleum and products thereof was assured against change without prior consultation with the United States. During this second year, purchases from the United States of crude petroleum increased by \$685,000; and of gasoline and other light distillates by \$955,000. The principal types of lubricating oils recorded a smaller increase of \$114,000. Residual fuel oil showed a noticeable decline of \$302,000. The changes in the trade in petroleum items were partly influenced by the privilege, established in September 1935, of free entry for gasoline and lubricants for aircraft in international service, and by certain shifts in the sources of supply of the Cuban market.

*Chemicals and related products.*—Among the American chemical products granted duty reductions by Cuba, druggists' nonproprietary preparations (pills, tablets, powders) during the second agreement year showed an increase in exports of \$152,000 over the last preagreement year. Smaller gains were recorded for toilet preparations and for soaps. Proprietary preparations and biologics, on both of which the existing Cuban duties were bound, likewise recorded increased shipments during the second year by \$156,000 and \$72,000, respectively. Shipments of ready-mixed paints, on which the duties actually payable were lowered by an adjustment secured in the Cuban customs classifications, were greater by \$104,000 than during the last preagreement year. Smaller increases in trade were recorded for other agreement items, such as superphosphates, various sodium compounds, and dynamite.

*Miscellaneous products.*—Among the miscellaneous products on which duty reductions were granted to the United States by Cuba, a trade increase of nearly \$100,000 was recorded during 1935-36 over 1933-34 for cigarettes; of \$111,000, for toys; and of \$70,000, for unexposed films and photographic paper.

#### PRINCIPAL CHANGES IN CUBAN SALES TO THE UNITED STATES

*Sugar.*—Sugar has accounted for around three-fourths of the total value of Cuban exports to the United States and to the world during recent years. The principal concession to that country by the United States in the trade agreement

was in the form of a reduction in our duty on Cuban sugar and, as earlier indicated, by far the largest increase in American imports from Cuba under the agreement has been in sugar. Under the Tariff Act of 1930 the rate of duty on Cuban 90° sugar was 2 cents per pound. This rate was reduced to 1.5 cents on June 8, 1934, by Presidential proclamation under authority of section 336 of the Tariff Act. Under the trade agreement, effective September 3, 1934, the rate was further reduced to nine-tenths of a cent per pound.

However, this reduction was accompanied by quantitative restrictions on the amount of Cuban sugar and other off-shore sugar which may be entered into the United States for consumption in any one year, and limitations on the amount of continental sugar which may be marketed annually. The annual quotas to Cuba and to other off-shore areas are fixed by the Secretary of Agriculture under authority of the Jones-Costigan Act (approved May 9, 1934) and Public Resolution 100 (approved June 19, 1934), and were based originally on average imports for consumption during the three most representative years of the 1925-33 period, adjusted to consumption requirements of the continental United States after deducting the quotas for sugar produced in the continental United States.

The revised quotas for Cuban sugar for the 1934 and 1935 calendar years, in terms of 90° raw value sugar, were 1,806,482 short tons and 1,822,596 short tons, respectively. The original 1936 quota to Cuba was fixed at 1,852,575 short tons, but was later revised to 2,102,007 short tons. The upward revision in the 1936 quota to Cuba was due to increased consumption in the United States and to the anticipated inability of certain other areas to fill their quotas. Our annual imports of sugar from Cuba, on a 90° raw value basis, during the 5 years from 1929 to 1933, averaged 2,472,318 short tons, and during the 5 years from 1924 to 1928, averaged 3,486,120 short tons.

With the quantitative restrictions on sugar imports and with increased consumer income in this country the prices received by sugar producers in the United States have shown an increase since the Cuban agreement became effective. The average wholesale price of raw sugar, 90° centrifugal, on the New York market for the 12 months ending August 1936 was 3.6 cents per pound, equivalent to an increase of approximately 13 percent over the average of 3.2 cents during the 12 months (September 1933-August 1934) immediately preceding the agreement. However, prices to consumers in the United States did not increase in like proportion—retail prices in leading cities of the United States averaged 5.7 cents per pound during the 12 months ending August 1936, only a slight increase over the average of 5.6 cents per pound during the comparable 12 months immediately preceding the Cuban agreement.

During the 12 months preceding the Cuban agreement (September 1933-August 1934) our general imports of sugar from Cuba totaled 1,410,026 short tons, valued at \$38,884,000; while in the 12 months immediately following the agreement (September 1934-August 1935) they totaled 2,531,074 short tons, valued at \$98,815,000. Imports of sugar for consumption from Cuba during the 12 months preceding the agreement totaled only 1,043,340 short tons, valued at \$26,046,000, while in the 12 months immediately following the agreement they reached a total of 3,374,820 short tons, valued at \$120,098,000.<sup>4</sup>

The figures for both of these periods, whether covering general imports or imports for consumption, are abnormal. In the case of the figures covering general imports, the quantitative increase in the 12 months following the agreement, over the like period preceding the agreement, was made up in part of shipments of sugar from Cuba to the United States which would normally have been made in the early months of 1934, but which were held back until the anticipated reductions in duty under section 336 of the Tariff Act and under the trade agreement became effective. The still greater increase in imports for consumption during the 12 months after the agreement, in comparison to such imports during the like 12 months preceding the agreement, followed not only the holding back of shipments from Cuba, but the postponement by importers of the withdrawal from bonded warehouses of sugar, already in the United States, until after the duty reductions became effective.

In addition, approximately four-fifths of the 1934 calendar year revised quota for Cuban sugar, which amounted to 1,806,482 short tons of 90° raw value sugar, was filled in the 4 months (September-December 1934) immediately following the conclusion of the agreement. On the other hand, the entire Cuban

<sup>4</sup> Sugar in bonded warehouses is classified as a general import and does not appear in imports for consumption until the duty is paid and the sugar withdrawn by the importer. This accounts for the differences in the figures relating to general imports and to imports for consumption for the same periods.

quota of 1,822,500 short tons for the calendar year 1935 was filled during the first 8 months (January-August) of that year. Therefore, the figures covering imports for consumption during the 12 months immediately following the agreement (September 1934-August 1935) represent the imports of almost 2 calendar years' quotas of Cuban sugar.

The second 12-month period under the agreement (September 1935-August 1936) represents a more normal picture of the import trade in sugar under the Cuban agreement. During this period general imports of sugar from Cuba totaled 1,726,291 short tons, valued at \$84,161,000, while imports for consumption totaled 1,732,274 short tons, valued at \$84,463,000. As previously indicated, no 1935 quota sugar entered from Cuba after August 1935, and the imports for consumption during the September 1935-August 1936 period were chargeable to the 1936 quota. These figures covering imports do not lend themselves to exact comparison with the quota figures, primarily due to the fact that the quota figures are calculated on a 96° raw-value basis, while the import figures represent imports of raw sugar of varying degrees, as well as imports of direct-consumption sugar. However, the Cuban sugar quota for the calendar year 1936, calculated on a 96° raw-value basis, was approximately 87 percent filled by the end of August 1936.

The increase in prices of raw sugar which Cuban growers and exporters have obtained as a result of the reduction in the United States duty, and as a result of the small increase in raw-sugar prices on the New York market, have also been factors of importance in the increased import value of our purchases of sugar from Cuba in the 2 agreement years. According to our import statistics, the value of imports of sugar for consumption from Cuba, including both raw and direct-consumption sugars, during the 12 months preceding the agreement (September 1933-August 1934) averaged approximately 1.20 cents per pound. During the first 12 months following the agreement (September 1934-August 1935) it averaged 1.70 cents per pound, and during the second 12 months (September 1935-August 1936) it averaged 2.44 cents per pound. As has already been outlined, the improved returns to the Cuban sugar industry have been reflected in our increased exports to the island, including our exports of such important agricultural commodities as hard, flour, and rice.

*Tobacco and products.* Tobacco, preponderantly of the cigar-filler type, is the second most important item in our agricultural imports from Cuba on which tariff reductions were granted. The United States is the most important market for Cuban leaf tobacco, accounting on a value basis for approximately 71 percent of Cuba's total exports of unmanufactured tobacco during the 6 years, 1929-34. Much of the Cuban cigar filler and scrap tobacco is used in blends with United States cigar-leaf tobacco.

Imports for consumption of Cuban tobacco and tobacco products during the 12 month period preceding the trade agreement (September 1933 through August 1934) were equivalent to 16,757,000 pounds (unstemmed basis), valued at \$7,762,000, compared with 18,574,000 pounds (unstemmed basis), valued at \$8,500,000, during the first year of the agreement, and 20,109,000 pounds, valued at \$9,698,000, during the following 12 month period (September 1935 through August 1936). During the 6 years, 1924-29 the annual imports for Cuban tobacco (unstemmed basis) ranged from 20,562,000 to 31,253,000 pounds.

In order to safeguard the domestic cigar-tobacco-adjustment programs the duty reductions on Cuban tobacco and tobacco products granted in the trade agreement were coupled with a quota limiting imports from Cuba to 18 percent of the total quantity (unstemmed equivalent) of tobacco used in the domestic manufacture of cigars during the preceding calendar year. This quota of 18 percent represented the ratio of imports of Cuban tobacco to the total quantity of tobacco (unstemmed basis) used in the domestic manufacture of cigars in registered factories in continental United States during the 10-year period 1924-33. Calculated on this basis the quota for the calendar year 1934 was 18,845,864 pounds (unstemmed basis) and 20,062,125 pounds for 1935.

The trade agreement stipulated that in case the United States tobacco production-adjustment programs should be abandoned, on notice to such effect by our Secretary of Agriculture, the duties on Cuban tobacco would revert to the higher preagreement rates. Notice to this effect was given March 10, 1936, thereby terminating the application of the reduced rates specified in the agreement. However, the rate to Cuba on cigar-wrapper tobacco (representing less than 2½ percent by value and 1 percent by volume of our tobacco imports from Cuba during 1926 to 1935) was unchanged at this date, but was reduced

on July 1, 1936, on the basis of reductions granted in the Netherlands agreement. Since the early part of 1936 imports of Cuban tobacco have declined, owing in part to the higher rates of duty in effect and in part to the abnormally large shipments during October-November<sup>a</sup> 1935 and January 1936, in anticipation of termination of the reduced duties.

*Rum.*—Of Cuban products, other than sugar and tobacco, on which duties into the United States were reduced under the trade agreement, the largest increase in imports during both the first and second year of its operation was recorded for rum. The sizable trade that developed during the preagreement year in our purchases of Cuban rum, almost immediately upon the opening of the American market to legal sales of liquor, after repeal of the prohibition amendment became effective in December 1933, increased by more than one-half million dollars or 145,000 gallons during the first agreement year. This level of imports was slightly exceeded during the second agreement year. Following the reduction in duty from \$4 to \$2.50 per gallon, the special types of rum made in Cuba had an early opportunity to develop consumer preference in the American market. This they were able to maintain and expand after the duty on Cuban rum was reduced to \$2 per gallon on the basis of the reduction by one-half of the former rate of \$5 per gallon on rum from Haiti and countries other than Cuba, as of June 3, 1935 (the effective date of the Haitian agreement).<sup>b</sup>

*Fresh vegetables.*—Among the secondary Cuban products on which the United States duties were reduced under the agreement, fresh vegetables rank next in trade importance to rum. Taking account of the climatic difference between the growing seasons in Cuba and most of the United States, the reductions were all on a seasonal basis—that is, the application of the lower import duties was limited in each case to the winter and spring months, during which shipments to consuming centers in the United States of similar domestic vegetables are usually lightest. Shipments arriving before or after the specified periods, which vary somewhat for the different products, continue to pay the full former rates. The vegetables on which such seasonal duty reductions were granted are, tomatoes, eggplant, peppers, lima beans, white potatoes, okra, cucumbers, and squash.

United States total imports of all fresh vegetables from Cuba increased from under \$800,000 during the 12 months preceding the agreement to nearly \$1,200,000 during the first year, and to \$1,300,000 during the second year under the agreement. However, the year preceding the agreement (September to August 1933-34) was a period of rather light imports. Consequently the comparisons probably show a somewhat larger increase than they would have if the 5-year period 1929-30 to 1933-34 were used. Further, the increase in the vegetable imports cannot all be ascribed to the Cuban agreement since crop damage was greater than usual to vegetable crops in the United States during 1934-35.

Approximately four-fifths of the total imports of Cuban fresh vegetables into the United States under the agreement entered during the limited months of the duty concessions, as compared to three-fourths during the preagreement year. The increased imports under the reduced duties appear largely as supplementary to the domestic supply of fresh vegetables, during the winter and early spring months. Almost every year frosts, winds, and excessive rains seriously reduce the supply of one or more of the green winter vegetable crops produced in the United States.

Tomatoes have for some years been the leading Cuban vegetable finding a ready market in the United States. The value of tomato imports from Cuba, which amounted to \$544,000 during the 12-month period preceding the agreement, totaled \$792,000 during the first agreement year and \$748,000 during the second year. Of the Cuban tomatoes purchased by the United States during the second agreement year, 82 percent entered during the concession period (December through February). In the preagreement year, imports were distributed over a much longer season, with only 64 percent of the total quantity entering from December 1933 through February 1934, while 75 percent entered during the corresponding period of the first agreement year.

A similar concentration of the marketing season is indicated for eggplant and cucumbers. In the case of eggplant, over 88 percent of the imports during

<sup>a</sup> In early December the quota was exhausted.

<sup>b</sup> Separate statistics of imports of rum during recent years are available only since May 1934, since which time also there have been two changes in classification and in rates of duty. All these changes, taking place during the period following repeal, render difficult a precise measure of the effects of the concession to Cuba.

the second year took place during the concession season, as compared with 77 percent in the first agreement year and 75 percent prior to the agreement. Of the total imports of cucumbers from Cuba, 92 percent of the second year's imports came in during the concession period, which was higher than in either of two previous 12-month periods. Imports of eggplant during the second agreement year showed an increase of \$89,000 over the preagreement year, while imports of cucumbers were greater by \$19,000.

The imports of lima beans from Cuba did not increase during the first year under the agreement but were greater during the second year by \$56,000 than during the 12 months prior to the agreement. Imports of peppers from Cuba have been increasing under the agreement, by \$53,000 during the first agreement year and by \$88,000 the second year. Considerably more than 90 percent of the total shipments to the United States of Cuban peppers and lima beans in each of the 3 years were made during the concession period.

United States purchases of Cuban okra during the second agreement year increased, by \$15,000 over the first year, to \$68,000, practically all of which was admitted during the 6-month concession season.

White potatoes represent the only item among the vegetables showing enlarged imports from Cuba (by \$52,000 during the second agreement year) for which the major portion of the increase did not take place during the months in which the agreement reduction in duty applied. Only about one-third of the total imports of potatoes during each agreement year were admitted during the concession period (December through February). This part of the imports entered entirely or very largely during January and February and represented potatoes from Cuba's first winter crop which is ready for market by the beginning of January. Cuba's second crop reaches the market chiefly during April, in which month two-thirds of our total purchases of Cuban potatoes were made in the first year and one-third in the second year, when almost 10 percent of the total entered as late as June owing to a favorable price situation. The imports of Cuban potatoes during the two agreement years seem large by comparison with the preagreement year, because during the preagreement year imports were abnormally small, owing to reduced Cuban plantings following unfavorable prices of the preceding season.<sup>7</sup>

*Fresh and preserved fruits.*—Cuba has for many years been a supplier to the American market of certain tropical and subtropical fruits and related products. Materially increased imports, amounting to \$281,000 more in the second agreement year than in 1933-34, have been recorded by the principal items on which United States import duties were reduced by the trade agreement, namely, fresh and preserved pineapples, grapefruit, and mango and guava paste and pulp. Varying increases in American purchases from Cuba also took place in bananas and avocados, the free entry of which from Cuba was bound.

Purchases of fresh pineapples from Cuba, the principal supplier of our dutiable imports of pineapples, had fallen off considerably in the years before the trade agreement reduced the import duty by 50 percent. While recording only a small gain during the first year under the agreement over the preagreement period, an increase of about \$150,000 was shown during the second year. However, the small gain in United States purchases during the first year is significant since total export shipments of Cuban pineapples declined materially in 1935 as compared with 1934, owing to drought damage. The larger imports of Cuban fresh pineapples amounted to about one-half of the quantities purchased in the predepression years.

Cuba is a secondary source of supply of prepared or preserved pineapple, the duty-free shipments from Hawaii constituting by far the predominant source of United States supply. Only small increases have occurred in the shipments of such pineapple from Cuba under the agreement, and much of that is understood to consist of pineapples in brine for further processing in this country.

Cuba has long been the chief foreign source of fresh grapefruit. Imports from Cuba are equivalent, however, to only about 1 percent of total domestic production and to one-third or less of the shipments from Puerto Rico. The supplementary supplies from Puerto Rico and Cuba are much smaller than our exports of grapefruit.

Cuban grapefruit arrives principally during the 2 months of August and September, for which months the import duty was cut in half under the trade

<sup>7</sup> It will be recalled that white potatoes from the United States were granted a duty reduction into Cuba during the 4-month period of July through October. The increased Cuban purchases of American potatoes have in both agreement years been several times that of total Cuban shipments to the United States.

agreement. The concession does not extend to October, when our domestic crop begins its principal marketing season. While our receipts of grapefruit from Puerto Rico are also heavy in September, they have a much longer marketing season, usually from May through October, than the Cuban grapefruit. Because the trade agreement became effective on September 3, 1934, three Cuban grapefruit crops have been affected by the seasonal concession. During the preagreement season, August-September 1933, imports of Cuban grapefruit amounted to about 30,000 boxes; and during the 1934 season these imports totaled 108,000 boxes, the bulk of which entered during September, within the period of the reduced duty. The imports during the second concession season, August-September 1935, were about 55,000 boxes; whereas during the same months of 1936 they were 119,000 boxes. The imports for the 1934 and 1936 seasons represent more nearly normal purchases of Cuban grapefruit, which averaged well over 100,000 boxes for the years 1929-32. Imports in 1933 were seriously curtailed as a result of hurricanes, and in 1935 the Cuban crop was adversely affected by drought, and only comparatively limited quantities of small-sized grapefruit were ready for the American market during the concession season.

Imports of avocados have long been supplied practically entirely by Cuba, and have been admitted free of duty from that country for over 30 years. Such free entry was bound by the trade agreement; the Cuban Government, however, agreeing on its part to limit exportations to the United States to the months of June through September of each year beginning with 1935. In previous years, most of the imports from Cuba usually arrived in the months indicated, with occasional material shipments during October. The agreement import season shortens the period of competition in our markets between Cuban avocados and the early arrivals of Florida avocados, which are marketed principally in the fall and early winter months. The heavy marketings of California avocados do not take place during the agreement period for Cuban avocados but rather during the longer season from November through the following May. Under the agreement arrangement, Cuban avocados have entered the American market to a value of \$140,000 during the restricted season of 1935, and a value of \$193,000 in the 1936 season, as compared with \$110,000 in the entire 1934 season. Imports in the entire 1933 season were \$85,000, which figure was considerably below normal, due chiefly to adverse weather conditions in Cuba. In 1933, imports of avocados from Cuba totaled slightly more than 5 million pounds, as compared with about 9 million pounds in each of the 3 previous years and with 6, 7, and 8 $\frac{1}{4}$  million pounds in 1934, 1935, and 1936, respectively.

Another tropical fruit, bananas, has long been on the United States free list and was so bound in the agreements with Cuba and several other Latin American countries. The United States is the greatest market in the world for bananas, importing annually about 50,000,000 bunches valued at \$25,000,000. The Caribbean area is the principal source of supply, with Cuba usually contributing about 5 or 6 percent of our total imports. Increased buying in Cuba, due partly by the desire of certain firms in the banana trade to have additional sources of supply in case of small crops in other areas, was a factor in the increased importations of 6.1 million bunches from Cuba during the first year of the agreement against 4.5 million bunches during the year preceding the agreement. The value of imports during the first year under the agreement increased by nearly a million dollars, in part as a result of higher average prices. This increase was not sustained during the second year, when importations of Cuban bananas were only one-half million bunches, or \$167,000 greater than during 1933-34. Shifts in the relative volume of purchases from one source of supply to another are understood to occur frequently in the banana trade.

On mango and guava paste and pulp, minor but distinctive products of Cuba and other tropical areas, the United States duty was reduced by one-half. Imports increased from \$26,000 during the 12 months prior to the agreement to \$33,000 the first year, and to \$55,000 during the second year under the agreement.

*Molasses and sirups.*—Sugarcane molasses and sirups are the most important items among our imports from Cuba on which the existing tariff rates were not reduced or bound in the agreement. However, other influences operating during the past 2 years have brought about considerable changes in the trade. Imports of sugarcane molasses and sirups are separated into two classifications in our trade statistics: (1) Molasses not used for the extraction of sugar or for human consumption, and (2) molasses and sugar sirups, not specially provided for.

Imports of the first class, the bulk of which is blackstrap molasses, showed a marked increase during 1934-35, from 119 million gallons (valued at 3.2 million dollars) during the 12 months immediately preceding the agreement, to 207 million gallons (valued at 9.2 million dollars). During the second year under the agreement the imports were somewhat smaller, 156 million gallons (valued at 7.9 million dollars), but still well above the corresponding pre-agreement period. Nonedible molasses is used mainly in the manufacture of industrial alcohol and of beverage spirits. The repeal of prohibition in the United States, coupled with the improvement in general economic conditions, has stimulated importations during the past 2 years. A secondary cause of increased demand for nonedible molasses has been the reduced supply of feed-stuffs in the United States following the recent droughts. The rise in unit value of imports since the agreement is partly due to the importation of considerable quantities of high-test blackstrap molasses for use in alcohol production.

Imports from Cuba of molasses and sugar sirups, not specially provided for, have fluctuated considerably during the periods under review. Importation during the 12-month period preceding the agreement totaled 14.9 million gallons (valued at 1.8 million dollars), declined to 8.6 million gallons (valued at \$900,000) during the first agreement year, and rose to 12.7 million gallons (valued at 1.4 million dollars) during the 12-month period ending August 1936. These figures do not lend themselves to accurate comparison, owing to the different types of sirup products included in the statistical class. Of the 14.9 million gallons imported from Cuba during the preagreement year, approximately 9.2 million gallons consisted of molasses for the extraction of sugar. The remaining 5.7 million gallons consisted of invert cane sirups.\* On the other hand, the importations under this heading during the next 12-month period consisted entirely of invert cane sirups. During the second year under the agreement, all but a small part of the increased importations consisted of invert sirups.

In order to protect the operations of the sugar quota system, it became necessary to limit the importation of sirups and sugar mixtures which compete with ordinary sugar, and quotas limiting such imports during the calendar year 1936 were announced by the Department of Agriculture on September 3, 1936. The Cuban sirup quota for 1936, fixed at 7,937,453 gallons of 72 percent total sugar content, has been filled. Any such products brought in for use as livestock feed or distillation, however, are exempted from the quotas.

*Mineral products.*—Resulting, in part, from the revival of industrial activity in the United States are the notable gains in importations of four metallic ores, from Cuba during either the first or second year under the agreement. Practically the entire Cuban output of these ores has usually been shipped to the United States. These products—iron ore and concentrates, manganese ore, copper ore and concentrates, and chrome ore—have long been imported free of duty from Cuba, and were so bound by the agreement. This group together showed an aggregate increase in value of almost \$700,000 during the first agreement year compared with the preagreement period, but, owing to the material decline in imports of manganese ore during the second agreement year, the increase for the group aggregated only \$150,000 in 1935-36. In addition to these duty-free metals, mention may also be made of asphaltum, on which duty-free treatment was bound. Imports of asphaltum declined to one-half of their preagreement figure in the first year under the agreement but recovered to approximately their former level in 1935-36.

Cuba has long furnished a portion of our supplementary imports of foreign iron ore which are consumed largely by Atlantic seaboard plants. Our imports of Cuban iron ore and concentrates are governed chiefly by the quality and cost of the ore and upon freight charges. Such imports doubled in quantity and value during the second agreement year as compared with the preagreement period, after increasing from \$318,000 in the preagreement year to \$547,000 during the first year under the agreement.

A similar situation is presented in the case of chrome ore, for which we are almost entirely dependent upon imports. Cuba has for some years furnished comparatively limited amounts of a grade used largely for making refractory brick and related products, as distinguished from the higher grades, chiefly of Rhodesian origin, which are used for making chromium alloys and the salts for chromium plating. Imports of Cuban chrome ore during the first

\* Invert sirups, made from sugar and serving to a large extent as substitutes therefor, are used principally in the ice cream, canning, brewing, and confectionery industries, and for blending with other sirups and molasses in the preparation of table sirups.

agreement year increased by \$87,000 over the preagreement year, while the imports in 1935-36 amounted to \$243,000, or \$33,000 more than in 1933-34.

The duty-free entry of Cuban manganese ore, by virtue of the former reciprocity treaty, was continued under the trade agreement. Manganese ore with more than 10-percent manganese content, imported from all other countries, was dutiable under the Tariff Act of 1930 at 1 cent per pound of manganese content, until this rate was reduced by one-half under the Brazilian trade agreement, effective January 1, 1930. Imports of manganese ore from Cuba during the first agreement year, recorded a gain of \$420,000 over the preagreement period. The large purchases of the first year, however, were followed by a decline during the second year, of \$384,000 compared with 1933-34. It should be noted that manganese imported from Cuba in the preagreement period represented purchases at least 5 or 6 times larger than those for several years back, which averaged less than \$100,000 annually. In addition, the very much larger shipments of slightly more than \$1,000,000 during the first agreement year appear as unusual, especially since they were principally entered at a Gulf port, whereas in most previous years the Cuban ore entered chiefly at Atlantic ports. During the second agreement year, shipments entering at the Atlantic ports practically disappeared and manganese entries into the Gulf port declined materially. It is reported that the principal Cuban manganese ore-treating plant was in process of alteration during 1930, and that production was curtailed pending the installation of new machinery, which partly explains the reduced recent shipments to the United States.

Copper ores and concentrates have long been on the American free list, the United States being for years the largest world producer and consumer of copper, besides having facilities for smelting or refining additional large portions of crude copper imported from other parts of the world. Since June 1932, copper ores and concentrates have been subject generally to a tax of 4 cents a pound on the copper content, imposed as a duty under the Revenue Act of 1932 and later extended by other legislation.

The Cuban product, however, continued to be admitted free, by virtue of the former reciprocity treaty, and such tax-free treatment was bound by the trade agreement. The entire Cuban production of unmanufactured copper, chiefly in the form of concentrates, is shipped to the United States and enters consumption channels on the same basis as domestic copper. Since the depression year 1932, such imports have averaged less than 7,000 short tons of metallic copper, as compared with previous figures at least twice as large. Other foreign copper ores and concentrates have been imported since 1932 almost exclusively for smelting or refining in bond for export. The improving general economic conditions in the United States have effected a substantial rise in the average value of our imports of Cuban copper, from about 4½ cents per pound during the preagreement year to 6 cents per pound in each of the 2 agreement years, thus resulting in an increase in the value of the shipments during the second year of \$128,000 over 1933-34. But in terms of quantity our imports of Cuban copper have decreased during both agreement years as compared with the preagreement year.

*Miscellaneous products.*—In the miscellaneous category, comprising a few secondary Cuban products affected by reduced duties or receiving continued free entry under the trade agreement, the increase in American purchases from Cuba during the second year was almost \$500,000 over the total for the same items during the preagreement year, with a net aggregate increase one-half as large recorded for the first agreement year. The individual article showing the largest increase in both the first and second agreement years, \$180,000 and \$165,000, respectively, was henequen, a hard fiber not produced in the United States and long on the free list. Our imports of henequen, principally from Mexico and only to a comparatively minor extent from Cuba, amount to a value of several million dollars annually, the largest part of which is used in the manufacture of binder twine. (Such twine is produced also from imported sisal and manila fibers.) Binder twine itself, also a free-list item, recorded the next largest gain, of \$147,000, in the miscellaneous group during the second agreement year. In both the preagreement and first agreement years, imports of binder twine from Cuba amounted to about 6,000,000 pounds, but during the latter they declined slightly in value. In the second agreement year, as already indicated, imports increased substantially both in quantity and value, amounting to almost one-half million dollars, a record dollar level for purchases from Cuba.

Imports of crude glycerin from Cuba, which received a duty reduction, increased by \$92,000 during the second agreement year over the comparable preagreement period. During the first year, when the imports were somewhat

larger in quantity than during the second, the increase in value over 1933-34 was slightly less, or \$83,000. The approximately 2,000,000 pounds of Cuban crude glycerin purchased in each agreement year represent less than half of our total imports of this grade and are equivalent to less than 2 percent of domestic production.

Sawed mahogany boards from Cuba were granted a 50-percent reduction in both the import duty and the import tax under the Revenue Act of 1932. Imports of Cuban mahogany affected by the reduction did not increase until the second agreement year, this \$30,000 gain being partly offset by a decline one-half as large during the first agreement year. Our imports of Cuban sawed mahogany boards in the second year amounted to 1,000,000 board feet, the largest figure in a decade or more. The larger imports of Cuban mahogany boards, as well as of the duty-free types of mahogany lumber from all sources, reflect an increased current demand for mahogany furniture and fixtures.

Imports of sponges from Cuba in the second agreement year showed an increase of \$70,000 over the preagreement year, due chiefly to higher prices, whereas during the first agreement year our purchases were larger in quantity than in either 1933-34 or 1935-36. During the first agreement year purchases increased by \$31,000. Cuba produces several varieties of sponges, but our purchases consist principally of sheep's-wool sponges, the kind preferred for washing automobiles, and secondarily of grass, yellow, and velvet sponges. Of those mentioned, only the latter type, velvet sponges, received a reduction in duty under the agreement, the higher rate on Cuban sheep's-wool sponges having been previously reduced by Presidential proclamation effective September 18, 1932.

The only other Cuban product of any appreciable trade volume was crude beeswax, which was bound duty-free. United States imports of this product from Cuba in each of the agreement years were larger by almost \$25,000 than in the 12 months preceding the agreement.

TABLE 1.—Total value of United States trade with Cuba by months, September 1932 through August 1936

[Cuban-American trade agreement became effective on Sept. 3, 1934]  
[Thousands of dollars]

	September to August, inclusive			
	Before agreement		After agreement	
	1932-33	1933-34	1934-35	1935-36
<b>Imports from Cuba: †</b>				
September.....	5, 128	\$ 8, 440	23, 472	4, 699
October.....	4, 396	\$ 5, 905	10, 091	3, 761
November.....	3, 704	\$ 5, 212	7, 928	2, 699
December.....	3, 807	\$ 3, 842	12, 362	3, 031
January.....	3, 356	3, 407	9, 609	14, 714
February.....	2, 304	2, 553	5, 642	14, 534
March.....	4, 420	2, 070	9, 388	12, 934
April.....	5, 401	2, 588	11, 100	14, 540
May.....	5, 344	3, 184	11, 034	13, 490
June.....	4, 934	3, 284	10, 214	14, 859
July.....	5, 950	3, 115	14, 972	10, 267
August.....	5, 679	4, 047	25, 271	5, 658
Total for 12 months ending August.....	54, 513	48, 306	151, 013	115, 176
<b>Exports to Cuba of United States merchandise:</b>				
September.....	1, 527	1, 807	4, 265	4, 728
October.....	1, 084	1, 623	4, 702	5, 755
November.....	1, 763	1, 983	4, 170	5, 580
December.....	2, 181	2, 138	4, 191	5, 139
January.....	1, 894	2, 274	4, 800	5, 097
February.....	1, 658	2, 599	4, 455	5, 219
March.....	2, 082	4, 380	4, 960	0, 445
April.....	2, 294	4, 205	4, 489	5, 092
May.....	2, 175	4, 023	4, 946	5, 813
June.....	2, 821	3, 719	4, 227	4, 524
July.....	2, 842	3, 085	5, 286	4, 752
August.....	1, 837	3, 177	4, 762	4, 775
Total for 12 months ending August.....	24, 671	34, 993	55, 312	63, 525

† General imports through August 1933. Imports for consumption beginning September 1933.

‡ These figures represent the aggregate value of imports for consumption from Cuba as compiled from records by individual products which are available in Statistical Section, U. S. Tariff Commission, Washington, D. C. Other data from Records of Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, Washington, D. C.

TABLE 2.—Total value of Cuban trade with United States by months, September 1933 to August 1936, inclusive; Cuban agreement effective Sept. 3, 1934

[Thousands of dollars <sup>1</sup>]

	September to August, inclusive		
	Before agreement, 1933-34	After agreement	
		1934-35	1935-36
<b>Imports from United States:</b>			
September.....	1,774	3,578	4,189
October.....	1,525	4,420	4,962
November.....	1,763	4,401	5,276
December.....	1,935	3,590	4,795
January.....	2,302	4,129	5,327
February.....	2,309	4,209	5,500
March.....	3,441	4,665	5,754
April.....	4,073	4,858	6,396
May.....	4,136	4,592	5,587
June.....	3,032	4,764	5,242
July.....	3,190	4,155	5,052
August.....	2,718	4,995	4,205
Total for 12 months ending August.....	32,198	52,413	62,292
<b>Exports to United States:</b>			
September.....	6,418	5,699	3,238
October.....	5,888	5,886	2,784
November.....	3,893	12,762	2,051
December.....	3,573	13,890	4,921
January.....	4,323	1,883	8,692
February.....	5,821	6,348	15,101
March.....	5,106	12,940	12,011
April.....	5,458	12,876	14,421
May.....	3,543	11,761	17,159
June.....	6,140	9,891	11,018
July.....	4,585	16,183	8,418
August.....	7,828	16,576	7,051
Total for 12 months ending August.....	62,576	126,695	108,725

<sup>1</sup> Pesos converted into dollars at the average of monthly exchange rates as follows:

September 1933 to August 1934: 1 peso = \$0.99047.

September 1934 to August 1935: 1 peso = \$0.99919.

September 1935 to August 1936: 1 peso = \$0.99911.

Source: Unconverted peso value of Cuban imports from Office of Director General of Statistic Treasury Department, Cuban Government.

TABLE 3.—Summary of changes in United States exports to Cuba, during first and second year under agreement, by principal commodities, classified according to treatment under the Cuban-American agreement

NOTE.—Since the concessions which Cuba granted to the United States were based upon that country's tariff classification, the use of Cuban import data would show a more exact correlation between the products on which concessions were granted and the actual movements of trade. However, Cuban statistics for imports are not available in sufficient detail, and therefore United States export data have been used. Great care has been taken in the attempt to allocate correctly the various products exported to Cuba and, in cases of doubt, a conservative estimate has been made of commodities affected and those not directly affected by the agreement. It should also be noted that the analysis covers every separate product for which the value of exports to Cuba was greater than \$50,000 during 1935, in addition to many of the products shipped in smaller value to Cuba during 1935. (Products constituting over 80 percent of the total United States exports to Cuba, in the period from September 1935 to August 1936 inclusive, have been surveyed and classified.) This means, therefore, that some products on which concessions were obtained and which were exported to Cuba in small value in 1935 have not been tabulated.

[Value in thousands of dollars]

	Quantity				Value				
	Unit	September to August, inclusive		September to August, inclusive		Amount of change			
		Before agreement, 1933-34	After agreement		Before agreement, 1933-34	After agreement		1934-35 over 1933-34	1935-36 over 1933-34
			1934-35	1935-36		1934-35	1935-36		
Total exports to Cuba of United States domestic merchandise.....				34,993	55,312	63,525	+20,319	+28,532	
Commodities on which Cuba granted duty reductions and/or increased preferences total: <sup>1</sup>				12,916	25,450	27,499	+12,534	+14,583	
Lard including neutral lard.....	1,000 pounds	16,901	32,593	23,386	1,066	3,296	2,792	+2,230	+1,726
Bacon, cured hams and shoulders, and other pork, pickled or salted.....	1,000 pounds	8,734	10,600	5,090	704	1,305	856	+601	+152
Milled rice, including brown.....	1,000 pounds	71	36,262	31,049	2	978	843	+976	+841
Wheat flour, wholly of United States wheat.....	Barrel (196 pounds)	215,000	235,000	169,555	1,050	1,130	807	+80	-243
Malt.....	Bushel (34 pounds)	105,093	34,110	70	117	37	( <sup>2</sup> )	-80	-117
Oats and oatmeal.....	1,000 pounds	325	637	3,106	19	32	62	+13	+43
White potatoes <sup>4</sup> .....	Bushel (60 pounds)	238,967	993,618	855,836	211	571	516	+360	+305
Onions <sup>4</sup> .....	1,000 pounds	4,110	12,873	21,769	52	297	400	+245	+348
Dried beans.....	1,000 pounds	2,213	1,504	4,685	77	70	132	-7	+55
Canned asparagus, corn, and peas.....	1,000 pounds	70	99	204	10	17	35	+7	+25
Canned peaches, pears, and fruits for salads.....	1,000 pounds	520	1,322	1,772	38	113	145	+75	+107
Cottonseed oil, crude and refined.....	1,000 lbs.	6,917	1,275	49	352	95	6	-257	-346
Soybean oil.....	1,000 lbs.	376	1,927	2,587	19	104	152	+85	+133
Other edible vegetable oils and fats excepting coconut oil and cocoa butter.....	1,000 lbs.	165	113	772	10	14	67	+4	+57
Coconut oil, inedible.....	1,000 lbs.	804	1,927	2,614	25	63	109	+38	+84

Footnotes at end of table.

TABLE 3.—Summary of changes in United States exports to Cuba, during first and second year under agreement, by principal commodities, classified according to treatment under the Cuban-American agreement—Continued

[Value in thousands of dollars]

	Quantity				Value				
	Unit	September to August, inclusive			September to August, inclusive			Amount of change	
		Before agreement, 1933-34	After agreement		Before agreement, 1933-34	After agreement		1934-35 over 1933-34	1935-36 over 1933-34
			1934-35	1935-36		1934-35	1935-36		
Commodities on which Cuba granted duty reductions and/or increased preferences.									
Other inedible expressed oils and fats excepting linseed oil and vegetable soap stock.	1,000 lbs.	369	1,065	3,377	13	34	164	+21	+151
Linseed, cottonseed and other oilcake meal	Tons	1,109	788	2,474	28	30	77	+2	+49
Canned sardines	1,000 pounds	1,331	2,347	4,479	71	128	231	-37	+160
Cigarettes	Thousand	9,470	37,097	48,507	19	91	117	+72	+98
Upper leather except cattle grain, side upper leather.	1,000 square feet	3,320	4,530	5,958	432	550	765	+118	+333
Patent upper leather	1,000 square feet	737	1,061	1,252	118	157	192	+39	+74
Absorbent cotton, gauze and sterilized bandages	1,000 pounds	336	495	491	117	174	166	+57	+49
Cotton yarn, not combed, mercerized and not mercerized.	1,000 pounds	2,138	2,643	2,310	777	926	848	+149	+71
Cotton blankets *	1,000 pounds	18	107	226	9	55	117	+46	+108
Rayon yarn	1,000 pounds	365	641	844	231	374	476	+143	+245
Rayon woven fabrics in the piece, other than pile	1,000 square yards	480	2,418	7,791	157	620	2,068	+463	+1,911
Knit wool wearing apparel, except bathing suits					5	21	63	+16	+58
Silk tram, organzine, hard twists, and spun silk	1,000 pounds	25	49	61	44	86	129	+42	+85
Silk hosiery	Dozen pairs	710	15,988	24,429	3	55	96	+52	+93
Boxboard (paperboard and strawboard)	1,000 pounds	2,434	8,408	7,035	56	201	157	+145	+101
Bristols, bristolboard and other paperboard	1,000 pounds	2,236	7,329	6,286	90	224	231	+134	+141
Writing paper, plain	1,000 pounds	3,228	4,487	6,228	169	237	310	+68	+141
Glass containers					361	753	712	+392	+351
Table glassware, plain					91	175	185	+84	+94
Plate and window glass					42	68	83	+26	+41
Iron and steel bars	1,000 pounds	1,302	6,630	7,061	33	148	138	+115	+105
Iron and steel plates, other than boiler plates, not fabricated.	1,000 pounds	1,773	4,506	5,182	32	82	88	+50	+56
Iron and steel sheets, galvanized	1,000 pounds	8,021	12,064	11,908	236	357	384	+121	+148
Iron and steel structural shapes fabricated and not fabricated.	Tons	671	2,428	4,461	23	92	177	+64	+149
Tubing, pipe and fittings of iron and steel	1,000 pounds	5,033	9,520	8,047	219	435	348	+216	+129

Wire and manufactures, excepting barbed-wire and woven-wire fencing.	1,000 pounds.....	4,042	5,439	6,075	222	287	318	+65	+96
Nails and bolts (except railroad)	1,000 pounds.....	6,581	8,923	7,849	248	346	318	+96	+70
Steel safety-razor blades	1,000 dozen.....	155	330	421	12	71	80	+59	+68
Metal drums and containers for oil, gas, and other liquids.					38	100	115	+62	+77
Copper wire, bare or insulated, except telephone cable.	1,000 pounds.....	736	1,194	1,394	111	181	222	+70	+111
Incandescent light bulbs, metal filaments.	Thousand.....	414	1,035	1,530	48	159	133	+111	+85
Watt-hour and other measuring meters	Number.....	43	15,204	14,839	1	57	55	+56	+54
Radio apparatus.					402	790	989	+388	+57
Electric refrigerators, household.	Number.....	917	1,869	3,821	83	180	350	+97	+257
Electric refrigerators, commercial up to 1 ton.	Number.....	118	317	466	12	42	68	+30	+56
Parts for electric refrigerators.					21	64	83	+43	+32
Passenger cars and chassis.	Number.....	779	2,763	3,047	533	1,662	2,017	+1,129	+1,481
Motor trucks, busses, and chassis.	Number.....	967	2,228	2,103	556	1,213	1,196	+647	+640
Automobile parts and accessories (except tires and engines).					312	481	478	+169	+166
Automobile casings and inner tubes.	Thousand.....	103	126	111	488	719	692	+231	+204
Sugar-mill machinery.					70	270	340	+190	+270
Sewing machines, domestic and factory, and parts.					60	192	210	+132	+150
Textile machinery and parts.					163	215	227	+52	+61
Typewriters and parts.					33	196	159	+143	+106
Sheet metal cabinets and filing cases.	Number.....	87	1,328	1,960	2	36	43	+28	+41
Locomotive parts and accessories.					27	79	79	+52	+52
Steam boilers, water tubes (square feet heating surface).	Square feet.....	1,800	10,686	21,375	4	25	78	+21	+74
Druggists' nonproprietary preparations, including tablets, pills, powders, and similar manufactures.					238	365	390	+128	+152
Ready mixed paints, stains, and enamels.	1,000 gallons.....	51	114	107	91	188	195	+97	+104
Soap, excepting medicated and laundry.	1,000 pounds.....	266	432	300	34	51	62	+27	+28
Toilet preparations.					32	59	91	+57	+58
Unexposed films and photographic paper.					92	192	162	+100	+75
Toys.					40	96	151	+56	+111
Dynamite.	1,000 pounds.....	170	300	513	22	41	62	+19	+47
Other products on which Cuba granted duty reductions or increased preferences.					1,758	2,923	2,885	+1,155	+1,117
<b>Commodities on which Cuba bound the existing tariff treatment, total.*</b>					15,496	19,227	22,417	+3,731	+6,921
Wheat flour, other than wholly of United States wheat.	Barrels (196 pounds).....	602,000	738,000	834,637	2,542	3,452	4,151	+920	+1,609
Biscuits and crackers.	1,000 pounds.....	247	267	478	45	51	102	+6	+57
Fresh vegetables other than white potatoes and onions.	1,000 pounds.....				32	52	87	+20	+55
Apples, fresh.	Boxes.....	39,445	60,249	83,556	68	107	127	+39	+59
Grapes, fresh.	1,000 pounds.....	1,096	1,639	1,927	44	73	82	+29	+38
Pears, fresh.	1,000 pounds.....	477	816	1,122	24	46	60	+22	+36
Edible tallow and stearin.	1,000 pounds.....	5,273	202	569	24	19	44	-24	-199
Inedible tallow and other animal greases and fats.	1,000 pounds.....	11,617	3,930	1,229	374	207	58	-167	-316

Footnotes at end of table.

TABLE 3.—Summary of changes in United States exports to Cuba, during first and second year under agreement, by principal commodities, classified according to treatment under the Cuban-American agreement—Continued

[Value in thousands of dollars]

	Quantity				Value				
	Unit	September to August, inclusive			September to August, inclusive			Amount of change	
		Before agreement, 1933-34	After agreement		Before agreement, 1933-34	After agreement		1934-35 over 1933-34	1935-36 over 1933-34
			1934-35	1935-36		1934-35	1935-36		
Commodities on which Cuba bound the existing tariff treatment—continued.									
Vegetable soap stock.....	1,000 pounds	3, 013	5, 910	5, 541	83	189	198	+106	+115
Cattle side upper leather, grain.....	1,000 square feet	685	2, 061	1, 627	116	289	271	+173	+155
Leather boots and shoes for men and boys and for women and misses.....	Pairs.....	18, 493	71, 117	160, 233	43	157	306	+114	+263
Rubber belts, belting, hose, and packing.....	1,000 pounds	268	436	496	83	133	178	+50	+95
Raw cotton.....	1,000 pounds	43	893	2, 587	6	120	340	+114	+334
Cotton twines and cordage.....	1,000 pounds	574	599	726	180	179	225	-1	+46
Cotton duck excepting bleached.....	1,000 square yards	947	1, 155	1, 121	234	273	276	+39	+42
Cotton cloth, unbleached, including drills, twills, satens, and sheeting under 40 inches wide. <sup>18</sup>	1,000 square yards	5, 894	4, 811	1, 889	353	329	145	-54	-238
Cotton cloth, bleached. <sup>19</sup>	1,000 square yards	10, 683	12, 907	14, 916	1, 007	1, 143	1, 327	+136	+320
Cotton cloth, colored, total. <sup>18</sup>	1,000 square yards	37, 538	37, 335	40, 924	3, 923	3, 851	4, 383	-72	+460
Percales and prints.....	1,000 square yards	3, 376	2, 904	5, 934	255	293	586	-62	+231
Flannels and flannelettes.....	1,000 square yards	319	464	1, 124	31	53	110	+22	+79
Khaki and fustians.....	1,000 square yards	438	904	720	112	236	187	+114	+75
Denims.....	1,000 square yards	919	860	662	119	107	94	-12	-25
Suitings (drills, etc.).....	1,000 square yards	6, 054	5, 038	5, 727	786	699	859	-87	+73
Chambrays and gingham.....	1,000 square yards	5, 108	6, 241	4, 046	453	524	345	+71	-108
Voiles.....	1,000 square yards	1, 675	1, 116	1, 018	173	101	91	-72	-82
Other printed fabrics, 7½ and more yards per pound.....	1,000 square yards	3, 158	2, 571	3, 351	359	288	406	-71	+47
Other printed fabrics, less than 7½ yards per pound.....	1,000 square yards	4, 548	4, 141	4, 686	485	427	488	-58	+3
Other piece-dyed fabrics, 5 and more yards per pound.....	1,000 square yards	9, 009	10, 448	10, 706	711	827	881	+116	+170
Other piece-dyed fabrics less than 5 yards per pound.....	1,000 square yards	2, 271	1, 848	2, 071	254	186	223	-68	-31
All other yarn-dyed fabrics.....	1,000 square yards	668	900	879	85	120	113	+35	+28
Cotton bags.....	1,000 pounds	1, 760	2, 019	2, 390	510	550	672	+40	+162
Cotton and rayon mixtures (of chief value cotton). <sup>18</sup>	1,000 square yards	283	800	1, 549	56	135	264	+79	+208

Boards, planks, and scantlings of rough and dressed Southern pine <sup>11</sup> .....	Thousand feet.....	22,651	34,431	44,170	530	822	980	+292	+450
Newsprint paper <sup>12</sup> .....	1,000 pounds.....	5,326	6,105	8,705	113	140	187	+27	+74
Book paper, not coated <sup>12</sup> .....	1,000 pounds.....	2,997	5,418	4,759	157	267	226	+110	+79
Wrapping paper except Kraft.....	1,000 pounds.....	7,393	21,354	9,211	258	689	321	+401	+63
Surface coated paper.....	1,000 pounds.....	1,118	1,957	7,421	73	138	172	+65	+99
Bituminous coal <sup>11</sup> .....	Ton.....	198,093	308,371	292,130	821	1,345	1,305	+524	+484
Crude petroleum.....	Barrel (42 gallons).....	73,404	188	578,823	94	( <sup>14</sup> ) 779	779	-94	+685
Gasoline, naphtha, and other finished light products.....	Barrel (42 gallons).....	320,646	376,692	682,195	12	796	1,667	+84	+955
Residual fuel oil.....	Barrel (42 gallons).....	461,158	469,267	228,498	46	365	159	-96	-302
Lubricating oil, cylinder, red and pale.....	Barrel (42 gallons).....	27,695	48,722	37,757	260	440	380	+174	+114
Barbed wire (bound free if for fences).....	1,000 pounds.....	8,154	8,705	9,200	125	211	212	+86	+87
Biologics.....	.....	.....	.....	.....	157	175	229	+18	+72
Proprietary medicinal preparations.....	.....	.....	.....	.....	158	260	314	+102	+156
Sodium compounds including soda ash, sal soda, and caustic soda.....	1,000 pounds.....	10,340	14,385	12,634	209	290	247	+51	+38
Superphosphates <sup>11</sup> .....	Ton.....	9,758	10,284	18,965	100	110	177	+10	+77
Other products on which Cuba bound the existing tariff treatment. <sup>5</sup>	.....	.....	.....	.....	1,266	1,874	1,756	+608	+480
Leading commodities on which no change was made, total.	.....	.....	.....	.....	1,821	2,525	2,761	+704	+940
Horses other than for breeding.....	Number.....	8	247	2,288	1	28	427	+27	+426
Gum resin.....	1,000 pounds.....	14	18	17	120	147	146	+27	+26
Blended, compounded, or mixed perfume-flavor oils.....	1,000 pounds.....	3	22	28	.....	52	63	+46	+56
Cotton sewing thread.....	1,000 pounds.....	27	66	72	25	56	63	+25	+38
Wool cloth and dress goods.....	1,000 yards.....	1	57	77	24	70	96	+46	+72
Broad silk fabrics.....	1,000 yards.....	121	236	171	60	82	76	+32	+16
Bags of jute.....	1,000 pounds.....	4,064	4,201	4,256	485	489	449	-16	-36
Veneer packages for fruits and vegetables.....	.....	.....	.....	.....	208	236	208	+28	0
Tin plate, taggers' tin, and ternplate.....	1,000 pounds.....	12,685	15,723	16,924	522	669	764	+177	+242
Nonproprietary druggists' preparations other than tablets, pills, powders, and similar manufactures.....	.....	.....	.....	.....	91	188	243	+97	+152
Household and industrial insecticides and exterminators.....	1,000 pounds.....	96	186	273	25	41	57	+16	+32
Nitrogenous phosphate types, concentrated chemical fertilizers.....	Ton.....	284	1,004	1,955	11	44	84	+33	+73
Machine guns and heavy ordnance guns and carriages.....	Number.....	384	154	112	104	101	23	-3	-81
Ammunition, including fireworks <sup>13</sup> .....	.....	.....	.....	.....	139	308	63	+169	-76
Other commodities <sup>14</sup> .....	.....	.....	.....	.....	4,760	8,110	10,848	+3,350	+6,088

Footnotes for table 3 on page 154.

(Footnotes for table 3.)

<sup>1</sup> The products contained in this total do not comprise the entire list of products on which Cuba granted duty reductions or increased preferences. See headnote for further discussion.

<sup>2</sup> Estimates based upon shipments by leading ports and on representative flour prices. No separation in United States export statistics, prior to Jan. 1, 1935, between wheat flour milled wholly of United States wheat and wheat flour milled in the United States, other than wholly of United States wheat. Exports of wheat flour milled in United States, other than wholly of United States wheat are listed among the commodities on which Cuba bound the existing tariff treatment.

<sup>3</sup> Less than \$500.

<sup>4</sup> The reduction in Cuban duty on white potatoes applies only during the period from July 1 through Oct. 31. The existing Cuban duty was bound for the remainder of the year.

<sup>5</sup> The reduction in Cuban duty on onions applies only during the period from June 16 through Nov. 14. The existing Cuban duty was bound for the remainder of the year.

<sup>6</sup> The reduction in duty on cotton blankets applies only to "napped fabrics in blankets for beds, steamer rugs, or blankets used in wearing apparel; in white, dyed a single color, or printed on white or unbleached material."

<sup>7</sup> The reduction in Cuban duty applied only to ready-mixed paints and enamels which probably constituted the bulk of United States exports to Cuba under this category.

<sup>8</sup> The products contained in this total do not comprise the entire list of products on which Cuba bound the existing tariff treatment. See headnote for further discussion.

<sup>9</sup> Estimates based upon shipments by leading ports and on representative flour prices. (See footnote 2.) Exports of all wheat flour actually totaled 817,428 barrels, valued at \$3,592,202 in 1933-34, and 973,378 barrels, valued at \$4,591,950, in 1934-35.

<sup>10</sup> Although in general reductions in Cuban duties were obtained on most fabrics of close construction, it is not possible to isolate completely these products. Since the Cuban import classification of cotton textiles—on a combination weave, weight, and thread-count basis—does not allow any correlation with the trade-name classification in the United States export statistics, these products, to be conservative, have all been regarded as bound items.

<sup>11</sup> Bound at existing free rate of duty.

<sup>12</sup> Free of duty if for newspapers.

<sup>13</sup> Free of duty if for magazines.

<sup>14</sup> Amounted to \$313.

<sup>15</sup> A reduction in Cuban duty was obtained for "empty cartridge shells for hunting arms and percussion caps therefor" which are included in this class.

<sup>16</sup> Includes, in addition to other nonagreement commodities from those listed above, exports of noncommercial products such as household and personal effects and exports of agreement items which either were individually small (at least less than \$50,000) or were in miscellaneous classifications, impossible of allocation.

Source: Compilation from Records of the Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, Washington, D. C.

TABLE 4.—Summary of changes in United States imports for consumption from Cuba, during first and second year, under agreement, by principal commodities, classified according to treatment under the Cuban-American agreement

[Value in thousands of dollars]

	Unit	Quantity			Value				
		September to August, inclusive			September to August, inclusive			Amount of change	
		Before agreement, 1933-34	After agreement		Before agreement, 1933-34	After agreement		1934-35 over 1933-34	1935-36 over 1933-34
			1934-35	1935-36		1934-35	1935-36		
Total imports for consumption from Cuba.....				48,306	151,013	115,176	+102,707	+66,870	
Cuban commodities on which United States duties were reduced (includes also some principal products for which only relatively exact comparable data were available for the 1933-34 period), total.				37,429	133,015	98,375	+95,586	+60,946	
Cane sugar.....	Ton (2,000 pounds)	1,043,340	3,374,820	1,732,274	26,946	120,696	84,403	+93,752	+57,457
Tobacco and manufactures, total <sup>1</sup> .....	1,000 pounds (unstemmed basis).	16,757	18,574	20,109	7,762	8,500	9,698	+738	+1,936
Cigar wrapper, unstemmed.....	1,000 pounds.....	118	94	125	407	326	449	-81	+41
Cigar filler, unstemmed.....	1,000 pounds.....	4,329	4,725	4,942	1,962	2,188	2,441	-196	+449
Cigar filler, stemmed.....	1,000 pounds.....	6,566	7,352	7,938	4,448	4,798	5,492	+350	+1,044
Scrap tobacco.....	1,000 pounds.....	2,657	2,940	3,308	664	825	946	+161	+282
Cigars and cheroots.....	1,000 pounds.....	33	50	64	251	363	371	+112	+120
Rum, not elsewhere specified, total.....	1,000 proof gallons.....	194	339	351	900	1,481	1,535	+581	+636
Rum in containers holding 1 gallon or less <sup>2</sup> .....	1,000 proof gallons.....	( <sup>3</sup> )	338	351	( <sup>3</sup> )	1,475	1,536		
Rum, not elsewhere specified <sup>4</sup> .....	1,000 proof gallons.....	( <sup>3</sup> )	1	( <sup>3</sup> )		6	( <sup>3</sup> )		
Fresh vegetables, total: <sup>5</sup>									
Full year.....	1,000 pounds.....	39,537	58,816	67,215	784	1,171	1,292	+387	+508
Lower duty season <sup>7</sup> .....	1,000 pounds.....	27,838	44,955	55,805	576	920	1,086	+344	+510
Tomatoes:									
Full year.....	1,000 pounds.....	28,918	41,633	42,471	544	792	748	+248	+204
December through February, lower duty season.....	1,000 pounds.....	18,506	31,002	34,773	363	607	621	+244	+258
Eggplant:									
Full year.....	1,000 pounds.....	3,625	4,821	7,935	73	100	162	+27	+89
December through March, lower duty season.....	1,000 pounds.....	2,713	3,729	7,011	55	78	143	+23	+88

(Footnotes at end of table)

TABLE 4.—Summary of changes in United States imports for consumption from Cuba, during first and second year, under agreement, by principal commodities, classified according to treatment under the Cuban-American agreement—Continued

[Value in thousands of dollars]

	Unit	Quantity			Value				
		September to August, inclusive			September to August, inclusive			Amount of change	
		Before agreement, 1933-34	After agreement		Before agreement, 1933-34	After agreement		1934-35 over 1933-34	1935-36 over 1933-34
1934-35	1935-36		1934-35	1935-36					
Cuban commodities on which United States duties were reduced (includes also some principal products for which only relatively exact comparable data were available for the 1933-34 period).—Cont.									
Fresh vegetables—Continued.									
Lima beans:									
Full year.....	1,000 pounds.....	3, 615	3, 583	5, 696	96	94	152	-2	+56
December through May, lower duty season.....	1,000 pounds.....	3, 480	3, 360	5, 240	92	88	140	-4	+48
Peppers:									
Full year.....	1,000 pounds.....	1, 761	4, 300	5, 768	39	95	127	+56	+88
January through April, lower duty season.....	1,000 pounds.....	1, 711	4, 146	5, 542	38	92	122	+54	+84
White potatoes:									
Full year.....	1,000 pounds.....	157	2, 209	2, 886	2	44	54	+42	+52
December through February, lower duty season.....	1,000 pounds.....	157	764	969	2	15	15	+13	+13
Cucumbers:									
Full year.....	1,000 pounds.....	1, 461	2, 270	2, 459	30	46	49	+16	+19
December through February, lower duty season.....	1,000 pounds.....	1, 271	1, 954	2, 270	26	40	45	+14	+19
Cuban commodities on which United States duties were reduced—Continued.									
Fruit, total.....					841	907	1, 122	+66	+281
Grapefruit <sup>4</sup> .....	1,000 pounds.....	3, 861	6, 295	8, 162	69	102	138	+33	+69
Pineapples, fresh.....					661	674	818	+13	+157
Pineapples, prepared or preserved.....	1,000 pounds.....	1, 687	1, 698	1, 965	85	94	110	+9	+25
Other fruit pastes and pulp, total.....	1,000 pounds.....	478	668	1, 074	26	37	56	+11	+30
Mango pastes and pulp, and guava pastes and pulp <sup>4</sup> .....	1,000 pounds.....	(11)	604	1, 068	(11)	33	55		
Other fruit pastes and pulp <sup>10</sup> .....	1,000 pounds.....	(11)	64	6	(11)	4	1		
Mahogany boards, sawed.....	1,000 feet.....	874	602	1, 053	64	49	94	-15	+30

Crude glycerin	1,000 pounds.	1,583	2,081	2,062	101	184	193	+83	+92
Other commodities on which United States duties were reduced. <sup>11</sup>					31	25	37	-6	+6
Commodities bound at the existing free entry from Cuba. <sup>12</sup>					4,956	6,722	6,109	+1,766	+1,193
Iron ore and concentrates	Ton	132,500	233,010	267,600	318	547	690	+229	+372
Manganese ore	1,000 pounds <sup>14</sup>	49,796	69,852	20,008	629	1,049	245	+420	-384
Chrome ore or chromite	Ton <sup>14</sup>	11,949	19,202	14,403	210	297	243	+87	+33
Copper ore and concentrates	1,000 pounds <sup>14</sup>	16,311	11,618	14,573	746	667	874	-49	+128
Asphaltum	Ton	6,380	3,188	6,089	121	80	116	-61	-5
Binding twine	1,000 pounds	5,894	6,063	7,718	349	331	496	+186	+147
Henequen	Ton	1,975	5,135	2,919	129	315	234	+186	+165
Beeswax, crude	1,000 pounds	442	333	479	82	105	106	-23	+24
Bananas	1,000 bunches	4,464	6,115	4,938	1,830	2,792	2,297	+562	+467
Avocados <sup>15</sup>	1,000 pounds	5,713	6,208	8,816	102	127	152	+25	+20
Other commodities bound free when imported from Cuba					440	402	556	-38	+116
Important non-agreement commodities, total					4,756	10,350	9,567	+5,594	+4,811
Molasses not for human consumption	1,000 gallons	118,916	206,583	156,447	3,161	9,192	7,894	+6,031	+4,733
Other molasses	1,000 gallons	14,923	8,584	12,730	1,344	876	1,352	-468	+8
Sponges: sheepswool, velvet, yellow and grass	1,000 pounds	275	344	326	251	282	321	+31	+70
Sponges: velvet <sup>16</sup>	1,000 pounds		12	15		14	20		
Other commodities (includes some agreement commodities for which no exactly comparable data were available for 1933-34) total					1,165	926	1,125	-230	-40
Agreement commodity having no comparable data for 1933-34. <sup>17</sup>					(11)	53	68		
Non-agreement commodities					(11)	873	1,057		

Footnotes for table 4 on page 158.

## Footnotes for Table 4

<sup>1</sup> The lower duties provided for in the agreement on imports of these tobacco products from Cuba were removed, and the higher duties were restored, on Mar. 16, 1936, with the announcement by the Secretary of Agriculture of the abandonment of the cigar tobacco adjustment program in the United States. In the agreement with the Netherlands, however, the duty on leaf tobacco for cigar wrapper, unstemmed, was set at \$1.875 per pound for the period from February 1, 1936, to June 30, 1936, and thereafter at a rate of \$1.50 per pound. Imports of Cuban tobacco of this class receive a 20 percent preferential reduction from these rates by virtue of the trade agreement.

<sup>2</sup> Duty reduction applied to imports of this class only.

<sup>3</sup> Not separable prior to Sept. 3, 1934.

<sup>4</sup> No reduction on imports of this class.

<sup>5</sup> Imports of rum, not elsewhere specified, during the 1935-36 period amounted to 133 proof gallons, valued at \$272.

<sup>6</sup> Does not include imports of squash or of okra. The lower duty on squash is applicable from Dec. 1 to the following May 31, inclusive, and imports amounted to 1,230 pounds valued at \$26 in the 12 months ending August 1934; to 6,113 pounds, valued at \$106 in the 12 months ending August 1935; and to 27,523 pounds, valued at \$471 in the year ending August 1936. The lower duty on okra is applicable Dec. 1 to the following May 31, inclusive, and although imports during the 1933-34 period are not available, imports were 1,267,232 pounds, valued at \$52,784 in the 12 months ending August 1935, and 1,733,497 pounds, valued at \$68,288 in the same period ending August 1936.

<sup>7</sup> This total is the sum of the imports of the individual products listed below and, therefore, covers varying periods of time.

<sup>8</sup> The reduction in duty on imports of grapefruit from Cuba applies from Aug. 1, through Sept. 30. As the agreement entered into effect about in the middle of this period, data for imports during the lower duty season have not been entered in the table since this would demand the grouping of imports during September of one season with imports during August of the next following season. Imports of grapefruit from Cuba during the 2 months, August and September, amounted to 2,114,076 pounds, valued at \$40,771 in 1933 (a period before the agreement); to 7,592,415 pounds, valued at \$125,006 in 1934 (of which 2,124,114 pounds, valued at \$35,848 entered during August at the preagreement rate and 5,468,271 pounds valued at \$89,158 entered during September at the lower rate of duty as provided for in the agreement); to 3,555,580 pounds, valued at \$65,720 in 1935; and to 8,305,170 pounds, valued at \$136,005 in 1936.

<sup>9</sup> Duty reduction applied to imports of this class only.

<sup>10</sup> No reduction on imports of this class.

<sup>11</sup> Not separable prior to Sept. 3, 1934.

<sup>12</sup> These products are: Corn, limes, squash, jellies, jams, and marmalades, honey, fresh and frozen fish, and sponges, not elsewhere specified, cigarettes, and cement floor and wall tile.

<sup>13</sup> Excludes leaf tobacco imported free for manufacture and reexport and also articles, the growth, produce or manufacture of the United States, returned; but still includes a negligible amount of articles imported free for supplies of vessels, for personal use and for manufacture and reexport.

<sup>14</sup> Quantity shown is metallic content.

<sup>15</sup> Since avocados generally enter the United States from Cuba during the period from May through October, the tabulation in this table splits the usual season of importation. On a seasonal basis it is found that imports from Cuba of avocados amounted to 5,092,775 pounds, valued at \$85,359 in 1933 (entered during May through October); to 6,211,955 pounds, valued at \$109,677 in 1934 (entered during April through November); to 7,049,862 pounds, valued at \$146,339 in 1935 (entered during June through October); and to 8,766,936 pounds valued at \$193,039 in 1936 (entered during June through October). See text for further discussion on imports of avocados.

<sup>16</sup> Although the United States duty on velvet sponges from Cuba was reduced, imports of the basket category under which this commodity was classified prior to Sept. 3, 1934, were so large that this entire group has been considered a nonagreement commodity. Other sponges are included above, see footnote 12.

<sup>17</sup> This commodity is okra.

Source: Compilation from records of the Division of Foreign Trade Statistics, Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, D. C.