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THE GENEVA CHARTER

FOR AN INTERNATIONAL TRADE ORGANIZATION

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A COMMENTARY

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THE GENEVA CHARTER for an International Trade Organization

Introduction

The United Nations Conference on Trade and Employment which opens in Habana on November 21 will be the largest, most complex, and most significant economic conference in history.

The agenda of the conference will be the proposed charter for an international trade organization, embracing not only the constitution of an international agency to deal with trade and employment problems but also a detailed code of international conduct with respect to commercial policy, employment policy, international investment and economic development, restrictive business practices, and intergovernmental commodity agreements.

The tasks of the conference are tremendous and unprecedented. But so also are the preparations which have led to its convocation. Never before in history has the groundwork for any international conference, whether political or economic, been so carefully laid.

The eve of the world Conference on Trade and Employment is an appropriate occasion for reviewing the origin and development of the ITO charter and how it looks at this stage in the process of negotiation.

Origin and Development

The charter which will come before the Habana meeting originated in the *Proposals for Expansion of World Trade and Employment* issued by the Government of the United States in December 1945 after many months of intensive technical work based upon studies conducted throughout the war years. The *Proposals* set forth in broad outline the structure of an international trade organization and laid down a series of general propositions on which to base a code of conduct in international commercial relations. The *Proposals* were commended to the consideration of the governments and peoples of the world by the Governments of both the United States and the United Kingdom. In the months subsequent to their publication they were studied by business and other private interests in the United States and throughout the world, and several other governments expressed themselves as being in general agreement with their objectives.

The issuance of the *Proposals* led to action by the Economic and Social Council of the United Nations. At its first meeting in February 1946, the Council adopted a resolution calling for an international conference on trade and employment to consider the creation of an international trade organization and creating a preparatory committee of 19 nations[1] to arrange for the conference and prepare a draft charter for such an organization.

The Preparatory Committee held its first session in London in October 1946. In preparation for it, the Government of the United States in September issued a detailed draft charter for the ITO which was based on the *Proposals*. This draft was made public and was accepted as the basis of discussions at London.

The London meeting resulted in a wide measure of agreement. The new draft charter which

[1] Australia, Belgium, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, the Netherlands, New Zealand, Norway, the Union of South Africa, the Union of Soviet Socialist Republics, the United Kingdom, and the United States of America.

emerged was better balanced than the original United States draft and was improved in many respects. The chapter relating to employment policy was broadened and made more flexible. A new chapter on economic development was added, which gave recognition to the needs and aspirations of the less-developed countries of the world. Agreement was reached on the basic issues of commercial policy, restrictive business practices, commodity agreements, and the structure of an international trade organization.

The London draft charter required further detailed consideration, both as to form and substance. Accordingly, the Preparatory Committee agreed to meet again at Geneva in April 1947 for the purpose of arriving at final recommendations for the world conference. Meanwhile a drafting committee was set up, which, after five weeks of continuous sessions at Lake Success, New York, in January and February, produced an edited and clarified version of the London charter.

In preparation for the Geneva meeting the Government of the United States held public hearings on the London charter in seven cities of the United States during February and March 1947. Views were expressed at these hearings by many leading business, agricultural, labor, and civic organizations, and their suggestions were carefully reviewed by an interdepartmental committee established for the purpose. The New York draft of the charter was the subject of detailed and thorough hearings before the Senate Committee on Finance under the chairmanship of Senator Eugene D. Millikin, and the suggestions emerging from these hearings were also reviewed in preparation for the Geneva meeting.

The task of the Geneva session of the Preparatory Committee was twofold: first, to complete the charter; second, and of equal importance, to carry out detailed negotiations among the 18 countries present looking toward the conclusion of a general agreement on tariffs and trade, embodying concessions with respect to tariffs and preferences. Work on the charter began in May, continued throughout the summer, and was completed on August 22, when in a final plenary session the Preparatory Committee adopted the Geneva charter for presentation to the world conference. The negotiation of the general agreement on tariffs and trade should be finished in time to permit its publication about November 15.

The Geneva Charter

The Geneva charter differs in important respects from its predecessors.

First, it is a considered instrument. It represents the deliberate judgment of the delegations at Geneva as to what their respective governments would in fact be likely to accept. This judgment, while not committing the governments concerned, was arrived at only after a careful weighing of public and political opinion and of proposals made by many national and international groups and organizations.

Secondly, the Geneva charter is a better instrument than its predecessors. Its provisions are clearer, more concrete, tougher, and more workable. It gives greater promise of holding to the road on the long journey for which it is designed.

Thirdly, it provides a wider base for international economic cooperation. In particular, new provisions have been introduced dealing with the broad field of international investment and laying down a new code of rules in the special field of motion pictures. New material has been added to the provisions on state trading, on economic development, on the structure and functions of the organization, and to other provisions.

The Geneva charter is a document of 9 chapters and 100 articles. The purposes of the ITO are set out in chapter I. Chapter II deals with the maintenance of employment and economic activity. Chapter III is directed to the stimulation of private and public international investment and of economic development. It incorporates the new guaranties on investment referred to above. Chapters IV, V, and VI are the basic trade chapters covering commercial policy, restrictive business practices, and commodity agreements. Chapter VII is the constitution of the ITO itself. Chapters VIII and IX provide for the settlement of disputes and for miscellaneous matters common to the charter as a whole.

I. General Commercial Provisions

The general commercial provisions of the Geneva charter are designed to ease the lot of the trader in getting his goods over the tariff walls, preferential systems, and internal barriers, and through the maze of red tape with which almost every country has surrounded itself. To this end rules are laid down which constitute a code of reasonable behavior in the whole field of customs and tariff regulation and of internal taxes and requirements affecting international trade.

The first and most basic rule is non-discrimination. Article 16 of the Geneva draft accordingly incorporates the most-favored-nation principle in its unconditional form. This clause requires each member of the ITO to grant every other member equal treatment with respect to tariffs, customs matters generally, and internal taxes. While certain long-standing and deeply rooted preferential systems are excepted from this rule pending their elimination by negotiation, these existing preferences cannot be deepened and no new preferences can be created. This provision supplements and reinforces the commitment to negotiate for the elimination of preferences (article 17).

The second rule of basic importance, set forth in article 17, is that members of the ITO must enter into and carry out negotiations with each other directed to the substantial reduction of tariffs and the elimination of preferences. These negotiations are to be carried out on a selective, product-by-product basis, and conducted in such a way that reductions in non-preferential rates of duty will limit, reduce, or eliminate the discriminations in favor of the countries entitled to preferential rates. This does not mean that all preferences can be completely eliminated overnight. The speed with which preferences can be eliminated and tariffs substantially reduced must depend upon developments in the actual course of negotiations. But the ultimate goal is to reduce tariffs to moderate levels applied on a basis free from discrimination.

The first stage in the negotiations on tariffs and preferences is nearing completion at Geneva. The concessions resulting from these negotiations will be embodied in a general agreement on tariffs and trade among the 18 countries present at Geneva. Once the charter is adopted and the ITO set up, the plan is that these 18 countries will form a tariff committee within the ITO to conduct further negotiations with the other members of the organization. The results of these further negotiations will then be incorporated in the general agreement along with the concessions originally provided for. Thus, the implementation of the article on tariffs and preferences will have made substantial headway by the time of the Habana conference and will place before it this concrete example of achievement.

A third fundamental rule is that members must not resort to internal measures which would defeat the purposes of the rules laid down with regard to customs matters and possibly nullify tariff concessions which had been negotiated. Accordingly, discriminatory excise taxes, which impose a higher rate on the imported product than on the domestic, would be forbidden, and members would not be allowed to use other discriminatory internal regulations for the purpose of affording protection to domestic industries.

An important clause of the Geneva draft is that which would prevent members from adopting in the future internal quantitative or "mixing" regulations which require the use or consumption of a specified minimum of domestic products. This device, while employed only to a limited extent at present, is an extremely effective method of restricting trade and threatens to become widespread unless countries agree to refrain from adopting further measures of this kind.

Special provisions have been made for dealing with internal regulations affecting motion-picture films. A new article on this subject (article 19) was worked out on the assumption that the economic peculiarities of the film trade make import duties an unsuitable device for affording legitimate protection to national film industries. As a counterpart of import duties, therefore, article 19 establishes for the film trade alone an approved protective device in the form of screen quotas which reserve a portion of screen time for domestic films, and screen quotas are of course made negotiable in the same manner as tariffs. A most important feature of article 19 is the further provision that no screen time other than that reserved for domestic films may be allocated in any manner. A few existing preferential film quotas are permitted to continue, but their incidence may not be increased, and no new quotas of this type may be introduced. In general, therefore, this provision means a guaranty of free competition in film markets everywhere, except to the extent that nations may produce their own films for domestic exhibition. As a consequence of providing nations with a legitimate means of protecting their domestic film trade, all other discriminatory devices of all kinds would be outlawed. Under the charter as it now stands there can be no renter or distributor quotas, no discriminatory taxes, no trading of special privileges between nations, and none of the other discriminatory measures which might be devised.

The three basic rules on general tariff matters—most-favored-nation treatment, reduction of tariffs and elimination of preferences, and national treatment on internal taxes—are supplemented by detailed provisions on specific types of trade control measures designed to do away with "invisible" tariffs:

The principle of freedom of transit must be observed, and members may not use transit duties or other barriers to prevent the free movement across their territories of goods traded between other countries (article 32).

Antidumping and countervailing duties must be confined to the purpose of offsetting predatory price-cutting and may not be used to prevent normal fair competition in international trade (article 33).

Methods of tariff valuation must be based on the real value of the goods on which duties are imposed and may not be so managed as to conceal the true height of the duty or afford indirect protection to domestic products (article 34).

Customs formalities and documentation requirements are to be simplified (article 35) and marks of origin requirements applied with as little interference to trade as possible (article 36).

Trade regulations must be published so that traders can become fully acquainted with them, and they must be administered fairly, with provision for review by courts or other independent tribunals (article 37).

Provision is made for the ITO to collect and improve international trade and economic statistics and promote standard commodity classifications (article 38).

Boycotts against the goods of particular nations are enjoined (article 39).

Tariff concessions and other commitments to remove obstacles to trade may sometimes have unforeseen results. Accordingly, it is provided in article 40 that concessions may be withdrawn or obligations suspended if, in view of unforeseen developments, they result in increased imports so substantial as to cause or threaten serious injury to home producers. There must, however, be consultation with the other affected countries with a view to reaching agreement. If agreement is not reached, and the action is nevertheless taken, the other affected countries can then withdraw equivalent concessions. These provisions are in line with the established policy of the United States under the Trade Agreements Act.

The other general commercial provisions deal with matters common in trade agreements. Article 41 requires each member to consider sympathetically representations made by any other member regarding the administration of its trade regulations. Article 42 deals with the territorial application of the whole of the chapter on commercial policy and contains a special provision looking toward the possible formation of customs unions. Article 43 sets out a number of exceptions usually found in trade agreements for such matters as sanitary measures, customs enforcement regulations, and the like.

In formulating the general commercial provisions the Preparatory Committee drew upon the

services of experts from all the countries represented and upon the experience of the past. Many of the detailed clauses are based upon earlier multilateral, bilateral, and national instruments such as the convention and statute on freedom of transit (Barcelona, April 20, 1921), the United States Antidumping Act of 1921, the international convention relating to the simplification of customs formalities (Geneva, November 3, 1923), the international convention for the abolition of import and export prohibitions and restrictions (Geneva, November 8, 1927), various studies and memoranda prepared in the interwar years under the auspices of the League of Nations, article VII of the mutual-aid agreements between the United States and other countries (1942 to date), and the numerous reciprocal trade agreements concluded by the United States since 1934. Nothing of the past has been overlooked in an effort to preserve what is useful and workable.

The general commercial provisions are not, of course, satisfactory to all countries in all of their details. But taken as a whole they are of great advantage to every country. If adopted, they will constitute an unprecedented step forward in the freeing and simplifying of world commerce.

II. Quantitative Restrictions

"Q.R." has become a symbol for the vital international economic issues at stake in the charter for an international trade organization.

Q.R. means quantitative restrictions—the most serious obstacle threatening the reconstruction of world trade. All of the other objectives, principles, and provisions of the ITO charter—whether they relate to employment, to economic development, to tariffs and internal barriers, to cartels, or to commodity agreements—have significance only so far as a satisfactory method is found of dealing with Q.R.

Tariffs affect competition by giving some producers higher prices than others. But quantitative restrictions, which rigidly limit imports and exports to specified amounts, kill competition altogether. No matter how much a purchaser may want an imported product, he cannot buy as much of it as he is willing to pay for if a quantitative restriction stands in the way. The production of goods makes sense only if they can be distributed to consumers. Quantitative restrictions cut across the distribution systems of the world, destroy world markets, and lead to economic self-sufficiency and isolationism. Under a regime of quantitative restrictions trade is no longer a matter of buying and selling between business enterprises in different countries; it becomes an affair of state, with bargaining between governments as to what goods, in what amounts, will be exchanged.

The Geneva charter condemns quantitative restrictions in principle. It does not abolish them, for their use is sometimes legitimate; but it confines them to exceptional circumstances which are narrowly defined, carefully safeguarded, and subject to international scrutiny and control.

The basic rule on quantitative restrictions is a simple one, namely, that they are prohibited (paragraph 1 of article 20). This rule is followed by specific exceptions dealt with in the following paragraphs of article 20 and in articles 21, 22, 23, and 24. The length and detail of the text relating to these exceptions have been cited by critics as evidence that the exceptions are so numerous and so wide open that they cancel out the general principle. As a matter of fact, the length and detail of the provisions relating to exceptions are due to the elaborate safeguards which have been thrown around their use in order to preserve the integrity of the general principle.

There are two main exceptions to the rule against quantitative restrictions: one to permit import quotas for agricultural products in surplus, and the other to permit import restrictions to protect a country's monetary reserves and safeguard its international financial position. Both of these exceptions have precedents in the trade agreements concluded between the United States and other countries during the interwar years. The other exceptions are primarily technical or transitory in nature and do not materially affect the long-run goal of eliminating quantitative restrictions.

Agricultural Quotas

The exception for quotas on surplus agricultural products (paragraph 2 (c) of article 20) is made necessary by the fact that, in the field of agriculture, governments have so frequently and universally intervened to reduce surpluses and prevent disastrously low farm prices by limiting the output or marketing of domestic farm products. An example of this is the United States Sugar Act of 1937, which seeks to keep sugar prices at a reasonable level by regulating the quantity of sugar, whether domestic or foreign, which comes onto the market. So long as governments limit the domestic production of a product, they must be free to take like action with respect to imports. If they did not, imports would increase, drive prices down, and enlarge the surplus, and the whole scheme would fall.

Three requirements must be met before agricultural quotas can be imposed under the charter. First, imports may not be restricted unless the domestic product is also restricted. This rule is necessary to prevent the use of quotas for ordinary protective purposes. Secondly, the domestic product must be restricted to approximately the same degree as the imported product. This requirement, which is related to the first, is necessary to prevent countries from applying their restrictions in such a way as to boost domestic output by cutting down on imports. Finally, advance public notice must be given of the amount of imports to be let in, and the member applying the restriction must consult with any other member who complains that the restriction does not meet the requirements referred to above.

Balance-of-Payments Restrictions

The exception for import restrictions necessary to safeguard a country's balance of international payments is a recognition of the hard fact that nations, like individuals, cannot long continue to buy things for which they cannot pay. If money is lacking, purchases must be cut accordingly. The only effective way in which a nation can reduce its total foreign purchases to the amounts it can pay for is to impose quantitative restrictions on imports.

The article on balance-of-payments restrictions (article 21) is the longest in the charter. It is long because international finance and exchange is a complicated subject. The articles of agreement of the International Monetary Fund, which relate solely to the financial aspects of the exchange problem, take up 41 closely printed pages. Article 21 of the Geneva charter is long also because it seeks to make sure that restrictions will be applied only when necessary for financial reasons and not for ulterior purposes; that their administration will be fair and reasonable in the light of the needs and interests of other countries; and that there will be adequate international procedures to insure the enforcement of these rules.

While the detailed clauses of the Geneva charter on balance-of-payments restrictions are elaborate and complex, the general ground rules are fairly simple:

First, countries may use restrictions only "to the extent necessary" to keep a reasonable amount of monetary reserves—that is to say, an adequate pool of money—available to pay for foreign goods. In other words, they can limit their buying from other countries only when their pocketbooks are in real danger.

Secondly, countries must stop restricting imports when their monetary reserves have again reached a reasonable level. In other words, they must start buying again, in a normal way, when their pocketbooks are out of danger. They may not keep the restrictions on in order, for example, to shelter or build up inefficient industries at the expense of the trade of other countries.

Thirdly, countries in balance-of-payments difficulties must consult with the International Trade Organization, either before or after applying restrictions. The purpose of consultation is to enable the ITO to find out precisely what the difficulties are, to see whether there is any way in which they can be overcome, short of imposing restrictions on imports, and to estimate what the effect of the restrictions might be on the trade of other countries.

It is not enough to agree upon ground rules if each country can decide for itself whether it is observing them. An enforcement procedure is necessary. Accordingly, procedures are provided in the charter whereby any member of the ITO can complain that another member has failed to live up to the ground rules to the detriment of the trade of the complaining member. The ITO is then required to look into the matter. If it finds that the complaint is justified, and if an amicable settlement is not made, the ITO must recommend the withdrawal or modification of the restrictions complained about. If these recommendations are not followed, the ITO may authorize the complaining member to impose higher tariffs, or quotas, or other measures generally forbidden by the charter, against the trade of the offending member. In this way an effective penalty is brought to bear against countries which violate the obligations they have undertaken.

There is danger that countries may deliberately tailor their domestic policies, such as development or employment programs, so as to keep themselves in constant balance-of-payments difficulties with a view to protecting their industries from foreign competition or cutting themselves off economically from the rest of the world. However, purely domestic policies cannot practicably be brought with-

in the purview of the International Trade Organization. A series of provisions has therefore been worked out, designed, on the one hand, to place essentially domestic matters beyond outside interference and, on the other, to assure that the effect of such policies on the trade of other countries will be compatible with the objectives of the ITO to expand international commerce. Thus, while a member cannot be ordered by the ITO to change domestic policies, on the ground that this would ease its balance-of-payments problems, it must agree to abide by certain principles in carrying them out. Concretely, it is provided that members, in carrying out their domestic policies, undertake:

"(i) to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources;

"(ii) not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities, the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples, or prevent compliance with patent, trademark, copyright, or similar procedures; and

"(iii) to apply restrictions under this article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member."

Quantitative restrictions, which are the concern of the ITO, and exchange restrictions, which are the concern of the International Monetary Fund, are equally effective methods of controlling trade. It is essential, therefore, that these two organizations work hand in hand. Article 24 of the charter provides for close collaboration between the ITO and the Fund. Members of the ITO are required either to join the Fund or to make a special exchange agreement with the ITO which will be supervised by the Fund. Members are permitted to use exchange restrictions under the rules laid down by the Fund agreement but they must not be applied in such a way as to frustrate the intent of the rules laid down in the ITO charter. Finally, the ITO must consult fully with the Fund on all financial and balance-of-payments questions; must accept the findings of the Fund on all factual matters relating to foreign exchange, monetary reserves, and balance of payments; and must accept the determination of the Fund as to whether a country's financial position warrants the application of quantitative restrictions under the charter.

Other Restrictions

Agricultural quotas and balance-of-payments restrictions are the two "large" exceptions to the rule against quantitative trade controls. There are a number of smaller ones. Permission is given for export restrictions on foodstuffs in critically short supply (for example, to cope with famine conditions); for import and export restrictions to enforce grading standards (for example, a prohibition on imports of substandard tea); for import restrictions to make possible the giving away of surplus goods without creating disorderly markets; for restrictions to prevent excessive exports of a product when the domestic price is controlled; for restrictions applied under an approved intergovernmental commodity agreement; and for restrictions which are necessary to deal with price controls, short-supply arrangements, and war-created surpluses during a postwar transitional period, ending on January 1, 1951.[1]

Restrictions applied under many of these exceptions will tend to disappear as the after-effects of the war are overcome and production in areas hit by the war is restored. Other exceptions have a limited application and are likely to be used only in rare instances. None of these exceptions is such as to impair the value of the general rule against quotas over the broad range of world trade.

Nondiscrimination

It is central to the purpose of the ITO to restore multilateral trading and eliminate discrimination in all its forms. While some discrimination is inevitable so long as quantitative restrictions exist, article 22 of the charter seeks to make the administration of quantitative restrictions conform as closely as possible to the most-favored-nation principle. If restrictions are applied to imports of a product from any country, they must be applied to

[1] The exceptions for restrictions under commodity agreements and for postwar transitional measures are provided for in article 43 (exceptions to all of the commercial policy chapter) rather than in article 20 (quantitative restrictions), since measures other than quantitative restrictions may be necessary.

imports of that product from all countries. They should, if possible, take the form of published quotas stating in advance the amount of the product that will be let in. If these quotas are allocated among countries, the allocations must be fair, and to this end the country applying the quota must either reach agreement with all other countries concerned or else base its allocation upon the trade in a past period considered to be representative. If published quotas are not used and the restriction takes the form of a licensing regulation, the licenses may not require or provide that the goods be imported from a particular country. Members using licensing systems are required, upon request, to give full information to other members regarding the administration of the system, the licenses granted over a recent period, and the distribution of the licenses among supplying countries.

There are necessary exceptions to the rule that quantitative restrictions must be nondiscriminatory. Article 23 recognizes that a country in balance-of-payments difficulties may sometimes be able to conserve its monetary reserves and increase its imports by purchasing more than the normal share of imports from particular foreign countries. This would be true, for example, if a country, hard-pressed to find enough foreign exchange to pay for all that it wanted to buy from abroad, had accumulated as part of its monetary reserves a stock of "inconvertible" foreign currencies which could not be used for payment everywhere in the world but only to pay for imports from a particular country. In such cases rigid enforcement of the rule of nondiscrimination would mean that the country concerned would have to forego importing a product from country A, even though it was able to pay country A, solely because it was unable to import and pay for the like product of countries B, C, and D. In other words, too rigid an application of the rule of nondiscrimination in such circumstances might tend to reduce, rather than enlarge, the total of world trade.

Departures from the rule of nondiscrimination, no matter how justifiable in theory, are dangerous in practice. Unless closely controlled they are likely to lead to barter arrangements or other bilateral deals designed to obtain preferential markets rather than to solve financial problems. Article 23, therefore, sets out a number of safeguards to keep discrimination within bounds and eventually to place trading on a fully multilateral, nondiscriminatory basis.

Discriminations based on financial considerations must first of all result in increased imports; they cannot be employed merely to divert trade from one source of supply to another. Secondly, the prices paid for the goods imported under discriminatory restrictions cannot be substantially higher than the prices of like goods available from other sources. This tends to limit the scope of discrimination and to minimize its harmful effects. Thirdly, the discrimination cannot be part of any arrangement which would reduce the country's supply of gold or convertible currencies. This rule is aimed against bilateral bargains to carve out preferential trading areas. Fourthly, import programs involving discrimination must ultimately be directed to the goal of eliminating balance-of-payments difficulties and achieving the full convertibility of currencies. Fifthly, countries practicing discrimination must keep the ITO regularly informed of what they are doing and, after March 1, 1952, must obtain the approval of the ITO if they are to continue the practice. Sixthly, the ITO can at any time require a country to remove discriminations which do not meet the criteria set out in the charter. Seventhly, if the ITO considers at any time that there is no longer a wide-spread disequilibrium in international trade, it may completely suspend the operation of this exception to the general rule against discrimination.

In addition to the provisions described above, there are certain other exceptions to the rule. Some of these are technical, being necessary to carry out the articles of agreement of the International Monetary Fund. Others are based on provisions in the Anglo-American financial agreement. One is a temporary arrangement permitting the maintenance of preferential quotas on four or five specific products pending their outright elimination by negotiation or their replacement by tariff preferences.

Any fair review of the articles on quantitative restrictions in the Geneva charter must recognize that the exceptions to the rule against quotas are substantial. But they do not invalidate the rule. The practices which remain forbidden are more important for world trade in the years ahead than

those which are permitted, and many of the latter, such as measures to protect balances of payments, will drop off or be disallowed as production and trade recover from the war.

The charter is a long-range plan for intergovernmental cooperation in the conduct of basic trade policies. To work effectively it must fit the facts which face governments today as well as the hopes which motivate governments for tomorrow. The articles on quantitative restrictions are the product of a practical idealism; they reflect awareness both of the conditions that exist and of those that must be established if the future is to be one of economic expansion instead of stagnation.

III. Employment and Economic Development

The Geneva draft of the charter for an international trade organization is the first document of common international understanding containing a well-reasoned body of economic ideas and objectives dealing with the interrelationships of production, employment, economic development, and world trade. The achievement is all the more notable because of the large measure of agreement reached by delegates, representing a variety of economic and political viewpoints, upon the basic interdependence of economic programs for the stabilization of production and employment and international programs for the liberation and expansion of trade.

No dissent or reservation was expressed by any delegate from the principles contained in chapter II, "Employment and Economic Activity". While there were a number of reservations made to specific provisions of chapter III, "Economic Development", none of these questioned the economic conceptions upon which the chapter's provisions were founded.

There follow summaries of the basic concepts of the two chapters.

The full development of international trade and the realization of the benefits to be derived from trade depend upon the maintenance and development of production, employment, and demand for goods and services throughout the world. The full development of trade-supporting demand depends upon the domestic policies of the countries of the world specifically or generally directed to this end, including the development and maintenance of fair labor standards, related especially to increasing levels of productivity, and upon the development of the potentialities and resources of the underdeveloped and underindustrialized portions of the world. Fuller economic development of the underdeveloped portions of the world, leading to increased productivity of both industry and agriculture, depends upon the availability of economic resources, including capital for international investment, equipment, technology, and trained personnel, from the industrialized countries which are in a position to supply them.

Conversely, the failure of one country to maintain domestic employment and demand may contribute to serious economic difficulties in other countries and to the breakdown of international trade and the diminution of its benefits. Unreasonable barriers to the acquisition of economic resources needed for developmental purposes will prevent expansion of production and demand and will perpetuate low standards of living in many parts of the world.

These concepts have, for the most part, been incorporated in the charter in terms of the recognition of principles and objectives toward which the members of the Organization will strive in formulating their domestic programs. The delegates who drafted the Geneva text fully realized the great divergences of opinion that exist in the world and that may exist within a single nation concerning the proper selection of domestic policies and measures to achieve these objectives. They sought, therefore, to preserve the widest latitude possible for a variety of domestic approaches to the designated ends.

A clear distinction is made in the language of the draft between the economic principles to which the members will give general recognition, subject finally to their own best judgment, the responsibilities which they undertake to perform in a prescribed manner, the obligations which they undertake to perform in consultation with other members or in conjunction with international authority, and the situations in which the international authority itself is given a specific function to perform.

The basic idea that the nations of the world have a common interest in the avoidance of unemployment and underemployment is set forth (article 2) as a recognition of principle. This is followed by

a statement that action in this field "must depend primarily on domestic measures", but that such measures should be supplemented by concerted intergovernmental action through whatever bodies of the United Nations, acting under the general sponsorship of the Economic and Social Council, might appropriately be involved.

The contracting members assume a positive obligation in article 3 with respect to the achievement and maintenance of "full and productive employment and large and steadily growing demand", in language generally similar to that of the Full Employment Act of 1946. The measures which the member takes shall be "appropriate to its political, economic and social institutions". The language of the charter further recognizes that fulfilment of these objectives may well be beyond the capacity of action by individual governments and that entirely well-intentioned measures may therefore fall short of their goal. The member's responsibility under the charter is not, therefore—and could not reasonably be—the achievement of a state of full and productive employment but is the taking of "action designed" to achieve and maintain full and productive employment.

Similarly, the obligation toward the achievement and maintenance of fair labor standards (article 4) is couched in terms of taking "whatever action may be appropriate and feasible" to eliminate substandard conditions of labor. In view of the prevalence of wide international differences in productivity, no attempt was made to establish any conception of international uniformity in labor conditions. The phrase *substandard*, for example, was left without further definition in full realization of the complexity of wage relationships within even a single country. Implementation of the provisions of this article are also a matter of domestic action. A change introduced into the Geneva draft of the charter adds to the domestic obligations of those members who are also members of the International Labor Organization an undertaking to cooperate with the ILO in achieving the objectives of this article.

To reinforce the agreed-upon principle that domestic measures relating to employment, production, and demand bear an important relation to economic conditions in the rest of the world, the charter also attempts to insure that the measures taken by members to achieve full and productive domestic employment shall be of the kind which look toward the expansion of employment by means of the expansion of trade rather than by the building of uneconomic industry or the achievement of economic autarchy. Thus article 3 provides that measures taken to sustain employment, production, and demand shall be consistent with the other objectives and provisions of the charter, which envisage a minimum and diminishing quantity of trade restrictions. The article provides further, in the same vein, that members shall "seek to avoid" measures which would place other countries in difficult balance-of-payments situations.

One of the most serious economic problems tackled in the charter is the question of domestic action to be taken when balance-of-payments difficulties do arise. The charter recognizes that in the complex world of modern international economics, balance-of-payments difficulties arise because of a variety and often a complexity of reasons. Cause or blame cannot readily be attributed to the policies of any one nation. Sound economic policy, nevertheless, requires that all nations which may be involved in the problem cooperate to solve it, and that solutions be found favoring the expansion, rather than the restriction, of international trade. Accordingly, when an excess of exports over imports in the trade of one member country is a major factor in the difficulties of other members, and when the possibility thereupon arises that the other members will have to take restrictive action to preserve domestic employment, the member with the favorable balance of trade is to contribute to the working out of the common problem. Appropriate action must also be taken by the members adversely affected to extricate themselves from their own difficulties. The kinds of measures to be used are, of course, to be decided by the governments concerned.

The chapter on employment and economic activity emphasizes chiefly the attainment and maintenance of full and productive employment. It is the chapter on economic development that looks to a major source of the future expansion of world trade through raising the productivity and realizing the potential capacity of relatively undeveloped areas. The detailed provisions of the chapter are designed to facilitate the basic pledge of the members in article 9 to develop progressively their own economic and industrial resources and to raise general levels of productivity in both in-

dustry and agriculture. This will result in increased demand for goods and higher living standards. Increased diversification of industrial activity within the developing country may help to increase domestic ability to withstand a decline in foreign markets. An increased level of economic activity will add specialized, low-cost productive resources and demand for the products of other countries to the channels of international trade.

While the responsibility for economic development is essentially a domestic one, it is of the sort which necessarily places heavy reliance upon the capital, technical, and industrial resources of the capital-exporting countries. Accordingly, the charter, in article 11, obligates members possessing such capital resources to impose no unreasonable impediments to their acquisition, on equitable terms, by countries needing them for economic development.

The ITO itself is given essentially a coordinating role with respect to the technical problems of development. Members in need of technical advice or financial assistance may come to the Organization for aid and the Organization will help them to find such assistance. This may involve the temporary services of technical experts from several nations or the collaboration of another specialized intergovernmental organization, such as the International Bank for Reconstruction and Development.

Of at least equal importance are the expanded provisions in the charter for the equitable and secure treatment of investors, capital, and property of foreign nationals engaged in the kind of activity which is the cornerstone of economic development. In addition to a number of provisions for the minimum security of private international investment which are written directly into the charter, the Organization is given general authority to sponsor and promote international agreement on further principles relating to the conduct, practices, and treatment of foreign investment. Eventually, this international agreement should take shape as an investment code.

The investment provisions included in the charter itself permit members to exclude all foreign investments, if they wish, or to discriminate among the sources from which they will accept them. They also permit members to maintain existing arrangements and to institute new arrangements which discriminate against new foreign investments. But, in the case of existing investments or new investments, once they have been made, the charter requires each member to treat the investors of any other member as well as it treats its own investors or those of any other country. The basic rule is that no new discriminatory measure can be applied to an investment after it has been made. A member may write its own rules, but it cannot change them after the beginning of the game.

If a member should require that its own citizens participate in the ownership of a particular industry and if this requirement should involve a transfer of ownership from the nationals of another member, these nationals must be paid "just consideration" for the property they are required to sell. And if a member country should take over the ownership of a foreign enterprise, it must pay "just compensation" to the foreign nationals involved. The terms *just consideration* and *just compensation*, moreover, are defined to cover all aspects of payment, including adequacy, time, and form. If any limitation is imposed on the transfer of payments into the currency of the foreign sellers of the property concerned, it must be consistent with the provisions of the International Monetary Fund.

Finally, the charter obligates members not to take "unreasonable or unjustifiable" action which would injure the rights or interests of foreign nationals who have supplied enterprise, skills, capital, arts, or technology to the developing country.

An important part of the problem of economic development is the question of protection for the infant industry. The commercial policy sections of the charter (chapter IV) permit the use of both tariffs and subsidies for economic development as well as for other aspects of commercial policy. The use of other protective measures, however, and particularly the use of quantitative trade restrictions and discriminatory internal taxes, is severely limited. The use of protection is, of course, most appropriate where required for sound economic development. Even in such cases the need to go beyond the use of tariffs and subsidies to the employment of quantitative restrictions is limited to special situations. Moreover, quantitative restrictions, once established, may be relatively more difficult to remove than other measures used for the same purpose. Their establishment not only creates protection for the domestic industry but fos-

ters vested interests in specific directions of trade. And not of minor importance is the fact that it is frequently impossible to distinguish protection for economic development from protection for other purposes.

Accordingly, the charter reserves the employment of quantitative restrictions, even for the purpose of economic development, to those cases in which the nature of the development problem makes the use of other devices inappropriate or ineffective. The basic rule, set forth in article 13 of the charter, is that a member must obtain the prior approval of the Organization for this use.

This does not mean, however, that the Organization is given the power to review or veto the economic development plans of its members. Determination of the nature and scope of the industries to be developed is exclusively the prerogative of the member country involved. The role of the Organization is limited to the determination of the one question: Is it necessary for the member to use methods of protection otherwise prohibited by the charter, rather than the methods which the charter allows, to accomplish its purpose of development?

The requirement of prior approval for the use of quantitative restrictions in economic development was one of the most thoroughly debated portions of the Geneva draft. The underdeveloped countries contended strongly for freedom to impose restrictions subject to a provision allowing the ITO subsequently to examine the measures and to order their discontinuance. The procedures and standards finally agreed upon were designed to provide a fair balance between the possible need of the underdeveloped country to employ temporary restrictive devices for developmental purposes and the broader interests of the world in preserving a trading community free from avoidable restrictions.

In recognition of the special problems of the underdeveloped country, a series of standards is provided which, if met by the member seeking to impose quantitative restrictions, would create a presumption in favor of approval. The chief of these standards are (*a*) that the proposed measures be no more restrictive of international trade than tariffs or subsidies which the members could practically impose under the charter, and (*b*) that they are more suitable to the purpose than other available methods of protection.

Procedurally, the underdeveloped country is given the additional assurance of quick action by the Organization; the latter is obligated to act within a definite period of time. Moreover, if the development of an industry is threatened because the prospect of Organization approval of new restrictions results in an unusual increase in imports of the products concerned, the member involved is permitted temporarily to adopt measures to deal with the situation. The Organization may also give approval to the institution of a new preferential arrangement, otherwise prohibited by the charter, if it is designed to foster economic development.

The basic requirement of prior action by the Organization, together with the Organization's power to surround its approval with conditions and restrictions as to timing, is designed to protect the interests of the rest of the world and to insure that restrictive measures will be considered coolly and impartially before they are instituted and take firm root.

The approval which the Organization gives to an underdeveloped nation is in the nature of authorization to engage in restrictive measures which the member has agreed under the charter not to employ. There may be cases, however, in which the member involved is committed not to use such restrictive measures by agreement with another member, aside from its adherence to the charter. In such cases, if the Organization has agreed in principle to the institution of the measures proposed for economic development, its role will be to mediate any differences that may arise.

The effectiveness of the charter provisions concerning employment and economic development are less dependent upon the Organization machinery than is the case with the provisions of the charter respecting commercial practices, tariff negotiations, commodity agreements, and cartels. The effectiveness of these two chapters rests upon the undertakings of the members who have obligated themselves to the ends already described. If these ends can be realized, world trade and economic activity will not only operate at rising levels, but the stage will be set for easier operation of the remaining provisions of the charter.

IV. Subsidies and State Trading

The draft charter for the International Trade Organization, adopted by the Preparatory Committee of the United Nations Conference on Trade and Employment at Geneva, and recommended by it to the World Conference which will convene at Habana on November 21, 1947, made a number of important changes in the texts of the sections on subsidies and state trading which had been tentatively agreed upon at the meetings at London and Lake Success.

These two sections play a more important role in the draft charter than would be apparent from the space they occupy. This is especially true of the section on state trading, which includes only 2 of the 100 articles of the document but which attempts to answer one of the most difficult questions that have faced the Preparatory Committee—whether countries which carry on trade through state enterprises can conduct their commerce with private-trading countries on amicable and mutually profitable terms or whether the rapid growth of state enterprises dooms the world to a permanent cleavage between two systems, with economic warfare between them the normal state of affairs.

Before the first session of the Preparatory Committee there were many who believed that there was no satisfactory solution to this problem—that state-trading enterprises have an artificial advantage over competitive private traders that can be met in private-trading countries only by government monopolies—in other words, by universal state trading throughout the world.

The Preparatory Committee did not accept this as the answer. It could not. For even if it had decided to draw a curtain between the state-trading and the private-trading worlds it could not have written satisfactory trade rules for the latter while ignoring the problem of state trading. Nearly every country, including the United States, had acquired during the war some experience with state trading. And this experience could be used effectively by any member to nullify all the other obligations of the charter if there were no provisions in the charter to prevent it.

While the rapid growth of state trading throughout the world increased the importance of the problem, its solution was made more difficult by the lack of precedent. When the Preparatory Committee held its first meeting at London last autumn, it was faced with the task of writing rules for an area of trade which had hardly been touched by any previous international agreement.

The Preparatory Committee at its first session devoted considerable effort to working out formulas to fit both subsidies and state trading into the pattern of the other commercial-policy provisions of the draft charter. These formulas were further refined at the meeting of the Interim Drafting Committee at Lake Success. When the Geneva meeting convened, these earlier drafts had been studied and criticized in detail not only in the United States but in the other countries represented at the meetings. A possible result of that public discussion might have been a stiffening of the desire of each country to maintain its own freedom of action in these fields. Instead, the Preparatory Committee at Geneva amended both sections, particularly that on state trading, in the direction of the tightening of their requirements and the closing of possible avenues of escape from their provisions.

Relation of Subsidy and State-Trading Provisions to General Commercial Policy

The general purpose of the commercial-policy chapter of the draft charter has been outlined before in this series of articles. But a brief review may be worth while so that the part played by the subsidy and state-trading sections in the charter may be better understood.

In broad outline, the two most fundamental purposes of chapter IV of the charter are to increase the volume of international trade by reduc-

ing trade barriers and to reverse the trend of the interwar years toward bilateralism. Bilateral trading—the attempt by a country to bring its trade with each other country separately into balance—was a characteristic feature of the 1930's. Expressed through such devices as barter agreements, blocked currencies, and differential exchange rates, it could be accomplished only by discrimination between countries. Its result was a smaller volume of world trade and lower standards of living.

In general, therefore, the commercial-policy chapter attempts to abolish the more restrictive forms of trade barriers, isolating import duties as the only form of protection generally permitted, and requires that those duties be the subject of negotiation for their limitation or reduction. And to combat bilateralism, the draft charter in general outlaws discrimination among members in the application of any form of protection that is permitted. The rest of this analysis is, in brief, a description of the way in which these two principles have been applied to the subject of subsidies and state trading.

Although a subsidy is not necessarily a barrier to trade and may sometimes create trade that would not otherwise take place, it can operate so as to give a country a greater share of world exports than it would enjoy if its producers were forced to sell at world prices. When a subsidy has this effect and particularly if it consists of a direct export subsidy, it almost inevitably leads to retaliation and therefore to discrimination.

It is equally true that state trading does not necessarily represent a barrier to trade. Its danger lies in the fact that a government can, simply through the day-to-day operating decisions of the state-trading enterprise, discriminate as among foreign suppliers or markets without, by law or regulation, applying such openly restrictive devices as import quotas, exchange controls, or discriminatory tariffs. Furthermore, when the state-trading enterprises, as is often the case, has a monopoly of the country's export or import trade in a given product, it may reduce or completely cut off imports or exports by a simple administrative decision not to buy or sell.

The Preparatory Committee, therefore, had the task of circumscribing the use of subsidies and of bringing state trading within the pattern established elsewhere in the charter for private-trading operations, so that state-trading enterprises could not be used in such a way as to nullify the obligations accepted by governments with respect to their private trade.

Subsidies

Briefly, the Geneva draft of chapter IV, section C, on subsidies (chapter V, section D, of the London and New York drafts) provides that where a member maintains any subsidy that would have the effect of increasing its exports or decreasing its imports it will report the fact to the International Trade Organization and, where the subsidy prejudices the interests of another member, will consult with that member in an effort to avoid serious conflict. Furthermore, after two years from the date the charter is adopted, it will not, except in certain carefully prescribed cases, subsidize exports or maintain any other system which has the effect of dumping goods abroad at less than the domestic price.

These basic rules are qualified by certain necessary exceptions. The International Trade Organization is authorized to exempt a member from the ban on export subsidies in the case of a particular product, under certain circumstances. If a nonmember, who is not bound by the same provisions as members, should maintain a subsidy which reduces the markets of a member, that member may grant a subsidy to its own producers or exporters to offset the effect on it of the nonmember's subsidy. Another provision allows for incidental subsidies that may temporarily result from the operation of a price-stabilization scheme in a primary commodity.

Primary commodities are also the subject of another important exception to the outright prohibition of export subsidies. It will be recalled that the draft charter elsewhere makes recognition of the peculiar economic difficulties which often exist in the case of primary commodities (especially agricultural commodities), by providing that where such a commodity is in world surplus and where certain other carefully prescribed conditions are met, the general rules against the use of controls in world trade may be suspended if member governments enter into a commodity agreement to stabilize trade or prices. The subsidy section,

therefore, provides that a member which finds it is unable to comply with the rule against export subsidies may, in the case of a primary commodity meeting the requirements for an international commodity agreement, ask that the procedures for establishing such an agreement be initiated. If an agreement is concluded and operates successfully, the member's difficulties could be solved as part of an international stabilization scheme. On the other hand, if it becomes evident that an agreement cannot be concluded or operated successfully, the International Trade Organization may in its discretion exempt the member from the prohibition on the use of export subsidies. Incidentally, the terms of this provision inspired the only reservation to the draft charter that was made by the United States Delegation. The objection of the United States was that the procedures required of a member using an export subsidy are more restrictive than those which apply to members using a different form of subsidy, even where the latter may have the same effect on world trade.

State Trading

Section D of chapter IV of the Geneva draft charter (chapter V, section E, of the London and New York drafts) is entitled "State Trading". The two articles of this section actually cover the operations of any enterprise, even if privately owned, which because of governmental aid or special franchise is enabled to operate without effective competition.

Article 30 provides that the principle of nondiscrimination should apply to state-fostered enterprises, just as the most-favored-nation principle is applied to measures taken by governments themselves to direct the flow of trade. More specifically, it interprets this to mean that the enterprise must, so far as its purchases or sales affecting exports or imports are concerned, act according to commercial considerations. At Geneva this obligation was made still more explicit by the additional provision that the enterprises of other members must be given an opportunity to compete for the international business of the state-trading enterprise "in accordance with customary business practice". A parallel obligation was added under which members agree not to prevent enterprises, including competitive private enterprises, from acting according to commercial considerations.

Finally, the purchases of members for their own governmental use are exempted from the provisions of the article, thus leaving a government free to follow any policy it chooses in its purchases for its armed forces, for strategic stock piles, or for similar purposes.

The most important change made in article 30 at Geneva was the abandonment of any attempt to define a "state enterprise" and the imposition on the member government itself of unqualified responsibility for the behavior of any enterprise to which it has granted an exclusive or special privilege. Under the revised article no state can avoid its provisions by arguing that the enterprise is not state owned or operated.

Article 30 is concerned entirely with the question of discrimination and is not directed toward the level of protection that can be afforded to domestic enterprises by the operation of a state-trading monopoly. The latter is the function of article 31, which accomplishes the dual purpose of subjecting these monopolies to limitations on the use of quantitative restrictions, parallel with the limitations applied elsewhere in the charter, and of requiring that the remaining protection against imports, or barriers to exports, shall be subject to negotiation among members, as in the case of the obligation to negotiate export and import duties affecting competitive private trade.

The logic of article 31 is to provide in the case of state monopolies the closest possible parallel to the obligations found elsewhere in the commercial policy chapter—namely, to require the elimination of all forms of quantitative restriction and then, having isolated the permitted forms of protection, to make that protection subject to negotiation for its limitation and reduction.

In the case of private trade the permitted form of protection is the import duty. In the case of a state monopoly it is an almost exactly parallel right to place a resale price on the imported commodity higher than the import price plus costs and reasonable profit. Just as any member country is required to publish its maximum import duties, a country maintaining a state monopoly is required to declare the maximum protective margin that it will charge when it resells the imported product in its domestic market. It then has the

same obligation to negotiate the height of that protection with other members as if the protection were actually an import duty. In fact, the extent of the parallel has been emphasized in the latest draft of the article by using the words "import duty" to refer to this maximum margin of protection. And, under the terms of the article, the protection could actually be accorded in the form of an import duty, in which case no additional protection by means of a protective price margin would be permitted. This will be the situation wherever a member has negotiated the level of its tariffs without specific reference to the operations of any monopoly it may maintain. Thus the tariff negotiations which have taken place at Geneva will have established simultaneously the maximum protection that may be afforded to domestic producers of the commodities scheduled in the resultant agreement, whatever form that protection may take.

If we again look at private trade for comparative purposes, it is clear that once a country has established a maximum import duty on a product and has agreed to give up any form of quantitative restriction, the only possible limit to the quantity of imports is the amount that its domestic purchasers will buy at the price resulting from the addition of the duty to the world price. Article 31 brings about the same result in the case of a state monopoly by providing that, at the price resulting from the established maximum markup, the monopoly must meet the full domestic demand.

One other provision of article 31 requires a brief mention. There are cases where a raw material is imported and then further processed or, as is typical with tobacco, mixed. Under these circumstances it is sometimes impossible to determine the actual margin between the import price and the final selling price to consumers. To take care of these cases or of others where the interested members may prefer to negotiate on something other than the establishment of a maximum price margin, the article permits any other form of negotiation that may be satisfactory to the members concerned. Although the nature of these alternative negotiations is not specified, they could, for example, result in the determination of the maximum difference between the price paid by the monopoly for imports and the price paid for a competitive domestic product. Or they might, in some cases, result in a guaranty by the importing country of a certain volume of imports, provided that any such guaranty must, under the terms of article 31, be applied without discrimination as among the various members who export the product.

This provision for flexibility of negotiation was one of the more important of the changes made in article 31 at Geneva. But other changes, particularly the requirement that the maximum margin of protection be published, completed the process of equalizing the obligations of members maintaining state-trading enterprises and of those who depend entirely upon private trade. In short, a formula was found and agreed upon under which state trading can be fitted into a liberal system of world commerce, patterned on the traditional model of private competition.

V. Cartel and Commodity Policy

The chapters of the Geneva draft of the ITO charter that deal with restrictive business practices and with commodity agreements retain the same approaches toward cartel and commodity policies that were set forth in the original American proposals and in the Preparatory Committee's London draft.[1] But they have been so reorganized and rewritten as to clarify their provisions, and they have been so amended in detail as to meet a number of criticisms that had been made in the United States.

Cartel Policy

Chapter V of the charter represents the first international approach to the problems created by the restrictive business practices of commercial enterprises. The interwar period had demonstrated that such agreements could prevent or repress the flow of trade as effectively as any government-imposed tariff, quota, or embargo. Accordingly, it was recognized from the outset of the project that any international charter for the reduction of trade barriers and the promotion of employment and economic development would be incomplete if it failed to deal with the barriers created by certain kinds of business practices.

The chapter is based upon an agreed general policy concerning the prevention of restrictive business practices. Members agree, in effect, to take appropriate measures to prevent, within their respective jurisdictions, restrictive business practices affecting international trade, whenever such practices are harmful to production or trade and interfere with any of the Organization's basic objectives. In recognition of the fact that state-controlled enterprises may be as prone to engage in such practices as private ones, the obligation is applied with equal force to enterprises of both kinds. The obligation also is framed in such a manner as to make it clear that the restrictive business practices of a single enterprise, as distinguished from practices brought about by agreements among enterprises, are comprehended by the provision; in short, the practices of the combine as well as those of the cartel are treated in the chapter.

To lend added substance to the general undertaking of the members, the Organization is empowered to investigate allegedly harmful business practices which are complained of by any of the members. A series of six practices, in fact, is specifically designated as "subject to investigation" by the Organization. These practices were selected on the basis of the extensive information regarding the activities of cartels and combines which has accumulated in recent years, particularly in the United States.

Two of these enumerated practices deserve comment. The practice of "preventing by agreement the development or application of technology or invention whether patented or unpatented" relates to a device familiar in cartel history—a conspiracy among potential competitors to defer the application of new technological developments in their industry. In the chapter the practice is so described as to exclude the situation in which the possessor of certain technology simply defers its application without making any agreement with other parties on the matter. Another practice subject to investigation is the abuse of patents, trade-marks, or copyrights; in the past, cartels have commonly abused such rights, using them as a means of developing harmful restraints on international trade. The inclusion of this provision in earlier drafts had raised the question of how the line could be drawn between permissible use and objectionable abuse, in view of the heterogeneous character of the various domestic patent, trade-mark, and copyright laws. This has been resolved in the Geneva draft by providing that the proper scope of the patent, trade-mark, or copyright grant

[1] *Department of State Bulletin*, Feb. 9, 1947, p. 239, and Feb. 16, 1947, p. 266.

is to be determined in any case by the domestic law of the country making the grant.

To insure the proper use of the Organization's powers of investigation, detailed procedures which are to be followed in the exercise of these powers are set out in the chapter. Briefly, an affected member country, acting on its own behalf or on behalf of a national, may complain in writing regarding certain business practices. If a preliminary screening indicates that the complaint may have substance, the Organization will conduct an investigation based on information obtained from members and from hearings at which the representatives of member governments and private parties, if the latter are involved, will be afforded reasonable opportunity to be heard. The Organization will then decide whether the practices in question are harmful, and, if so, it will notify all members and call upon them to take remedial action.

An alternative procedure to that of the complaint and investigation also is set out in the chapter. Any member affected by restrictive business practices carried on by commercial enterprises situated in other countries may request the Organization to arrange for consultation with such countries in order that the situation may be remedied by direct action. This procedure, which must initially be used if a complaint is directed against the independent practices of a state-controlled enterprise, may also be used in complaints against private enterprises.

The statement of general policy with which the chapter opens is bolstered not only by the complaint and investigation provisions but also by a series of specific obligations which the members undertake. These commitments include the provision that members shall take the necessary legislative and administrative measures to carry out the general purpose of the chapter. In carrying out this obligation, however, it is expressly stated that each member is expected to act in accordance with its particular system of law and economic organization. Moreover, while there is no obligation to accept and carry out all decisions of the International Trade Organization, each member agrees to take the fullest account of such decisions in determining the action considered appropriate in the light of its general obligations under the chapter. If a member takes no action in a particular case, contrary to the recommendation of the Organization, it is committed to inform the Organization of the reasons for its inaction and to discuss the matter with the Organization, if requested to do so.

One final feature of the business-practice provisions of the charter should be noted. New material was added at Geneva by the adoption of article 50, on procedure with respect to services. At the First Meeting of the Preparatory Committee in London, the question arose as to the inclusion within the scope of the chapter of international services, such as telecommunications, shipping, aviation, and insurance. It was the view of some delegations that the industries rendering these services were affected by special considerations and would in most instances be subject to the jurisdiction of new specialized agencies. The problem was reconsidered at Geneva, and agreement was reached upon the special procedures set forth in article 50. Briefly, the article provides that if any member considers that restrictive business practices exist in relation to an international service and that such practices have such harmful effects as to prejudice seriously the interests of that member, it may submit a case to any other members whose private and public enterprises are engaged in the practices in question. The members concerned will then attempt to reach a settlement through consultative procedures. If no settlement is effected by this means, the case may be presented to the International Trade Organization, which will then transfer it to the appropriate specialized agency, if one exists, together with such observations as the Organization may believe warranted. If no such specialized agency exists, and if members request, the Organization may make recommendations as to remedial measures. There is also a provision for cooperation between the Organization and other intergovernmental organizations with respect to restrictive business practices in the services field, and the Organization is authorized to make special studies, as requested, on matters relating to services which fall within the scope of the charter.

Viewed as a whole, the chapter represents a great stride toward the development of international standards regarding elimination and prevention of trade barriers created by commercial enterprises. Whereas, in the past, few countries other than the

United States and Canada placed limitations upon the right of their businessmen to engage in restrictive business practices, the adoption of this chapter will establish standards for the conduct of the enterprises of the trading nations of the world and will create the opportunity for all countries to move toward a common policy.

Commodity Agreements

It is recognized in chapter VI of the charter that certain primary commodities, such as foodstuffs, forest and fishery products, and minerals, are produced and distributed in international trade under such conditions that the corrective forces of the market do not readily bring about adjustment to changing conditions. In the case of certain agricultural products, demand and supply are relatively inelastic; surpluses tend to pile up; price depression persists; but producers cannot move rapidly enough to adjust themselves to the new situation. As a result large numbers of them all over the world suffer prolonged hardship. In the case of some minerals, specialized producing communities, which afford no opportunity for alternative employment, experience wide-spread unemployment even though the general level of world economic activity is not depressed.

Under these circumstances governments habitually have intervened in the processes of production and distribution. In some cases they have acted unilaterally, curtailing imports or subsidizing exports without regard for the consequences that these policies might have abroad. In other cases they have entered into agreements which sought to promote the welfare of producers by regulating output, trade, or prices with little regard for the consequences of such action for consumers, either abroad or at home.

It is the purpose of the charter to assure, first, that the action that any one government may take in these circumstances shall not adversely affect the interests of others and, secondly, that action which governments may agree to take jointly, in the interests of producers, shall not adversely affect the interests of consumers. Chapter VI of the charter is directed toward the second of these purposes. It permits governments to enter into agreements affecting international trade in primary commodities. They possess this power, of course, at the present time. The chapter does not deprive them of it. What it does is to limit the circumstances under which the power may be used and the manner in which it may be exercised. Commodity agreements are exempted from the general rules of trade policy laid down in the charter if they satisfy the conditions and contain the safeguards prescribed in this chapter. They are forbidden if they do not.

The chapter sets up a procedure under which a member who is substantially interested in a primary commodity and who experiences or foresees particular difficulties with respect to the international trade in that commodity may request the Organization to set up a study group. Such a group, composed of interested members—and, where appropriate, nonmembers—of the Organization, will conduct an investigation of conditions affecting the trade in the commodity and report its findings and recommendations to the Organization and its members. If in its opinion the situation requires such action, it may recommend the calling of a commodity conference for the purpose of preparing an intergovernmental commodity agreement. Members substantially interested in the commodity either as producers or consumers must be invited to participate in such a conference, and nonmembers may also be invited to do so. Members, in general, will not enter into any commodity agreement unless it is concluded in accordance with this procedure.

The agreements that may emerge from a commodity conference are divided into two general types. One type, called commodity-control agreements, includes all agreements that involve restrictions on production, exports, or imports or the regulation of prices. The other type includes all agreements that involve no such restraints. Both types of agreements must satisfy certain general requirements. Commodity-control agreements, in addition, must meet a number of conditions that are carefully prescribed.

All agreements must be open on equal terms to any member of the Organization. Countries substantially interested in the commodity as importers or consumers must be afforded adequate participation. Nonparticipating members of the Organization must be accorded equitable treatment. And all agreements must be accompanied, at every stage, by full publicity.

Commodity-control agreements may not be entered into unless one of two conditions exists.

First, the commodity must be produced, in great part, by a large number of small producers; the demand for it and the supply of it must be relatively inelastic; a burdensome surplus must exist or be in prospect; and, as a result, there must be a threat of wide-spread hardship. These conditions might be satisfied in the case of several agricultural commodities. Secondly, demand for the commodity must be relatively inelastic; alternative occupational opportunities must be lacking in the areas where it is produced; and wide-spread unemployment must exist or be in prospect, with resulting hardship for large numbers of workers. These conditions might be satisfied in the case of certain minerals.

Commodity-control agreements concluded under such circumstances must be limited in duration and subject to periodic review. They must afford consuming countries and producing countries an equal voice. They must assure the availability of adequate supplies. They must provide increasing opportunities for satisfying world requirements from economic sources. And each country participating in such an agreement must adopt a program of economic adjustment designed to make a continuation of the agreement unnecessary.

Each commodity-control agreement is to be administered by a governing body called a Commodity Council. Each country participating in the agreement is to have a voting member on the Council. The International Trade Organization is to appoint a nonvoting member and may invite other intergovernmental organizations, such as the Food and Agriculture Organization, to do so. Disputes regarding the interpretation of an agreement which cannot be resolved within the Council must be passed on to the ITO for adjudication. Each Council must report periodically to the Organization, and the Organization must prepare and publish a periodical review of the operation of all of the agreements under its supervision. Members must revise or terminate existing or future agreements if the Organization finds that they do not conform to the provisions of the chapter.

The chapter neither prohibits commodity agreements nor promotes them. It attempts to prevent abuses of the sorts that have arisen in the past. It seeks to establish principles that are economically defensible and morally sound. It is designed to safeguard the interests of consumers, to force adjustment to changing conditions, and to facilitate the early restoration of free markets. It marks the first approach toward agreement on international policy in this field.

VI. The Constitution of the ITO

The final three chapters of the charter of the International Trade Organization, as redrafted at Geneva, deal with the structure and the operation of the ITO. Chapter VII, "The International Trade Organization", establishes the various organs of the Organization and sets forth their respective functions. Chapter VIII, "Settlement of Differences—Interpretation", contains the important provisions of the charter dealing with the handling of disputes. Chapter IX, "General Provisions", covers such questions as exceptions to the charter, amendments, and relations with nonmember states.

The present article, the last in a series of six, provides, first, a general review of the functions of the Organization and, second, a discussion of the principal articles of these three chapters.

General Review of Functions

First, the ITO is an international center for information on matters affecting trade. It will undertake to improve trade statistics. It will collect, analyze, and publish data on exports, imports, balances of payments, prices, subsidies, and public revenues from trade; on customs regulations and their administration; on economic development, commodity problems, and national commercial policies. It will prepare and publish a periodic review of the operation of commodity agreements. It will make studies of conventions, laws, and procedures relating to restrictive business practices, and of treaties and other agreements affecting trade. As a source of information on all these matters, it will be of inestimable value.

Secondly, the ITO is a center for international consultation. One nation may complain, for instance, that another is abusing the escape clause contained in its trade agreements, that it is unfairly invading foreign markets through the use of subsidies, that it is using an improper base period in the administration of a permitted export subsidy or import quota scheme, that it is imposing unreasonable impediments to the exportation of capital or technology, or that it is imposing unreasonable treatment injurious to international investment or enterprise. In any such case, the ITO will invite the nations concerned to enter into consultation and will lend its good offices to effect a settlement of their differences. It may sponsor similar consultation with respect to restrictive business practices. And, at any time when trade is so unbalanced that the permitted employment of quantitative controls over imports is wide-spread and persistent, the ITO will call a general conference to consider whether other measures might not be taken to remove the underlying causes of the disequilibrium. Any solution effected through such consultations will not be one which is dictated by the Organization but one to which its members may voluntarily agree.

Thirdly, the ITO will be a source of advice and assistance to member governments. It will develop and recommend common standards for the grading of commodities, for commercial terms, for documentation, for tariff valuation, and for the simplification of procedures that act as obstacles to trade. It may recommend the conclusion of new agreements or the modification or termination of old agreements on commercial policy, economic development, commodities, and restrictive business practices. It may draft modern international conventions and standard provisions for commercial treaties dealing with such matters as commercial arbitration, the avoidance of double taxation, the treatment of commercial travelers, the protection of foreign enterprises, skills, capital, arts, and technology, and the conditions of doing business abroad. Upon request, the Organization may also provide technical assistance on the administration of trade controls and advice with respect to programs of economic development. The ITO itself will not be in possession of industrial technology. Such knowledge is usually cov-

ered by patents that are held by private firms. These firms may sell their know-how to enterprises in undeveloped countries upon such terms as the parties to the contract may agree. But there is nonetheless a function for the Organization to perform in helping organize missions of experts to advise such countries on the larger aspects of their developmental plans.

Fourthly, the ITO will conduct investigations, hold hearings, and make recommendations to member states concerning the restrictive practices of international combines and cartels. In this case the provisions of the charter apply to business practices in international trade which "restrain competition, limit access to markets, or foster monopolistic control", whether they are engaged in by a single private or public enterprise or by a group which includes within its membership private enterprises, or public enterprises, or both. Upon complaint by a member, the ITO may make an investigation, hold hearings, and if it finds that the practice in question has such an effect, shall "request each Member concerned to take every possible remedial action, and may also recommend to the Members concerned remedial measures to be carried out in accordance with their respective laws and procedures."

The fifth—and probably the most important—function of the ITO will be that of determining whether exceptions are to be granted, in individual cases, to the agreed rules that limit the freedom of nations to employ certain restrictive measures in controlling their trade. The pattern adopted throughout the charter is the enunciation of a general rule, the enumeration of necessary exceptions to the general rule, narrowly limited and precisely defined, the establishment of regulations and procedures whereby members of the Organization may avail themselves of these exceptions, and the provision of penalties that may be imposed, by the action of other members, in cases of violation. The ITO, it should be understood, will have no power itself to lay down the general rules; these must have been agreed upon by member states. Nor may exceptions be permitted by officials of the Organization; they must be voted by governments belonging to the conference, and they must be kept within such limits as the charter may allow.

The most important case in point here is the general rule which condemns the use of quantitative restrictions whereby one country imposes absolute limits on its imports and assigns to other countries definite quotas in its trade. It is necessary, under present economic conditions and established national policies, to permit certain specific exceptions to this general rule. The most important of these exceptions relate to countries that are in balance-of-payment difficulties and to countries that are in the process of economic development. In the first case quantitative restrictions may be permitted to forestall the imminent threat of, or stop, a serious decline in the level of monetary reserves, or, in the case of a member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves. In the second case, quantitative restrictions may be permitted to promote the establishment of new industries. In both cases, however, the Organization is empowered to establish the criteria and the procedures under which exceptions may be granted and to limit the extent, the degree, and the duration of the restrictions which may be employed.

The sixth function of the ITO is that of determining whether nations have lived up to their obligations under the charter and of taking appropriate measures to obtain compliance. One member may complain, for instance, that another has refused to enter into negotiations directed toward the reduction of tariffs and the elimination of preferences, that it is using quantitative restrictions in violation of the provisions of the charter, or that it has taken some other action that impairs or violates the obligations that it has assumed. If it finds such a complaint to be justified, the ITO may then release the complaining member, or all of the members, from corresponding obligations, with the result that the offending member will be faced with higher tariffs than would otherwise apply.

Establishment and Functions of the Organization

The Organization consists of a Conference, to which all member states belong, an Executive Board, to be composed of some fifteen to eighteen states, a Tariff Committee, a few technical commissions, and a staff. The organizational chapter (chapter VII) contains provisions of particular interest with respect to membership, functions of the organization, voting in the Conference, powers

of the Conference, composition of the Executive Board, the commissions, the Tariff Committee, and relations with other organizations.

Article 68, on membership, contains a provision under which no state can be an "original Member" unless it joins within a specified initial period. This provision, similar to a provision in the articles of agreement of the International Monetary Fund, is designed to overcome the tendency of states to hold back and wait for others to join. Subsequently, applicants for membership must be approved by the Conference of the ITO.

Provision is also made in this article for participation on the part of separate customs territories which are not responsible for the conduct of their diplomatic relations, but which are autonomous in the conduct of those aspects of their external commercial relations covered by the charter. These territories will be admitted to the Organization under such terms and conditions as the Conference may decide. Provision is also made for such territories, as they develop, to be accorded full voting rights in the Organization and thus to become full members. United Nations trust territories and the Free Territory of Trieste may be given membership on terms to be prescribed by the Conference.

Article 69, on the functions of the Organization, gives the ITO authority to collect, analyze, and publish information, make studies, and facilitate consultation among members. The Organization may also make studies looking to the expansion of the field covered by international agreement. Emphasis is given this power by the provision of paragraph 4 of article 74, which authorizes the Conference of the Organization to approve such general agreements and to submit them to members, and which requires members to accept or reject them within a specified period. Rejecting members must specify their reasons in so doing. This provision was inserted as the result of experience with other international organizations which expended great effort on the preparation of such conventions, only to have them die slowly as a result of the failure of their members to act.

Article 72 on voting in the Conference is of particular interest. In the draft charter originally proposed by the United States, it was provided that each member state should have one vote in the Conference, which is the policy-making body of the Organization. Under the United States draft, the charter obligations assumed by member governments were quite definite. As the charter has gone through successive meetings of the Preparatory Committee, the obligations have been made more flexible, discretion being given in an increasing number of cases to the Organization, acting usually through the Conference. Accordingly, the method of voting in the Conference has assumed greater significance, and the question arose at Geneva as to whether weighted voting would not be more appropriate for the Conference. The Geneva meeting decided to present the Habana Trade Conference four alternatives.

One of the alternatives is the original proposal of "one country—one vote". The second and third alternatives propose the allocation of votes on a weighted basis, according to economic importance. The second uses light weights, the third heavy weights. The fourth alternative for allocating votes would have the Conference reach decisions on specified questions by a majority of votes cast both under the unit system and under the weighted system, the combination to be employed only if requested by a member. Which of the two weighting systems would be used is not specified. The Habana meeting will have to choose among these alternatives.

Closely related to the voting power of each member is the question of the percentage of members "present and voting" required for passage of various kinds of motions. A majority is required as a general rule, but two thirds is required in certain circumstances.

The question of composition of the Executive Board (article 75), and of permanent seats thereon, gave rise to unresolved differences of opinion reflected in three alternatives to be put before the Habana Conference. Whereas most of the delegations were agreed in principle on some provision for permanent seats for the countries of chief economic importance, there was no general agreement as to what formula should be employed to measure such importance. Alternative *A* names the states which shall have permanent seats, covering eight of the proposed eighteen seats in this manner. It also assigns a number of seats to certain geographic regions—Latin America, the Arab States, and Scandinavia. The remainder are to be elected by the remaining members of the Organization which may, with Conference approval, act

by groups of not less than four states. Alternative *B* merely says that the holders of seven of the fifteen seats shall be eligible for immediate reelection, the rest of the seats rotating. Alternative *C* states that the eight states of chief economic importance, as determined by the Conference, shall be entitled to membership on a board of seventeen. It also provides that eight named states (including the Benelux Customs Union) shall be appointed to the first Executive Board, leaving the other nine seats to be filled by election.

Articles 79 and 80 provide for the establishment of commissions by the Conference. Whereas previous drafts of the charter had specifically established three commissions, in the fields of commercial policy, cartels, and commodities, and had set forth their functions, it was felt at Geneva that it would be wiser to avoid including in the charter a structure which might turn out to be inflexible or top-heavy. Questions of priority in establishment and of possible overlapping with commissions and subcommissions of the Economic and Social Council contributed to the decision to avoid reference in the charter to any particular commission.

It is expected that the commissions will be composed of experts. Presumably the commissions will not be in continuous session, so it will be possible to enlist the services of persons in various fields who will in many cases be holding important jobs at home and who might not be prepared to devote full time to the ITO as members either of the commissions or of the staff. Also, this arrangement will help the commissioners to remain familiar with the domestic aspects of the problems with which they will be dealing.

The Tariff Committee established under article 81 is an autonomous body within the Organization and, in this respect, is unique among the intergovernmental organizations now in existence. It will initiate on behalf of the Organization the tariff negotiations called for in article 17. The Committee will be made up of those members of the Organization which have reduced their own tariffs and have thus given tangible proof of the sincerity of their intentions in regard to the freeing of international trade.

Article 84 covers the relation of the ITO with other organizations. The relation of ITO with the United Nations is, of course, a matter of very great importance, since the ITO must act in conformity with the over-all policy laid down by the United Nations, and this relation will be defined in an agreement similar to those reached between the United Nations and other specialized agencies. Since the ITO is one of the last of the specialized intergovernmental organizations expected to be established, the problem of its relationship to the other specialized organizations is clearer and can be dealt with more specifically in the ITO charter than in constitutions drafted earlier. Thus specific provisions as to relationship with the International Monetary Fund and the Food and Agriculture Organization are included. However, it is probable that there will be relationships with other intergovernmental organizations —for example, with the International Bank—and article 84 provides for this. Provision is also made for the absorption by the ITO of various organizations in certain limited fields, such as the International Bureau for the Publication of Customs Tariffs at Brussels, which were established long before ITO was envisaged and whose operations fall within the broad competence of the new Organization. Article 84 thus affords an opportunity for obtaining economies in international organization.

Differences and Disputes

Since the obligations of ITO members are important and since they admittedly involve matters of some complexity, there will almost certainly be a large number of differences and disputes between members. Accordingly, one of the principal functions of the ITO will be the resolving of such differences and disputes in accordance with the charter. Chapter VIII is devoted to this subject.

The procedure for settling disputes has three broad stages. The first is for a member having a complaint to make representations to other members involved. If this is not successful, the second step is for the matter to be referred to the Organization, in the first instance to the Executive Board. The Executive Board may refer the matter to the Conference, or a ruling of the Board may be appealed to the Conference by an interested member. The Executive Board may, with the approval of the members concerned, arrange for arbitration of the dispute. A third step, if necessary, is reference to the International Court of Justice, in accordance with article 65 of the Statute of that Court, which states that "the Court may give an advisory opin-

ion on any legal question at the request of whatever body may be authorized by or in accordance with the Charter of the United Nations to make such a request".

General Provisions

Since the effectiveness of the ITO is directly affected by the number of its members and their importance in international trade and since states which join the ITO take on substantial obligations, it is important to provide an impetus for all eligible states to join and also to make it difficult, if not impossible, for them to receive the benefits of the Organization without assuming its obligations. Accordingly, it is necessary to include some provision which denies ITO benefits to states which are eligible for membership but which, nevertheless, do not join the Organization. Attitudes at Geneva on this question tended to vary according to the strength of commercial and other ties with states whose membership in the Organization is problematical. It seemed best to defer this question until the World Conference, but three alternatives are included in article 93 to facilitate consideration of the problem at Habana.

Alternative *A*, the weakest of the three, permits a member having substantial trade with nonmembers to suspend the application of any provision of the charter, requires it thereupon to afford other members an opportunity for consultation, and permits it, in the absence of agreement, to withdraw from the Organization. Alternative *B* requires any member wishing to maintain or enter into an agreement with a nonmember, under which it extends to the latter tariff concessions made or other benefits provided under the charter, to obtain the approval of the Organization. Alternative *C*, the strongest of the three, follows the lines of the original United States suggested charter. It forbids members, one year after the charter comes into force, to extend to nonmembers tariff concessions effected under the provisions of the charter unless specifically permitted to do so by the ITO.

The charter can be amended by the Conference by a vote of two thirds of the members, but any amendment changing the obligations of members will not go into effect for any member until accepted by that member or until two thirds of the members have accepted it. The Conference may expel nonratifying members or establish conditions less drastic than expulsion under which nonratifying members may remain in the Organization.

The charter of the International Trade Organization is being written in a time of economic dislocation. The Charter of the United Nations provides for reconsideration of the provisions of the document within 10 years. The delegates at Geneva believed it wise to include a similar provision in the ITO charter. Article 96 accordingly calls for the convening of a special Conference session to reconsider the provisions of the charter within 10 years after its adoption.

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A Constitution *for* World Trade

Summary of the Geneva draft of a charter for an International Trade Organization

THE countries of the United Nations will meet in a Conference on World Trade and Employment at Habana, Cuba, on November 21, 1947, to perfect and recommend to their governments a charter for an International Trade Organization. On this occasion the Economic and Social Council will submit to the Conference for its consideration the draft of a charter completed at Geneva in August by a Preparatory Committee of 17 countries. The results of the Geneva meeting, which include the signing of the general agreement on tariffs and trade, are of historic significance. They represent the greatest step ever taken toward the establishment, by mutual agreement between governments, of the rules which nations will follow in their conduct of world trade and commerce. The essentials of the Geneva draft charter are here summarized to acquaint the American people with this project which was originally proposed by the United States in December 1945.

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1. Tariffs and Preferences

Members of the ITO must carry out negotiations directed toward the substantial reduction of tariffs. But if, through unforeseen developments, a particular reduction should increase imports so sharply as to cause or threaten serious injury to domestic producers, a member may suspend its operation in whole or in part.

Reductions in tariffs will operate to reduce or eliminate margins of preference. Aside from the preferences that may survive negotiation, each member must grant every other member equal treatment for its trade. No new preferences can be created. No existing preferences can be increased. An exception is made, however, for new preferential arrangements which are incidental to the establishment of a customs union.

2. Invisible Tariffs

Members must not nullify tariff cuts by employing restrictive methods of customs administration, by imposing discriminatory internal taxes or regulations, or by resorting to other hidden forms of protection. In the case of motion pictures the only restriction allowed is a requirement that a certain fraction of screen time must be devoted to the exhibition of domestic films. Such quotas are made negotiable and may thus be reduced through international agreement. Remaining screen time may not be allocated among foreign films but must be kept open to free competition.

3. Quota Systems

As a general rule quantitative limitations on exports and imports are forbidden. But this rule is qualified by a number of necessary exceptions. Quotas may be used until 1951 in distributing products in short supply, in maintaining price controls, and in liquidating government surpluses and war industries. They may be used temporarily to relieve critical shortages of foodstuffs and other essential goods. They may be used permanently to enforce standards for the classification and grading of commodities. Import quotas on agricultural and fisheries products may also be employed to supplement domestic production and marketing controls and surplus disposal programs if such quotas do not reduce the share of imports in the domestic market.

More important is a final exception which permits a member to employ import quotas to the extent necessary to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves or, in the case of a member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves. Under this provision a member can select imports on the ground of essentiality. But it cannot completely exclude any class of goods. It must avoid unnecessary damage to the interests of other members. It must seek to restore equilibrium in its balance of payments on a sound and lasting basis and to assure an economic employment of productive resources. It must

consult with the ITO concerning the effect of its restrictions on other countries, the causes of its monetary difficulties, and the ways in which they may be overcome. It must relax its quotas as its monetary position improves and eliminate them entirely when its difficulties disappear.

Any member may complain that another has failed to satisfy these conditions. If the ITO finds that the complaint is justified, it must recommend that the restrictions in question be withdrawn or modified. If the offending member does not comply with its recommendation, the ITO may then authorize other members to impose higher tariffs, quotas, or other restrictions on its trade. In all of its decisions in such cases the ITO must accept as conclusive the determinations of the International Monetary Fund as to the financial questions that are involved.

Where quotas are permitted they must be administered without discrimination. But there are also necessary exceptions to this rule. In the main these exceptions are designed to make the provisions of the charter consistent with the Articles of Agreement of the International Monetary Fund. The most important of them permits a member to discriminate in using quotas if it can thereby increase its total imports and safeguard its monetary reserves. But, in doing so, the member must satisfy strict criteria and, after March 1952, it must also obtain the prior approval of the ITO. The ITO may, at any time, order a member to discontinue discriminations that are inconsistent with these provisions and, whenever it finds that there is no longer a wide-spread disequilibrium in interna-

tional trade, may completely suspend the operation of this exception to the general rule.

4. Exchange Controls

Since quantitative restrictions and exchange controls may be employed alternatively to affect the flow of trade, it is important that the rules that govern these two devices be laid down and administered with such consistency that it will be impossible, by resorting to one of them, to escape from the rules that govern the other. Accordingly, the charter provides that members shall not, by exchange action, frustrate the intent of the charter nor, by trade action, the intent of the Articles of Agreement of the International Monetary Fund. Members of the ITO who do not belong to the fund are required to join it or, failing this, to enter into a special exchange agreement with the ITO. Any such agreement would be established and administered in collaboration with the Fund.

5. State Trading

The rules that regulate state trading enterprises parallel those that govern public control of private trade. A member maintaining a state monopoly must declare the margin that it will add when it sells an imported product in its domestic market. It must negotiate with respect to the height of this margin in the same way in which members negotiate with respect to tariffs. It must satisfy the full domestic demand at the resulting price, imposing no other limit on the quantity it buys. It must act in a manner that is consistent with

the general principle of most-favored-nation treatment, buying and selling on the basis of commercial considerations and affording the enterprises of other members adequate opportunity, in accordance with customary business practice, to compete for participation in its purchases and sales.

6. Subsidies

If a member pays any subsidy that increases exports or reduces imports, it must inform the ITO and must be prepared to discuss the possibility of limiting the subsidy at the request of any member who may be harmed. Direct subsidization of exports is forbidden, after two years, unless it is incidental to a stabilization plan that maintains domestic prices at a level that is sometimes above and sometimes below the level of prices in world markets, or unless it is permitted under an intergovernmental commodity agreement, or unless it is authorized by the ITO.

7. Restrictive Business Practices

Each member agrees to take all possible measures, by legislation or otherwise, to ensure, within its jurisdiction, that commercial enterprises, whether private or public, do not engage in practices which restrain competition, limit access to markets, or foster monopolistic control in international trade, whenever such practices interfere with the expansion of production or trade or the achievement of any other objective of the charter. Upon complaint by a member the ITO will make

an investigation, hold hearings, and, if it finds that the practices in question have such an effect, will request the members concerned to take every possible remedial action and may recommend remedial measures to be carried out in accordance with their respective laws and procedures.

8. Commodity Agreements

Members agree substantially to limit their present freedom to enter into intergovernmental commodity agreements. Such agreements will be confined, in general, to primary commodities. They must be open to participation on equal terms by any member of the ITO. And they must be accompanied at every stage by full publicity. Agreements which regulate production, exports, imports, or prices are confined, moreover, to commodities produced under strictly specified conditions and to periods of burdensome surplus and wide-spread distress. They must be limited in duration and subject to periodic review. They must afford consuming countries and producing countries an equal voice. They must assure the availability of adequate supplies. They must provide increasing opportunities for satisfying world requirements from economic sources. And each country participating in such an agreement must adopt a program of economic adjustment designed to make a continuation of the agreement unnecessary. These rules do not prohibit commodity agreements; they do not promote them. They are designed to safeguard the interests of consumers, to force adjustment to changing conditions, and to facilitate the early restoration of free markets.

9. Employment

Each member agrees to take action designed to achieve and maintain full and productive employment and large and steadily growing demand within its own territory through measures appropriate to its political, economic, and social institutions. The nature of the action to be taken by any member is for it alone to choose. No member is asked to guarantee that its efforts will succeed; the commitment is simply that such efforts will be made. This commitment was taken by the Congress of the United States when it passed the Employment Act of 1946. And full employment, as the term is used in the charter, is defined in the words of that law.

Certain countries have been reluctant to enter into a freer trading system because they fear that such a system would make it more difficult for them to maintain their domestic employment programs. This might happen, for instance, if there were a persistent maladjustment in which one or more countries bought too little abroad and invested too little abroad in relation to their exports while others produced and sold too little abroad to balance their accounts. In such a situation the charter provides that all of the members concerned shall take action designed to correct the maladjustment. But the particular measures that are to be adopted by any member are for it alone to decide.

Adherence to liberal commercial policies would also be rendered difficult if a major trading country were to fall into a depression which would in-

volve a serious or abrupt decline in its demand for imported goods. In this case, as in others, a member may ask to be relieved of certain obligations that it has assumed under the charter on the ground that the benefits accruing to it have been nullified or impaired. And the ITO, in considering this complaint, is directed to have regard to the need of members to take action to safeguard their economies against deflationary pressure.

10. Economic Development

Each member agrees to develop the resources of its own territory, to raise standards of productivity, and to cooperate with others, through international agencies, in promoting general economic development. Members exporting facilities required for development agree to impose no unreasonable impediments to their exportation, and members importing them agree to take no unreasonable action injurious to the interests of those who provide them. Upon request the ITO may advise any member concerning its plans and programs for development and aid the member in obtaining technical advice and assistance.

Each of the less developed countries will make its own decisions as to the industries it wishes to promote. Where public assistance is required, it will be free to subsidize new industries. And where it has not included a commodity in a trade agreement, it will be free to impose new tariffs or raise existing ones. But in those cases in which a member desires to use some method of protection that it has promised not to use, that is, where it wishes to impose an import quota or to change

the tariff status of a commodity to which the provisions of a trade agreement may apply, it must first obtain the permission of the ITO. In such cases the ITO will consult with those members whose trade would be affected and, with their agreement, may grant the developing country a limited release from the obligations that it had previously assumed. The charter thus establishes a new principle in international affairs: that import quotas are not to be employed, without international sanction, for the development of infant industries.

11. International Investment

The ITO has, among its purposes, encouragement of the international flow of capital for productive investment, and it is authorized to promote the elaboration and adoption of a general agreement or statement of principles as to the conduct, practices, and treatment of foreign investment. Members agree, subject to certain safeguards, to provide the widest opportunities for investment and the greatest security for existing and future investments. A member may exclude new investments from any or all sources. It may continue discriminatory measures already in effect. But in adopting future measures, it must treat one member as well as it treats another and foreign investors as well as it treats its own. It must not so change its rules as to discriminate against any investment once the investment has been made. If a member requires a transfer of ownership from foreign nationals to its own nationals, it must provide for the payment of just consideration. If it

takes into public ownership the property of a foreign national, it must make just compensation. More definite provisions on the adequacy, promptness, and transferability of payment should be included in the future investment code. The present draft is to be regarded not as the final expression of international agreement on the treatment of private investment but as a foundation on which such agreement can be built.

12. Structure of the ITO

The ITO will have, as the basis of its organization, a conference of member states. Continuing administration of its affairs will be in the hands of an executive board of 15 to 18 members, a director general, and a staff. Certain functions will be delegated to a tariff committee, composed of member states who have already carried out negotiations for the reduction of barriers to trade, and to a small number of specialized commissions composed of technical experts. In financing the operation of the agency, no member can be required to contribute more than a third of the total cost.

The method of voting in the conference remains to be determined. The present draft of the charter presents four alternatives: unit voting, light-weighted voting, heavy-weighted voting, and a compromise proposal under which decisions on certain issues would require majorities in both a unit vote and a weighted vote. The composition of the executive board is likewise unsettled. But any one of the alternatives presented in the present draft would assure a permanent seat to the United States.

13. Functions of the ITO

It will be the function of the ITO, through consultation among its members, to carry out the substantive provisions of the charter. In addition to this the agency will serve as an international center for information on matters affecting trade and as a source of advice and assistance to member governments. It will undertake to improve trade statistics. It will collect, analyze and publish data on exports, imports, balances of payments, prices, subsidies, customs regulations, and national commercial policies; on treaties and other agreements affecting trade; on conventions, laws, and procedures relating to restrictive business practices; on commodity problems and the operation of commodity agreements. It will develop and recommend standards for the grading of commodities, for commercial terms, for documentation, for tariff valuation, and for the simplification of procedures that act as obstacles to trade. It may draft modern international conventions and standard provisions for commercial treaties and recommend the conclusion of new agreements or the modification or termination of old agreements on commercial policy, restrictive business practices, commodities, economic development, and international investment.

14. Disputes and Enforcement

The executive board of the ITO will interpret the provisions of the charter, handing down rulings in the case of a dispute or, with the consent of the parties concerned, referring it to arbitration

upon such terms as may be agreed. Members may appeal the rulings of the board to the conference and, on legal questions, may require the conference to request an advisory opinion from the International Court of Justice.

If the ITO determines, upon complaint, that a member has not lived up to its obligations under the charter, it may release the complaining member or members from corresponding obligations so that the balance of interest between the parties to the dispute may be restored. The offending member may thus be faced with higher tariffs, quotas, or other restrictions on its trade. This prospective loss of benefits should serve as a powerful deterrent to noncompliance. But the ITO will have the power to place such limits on retaliation that it cannot degenerate into economic war.

15. Relations with Nonmembers

The rules that are to govern the relations between members and nonmembers of the ITO are still to be determined. The present draft contains three alternatives. The first of these permits a member having heavy trade with nonmembers to suspend the application of any provision of the charter, requires it thereupon to afford other members an opportunity for consultation, and permits it, in the absence of agreement, to withdraw from the Organization. The other two alternatives forbid members to extend to nonmembers the benefits provided under the charter, unless specifically permitted to do so by the ITO. It is the purpose of the latter provisions to make membership attractive and nonmembership unattractive by confin-

ing the benefits of the charter to countries that are willing to accept its obligations.

The broad promise of this charter for our times is clear. We need no longer accept the choice of economic anarchy, on the one hand, or the creation, on the other hand, of a super state to enforce the directives of "economic planning" on a world scale. The 17 countries which met at Geneva conduct three quarters of the world's trade; they have outlined and reached general agreement on a concrete and realistic alternative; and they have done this by the democratic method of free discussion and mutual consideration of common problems. At the Habana conference, their conclusions will be put before a wider international forum to perfect an instrument which all peace-loving nations can in due course adopt as their constitution for world trade.

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INTRODUCTION

The Secretary General of the United Nations, Mr. Trygve Lie, made public today the text of the General Agreement on Tariffs and Trade, concluded by the United States and twenty-two other countries at Geneva, Switzerland, on October 30.

The General Agreement is the most comprehensive international instrument ever negotiated for the reduction of barriers to world trade, having regard both to the scope of its provisions and to the volume of trade which they affect. The provisions of the Agreement extend to trade barriers and trade controls of all kinds, including tariffs, preferences, quotas, internal controls, customs regulations, state trading and subsidies. The twenty-three countries participating in the negotiations were Australia, the Belgium-Netherlands-Luxemburg Customs Union, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, the Customs Union of Lebanon and Syria, New Zealand, Norway, Pakistan, Southern Rhodesia, the Union of South Africa, the United Kingdom, and the United States. These countries accounted in 1938 for approximately three-quarters of the international trade of the whole world.

The Agreement consists of 1) Schedules of tariffs concessions, and 2) General Provisions dealing among other things with barriers to trade other than tariffs. Each country applying the Agreement undertakes to grant to the other parties to the Agreement the reductions or bindings of tariff treatment specified in the Schedules of tariff concessions, and to observe the rules laid down in the General Provisions in its commercial relations with them.

The Schedules of tariff concessions apply to products accounting for approximately two-thirds of the import trade of the negotiating countries and for substantially half of total world imports. The concessions include the complete elimination of certain duties, reductions of duty, the binding of duties at existing levels, and the binding of duty-free treatment.

Tariff preferences affecting a significant part of United States trade with countries in the British Commonwealth have been substantially reduced and preferences on a considerable list of products which the United States exports to the various countries of the Commonwealth have been eliminated entirely. Under the terms of the Agreement, no new preference may be created and no existing preference may be increased, whether or not on products listed in the Schedules of the Agreement.

All concessions made by the United States were formulated within the limits and according to the procedures specified by the Trade Agreements Act and Executive Order No. 9832 of February 25, 1947. As required by the Executive

Order, the General Agreement provides that if, through unforeseen developments, a particular tariff reduction should increase imports so sharply as to cause or threaten serious injury to domestic producers, the country granting the concession may withdraw or modify it in whole or in part. If the concession is in fact modified or withdrawn, other interested countries may then withdraw or modify substantially equivalent concessions.

The General Agreement will replace the Reciprocal Trade Agreements which the United States already has with a number of the negotiating countries, namely, Belgium-Luxemburg, Canada, Cuba, France, the Netherlands, and the United Kingdom. Supplementary bilateral agreements have therefore been concluded with these countries making the existing trade agreements inoperative for such time as the United States and the other country concerned are both parties to the General Agreement.

The negotiations with respect to tariff concessions were conducted on a selective, product-by-product basis, the concession granted by any country on a particular product being negotiated initially in discussions with the country which was a principal supplier of that product.

Under the terms of the Agreement, each party to the Agreement will be contractually entitled, in its own right and independently of the most-favored-nation clause, to enjoy each of the concessions in the Schedules of the other negotiating countries. This multilateral application of the Schedules, as compared with separate bilateral tariff agreements, enables countries to obtain concessions on products of interest to them which they could not have obtained under bilateral agreements because they could not claim to be one of the main suppliers of the product concerned. Appropriate provision is made in the Agreement permitting the non-application of particular tariff concessions in the event that the country which stands to benefit from them most fails to apply the Agreement or withdraws from the Agreement.

The General Provisions of the Agreement, incorporating basic rules with regard to nondiscrimination, internal charges and restrictions, quotas and exchange controls, and other measures, are not limited to scheduled items but cover the whole of the trade between the parties to the Agreement. These provisions establish for the first time a generally accepted international code of fair treatment in commercial relations.

The Agreement and its Schedules of tariff concessions will be put into effect provisionally on January 1, 1948 by Australia, the Belgium-Netherlands-Luxemburg Customs Union, Canada, France, the United Kingdom, and the United States,

and by other participating countries as soon as they can comply with procedures required by their constitutions or laws. This must be done by June 30, 1948. Provisional application by the United States will be effected by Presidential proclamation under the Trade Agreements Act, as amended. The Agreement will enter definitively into force upon deposit with the Secretary General of the United Nations of formal acceptances on behalf of countries making up 85 percent of the foreign trade of all negotiating countries as determined in an annex to the Agreement.

Two years of intensive preparation, both here and abroad, including six months of continuous international negotiations at Geneva, went into the formulation of the Agreement. The negotiating conference held some 1,000 formal meetings, and many more of a less formal character, on the tariff negotiations and related general provisions. Over 100 negotiations between separate pairs of negotiating countries went into the formulation of the final Schedules of concessions.

From every point of view, the Agreement is unprecedented in scope and importance in the history of international trade. It is a demonstration of the kind of constructive work that the United Nations can do in the economic field. The Agreement is the first major step to be taken by important nations to reverse the trend toward trade restriction and economic isolation which has persisted throughout the world since the first world war. It establishes liberal commercial policies for all of the leading trading nations. Announcement of this Agreement should create an auspicious atmosphere for the opening of the United Nations Conference on Trade and Employment scheduled for Habana on November 21, and, within the long-term framework which it establishes, it should be possible for the reconstruction of Europe under the Marshall Plan to proceed with more confidence that efforts to restore world economy will not again be defeated by commercial warfare between the great trading powers.

This analysis sets forth the main points of the Agreement and its tariff schedules and describes the principal improvements in trading conditions which the Agreement brings about for the United States and the world.

CONCESSIONS OBTAINED BY THE UNITED STATES

The concessions made by other countries at Geneva cover products accounting for a substantial proportion of total United States exports to those countries and include almost all the important United States export products. The table which follows shows in summary form the value of United States exports to the Geneva countries which is covered by the concessions which they made with respect to products of which the United States was their principal supplier. In addition to the value of these concessions estimated at $1,192,346,000, the United States is interested in concessions granted by these countries on a substantial range of other products of which the United States is only a secondary supplier. In the time available, it has not been possible accurately to estimate the United States trade with these countries in such products but it should be in excess of $200,000,000.

Imports from the United States in 1939, on which Concessions of Primary Interest were made by Listed Countries

Country	Value (Thousands of U.S. Dollars)
Australia	33,088
Benelux	110,000
Brazil (1938)	28,000
Burma	1,113
Canada	354,000
Ceylon	939
Chile	15,000
China	48,340
Cuba	74,000
Czechoslovakia (1937)	31,600
France and colonies	95,000
India and Pakistan (1938/39)	9,552
Lebanon-Syria	1,784
New Zealand	13,144
Norway	11,770
Union of South Africa	32,498
United Kingdom	308,546
Southern Rhodesia	1,205
Dependent United Kingdom Colonies	
Newfoundland	2,767
Other (1936)	20,000 (est.)
Total, all countries listed	1,192,346

A summary of the tariff concessions of interest to the United States made by other countries is presented under general commodity headings below and is followed by country by country analyses.

Grains and Cereal Products.- The United Kingdom bound wheat duty free and barley at a 10% rate. The duties on corn starch were reduced or bound depending on type. France reduced the duty on wheat by 66%. China bound 15% rates on wheat and flour. The duties on oatmeal and prepared breakfast foods were bound. South Africa bound the duty on cereal food products, except oatmeal. Ceylon reduced the duty on prepared cereals.

Norway and Newfoundland bound wheat flour duty free. Benelux bound a 3% duty on wheat flour and agreed to a duty free annual tariff quota of 50,000 metric tons for the Netherlands subject to monopoly fee and mixing regulation assurances. Milled rice and buckwheat were bound free with monopoly fee ceilings.

Cuba reduced the duty on wheat flour and provided that the new lower rate will apply on flour milled from wheat of any origin, and reduced the duty on wheat by 50%. Cuba also established a special tariff quota arrangement on hulled and semi-hulled rice, and reduced duties on cornstarch, and certain livestock and poultry feeds.

Fresh Fruit - The United Kingdom reduced the duty on apples imported during winter months from 3s per cwt. to free, eliminating the preference previously enjoyed by Canada. The duty on pears was bound.

Canada eliminated the 1/2¢ per lb. duty on grapefruit making it duty-free and bound oranges on the free list, which now will include all citrus fruit. Certain grapes were also placed on the free list, - a reduction from 1¢ per lb. Seasonal reductions were made on other fresh fruit.

France improved the treatment on apples by eliminating a restrictive quota and substituting for the old 9% duty a series of seasonal rates ranging from 6% to 12%. Pears formerly dutiable at 8% with quota will enter without quota at seasonal rates of 8% and 12%. Oranges formerly dutiable at 35% with quota, will now enter without quota at seasonal rates of 25% and 35%. India lowered the duty rates on apples, pears, prunes, and grapes.

Czechoslovakia granted substantial seasonal duty reductions on apples and pears and smaller reductions on oranges and grapefruit. Improved tariff treatment was accorded by Norway on apples and pears, while moderate duties on oranges and grapefruit were bound. Cuba bound the existing favorable duty treatment on fresh fruit, and reduced the duties on canned fruit and fruit juices. Brazil bound fresh fruits on the free list.

Newfoundland bound duty-free treatment on apples, oranges, and certain other fresh fruits. Ceylon reduced duties on apples, grapes, and other fresh fruits on a seasonal basis. New Zealand reduced duties on grapes, oranges, pineapples, and lemons. South Africa bound a 5% rate on apples and eliminated the preference. Benelux removed the monopoly fees (formerly imposed by the Netherlands) in the case of oranges, tangerines, and grapefruit and granted seasonal duty reductions on apples, pears, oranges and grapefruit.

Dried Fruit - The United Kingdom granted 25% duty (and preference) reductions on raisins and dried apricots, and a 1/3 cut on prunes with removal of preference. The duties and preferences on dried apples, pears, peaches and nectarines were eliminated and these items placed on the free list.

Canada reduced the duty and preference on raisins from 4¢ to 3¢ per lb. Plums and prunes, dried, unpitted, were placed on the free list, - a reduction from 1¢ per lb. France reduced the duty on raisins from 19% to 15%, and the duty on prunes from 55% to 25%. The rate of about 14% on other kinds of dried fruit was cut to 10%.

Czechoslovakia and Norway granted substantial reductions on raisins, prunes, and most other kinds of dried fruit. Lebanon reduced the duty on prunes by 20%. Brazil bound dried fruit on the free list. Benelux removed the (Netherlands) monopoly fee in the case of raisins and dried fruit and reduced duties on both items.

Newfoundland bound prunes, seedless raisins, and figs on the free list, and certain other dried fruit at moderate rates. Ceylon reduced duties on dried fruit, except dates, currants and raisins. New Zealand granted important duty reductions on dried apricots, raisins, and citrus fruit pulp, and bound a 3% rate on prunes. China bound moderate duties on prunes and raisins.

Canned Fruit - The United Kingdom bound the duty on "gallon" apples and granted 20% reductions in duty and preference on canned apricots, peaches and pears. Moderate rates on canned apples, loganberries, and pineapples were bound. Fruit salad was placed on duty-free basis or bound at present rates, depending on type. Duty-free treatment on grapefruit, grapefruit juice, and orange juice was bound.

Canada reduced the duties and preferences on most canned fruits and on orange and pineapple juice and fruit syrups. France granted a 70% reduction in the duty on canned pineapple, sweetened, and one of about 60% on the unsweetened. The duty on other canned fruit, sweetened, was cut by 50%, and on the unsweetened, by 40%. Fruit juices received reductions of from 60% to 70%.

India granted moderate duty reductions on canned apricots, berries, grapes, pineapple, plums and prunes, juices of these fruits, and fruit salad, - limiting the Colonial preference margin to 8% on canned pineapples. The duty on blended flavoring concentrates was bound. Burma reduced preferences on canned fruits.

Czechoslovakia and Norway reduced duties substantially on canned fruit and fruit juices. Brazil also granted important duty reductions on canned fruit. Benelux removed the (Netherlands) monopoly fee in the case of canned fruit and fruit juices. Newfoundland made substantial reductions in duties on canned fruit and fruit juices, while Ceylon granted lesser reductions on canned fruit. New Zealand reduced duties on canned prunes and some fruit juices, and bound a 3% rate

on other fruit juices. South Africa reduced the duty on canned fruit.

Vegetables and Preparations - The United Kingdom reduced the duty and preference on canned beans by 50% and bound at 10% canned asparagus and corn. The duties on all other canned vegetables except tomatoes were bound at 15%. A substantial duty reduction on soybeans was granted.

Canada granted seasonal reductions on fresh vegetables and reduced the duty on dried beans. The rate on frozen vegetables was reduced from 25% to 20%. France reduced the duty on canned asparagus and canned vegetable juices. Australia granted substantial reduction on canned asparagus. India made moderate duty reductions on canned asparagus, peas, beans, corn, and several other kinds of canned vegetables; canned soups, and most dehydrated vegetables. Burma reduced preferences on canned vegetables.

Czechoslovakia granted substantial reductions on canned vegetables, soups, and vegetable juices, while Norway reduced duties materially on canned asparagus and vegetable juices. Benelux removed the (Netherlands) monopoly fee on canned asparagus. Favorable duty rates on canned soup were bound by Brazil and Chile. Newfoundland removed the duty on vegetable juices.

Cuba granted seasonal duty reductions on onions and potatoes, and full year reductions on peas and chickpeas; canned peas, corn, and asparagus; and canned soups. New Zealand reduced the duty on onions by more than 50 percent. China bound duties on canned vegetables, soups, and vegetable juices, and certain other canned or packaged food products.

Dairy Products - Cuba has bound the rates of duty on condensed, evaporated or concentrated milk at 5.70 pesos per 100 kilograms and malted milk duties at 8.00 pesos per 100 kilograms. Duties on milk in other forms was reduced from 12.00 to 10.00 pesos per 100 kilograms.

The United Kingdom rates on sweetened and unsweetened condensed milk were bound at 5 and 6 shillings per hundred weight respectively. The duty on milk powder or other preserved milk was bound at 6 shillings per hundred weight.

Canada bound the duties on condensed milk and powdered milk at 3 3/4¢ and 5¢ a pound respectively and reduced the duties on milk foods n.o.p from 25 percent to 20 percent. China granted 20% reductions on evaporated, condensed and dried milk.

India bound dried skimmed milk on the free list and reduced the rate on condensed and other preserved milks from 30% to 25%. Burma bound the duty on condensed and preserved milk and reduced preferences on the item, and bound the duty on milk foods. Brazil granted an important duty reduction on powdered milk. Newfoundland bound duty free preserved or condensed milk, bound the existing duty on butter, and granted a substantial reduction on milk foods. Ceylon bound duty free prepared milk and milk foods.

Meats and Other Animal Food Products - The United Kingdom bound free ham imports up to 775,000 cwts. a year, and imports in excess of the tariff quota will enter at 5d. per pound from all sources. Lard was bound free and hog sausage casings reduced from 10% to free, eliminating the preference. France reduced the duty on lard by 59%. Australia eliminated the 10% preference on sausage casings and placed the item on the free list.

Czechoslovakia reduced the duty on sausage casings and Norway lowered its rate on intestines by 25%. Newfoundland bound free of duty salted beef and pork, and canned meats, binding existing rates on dry-salted or pickled hams and tongues.

Cuba bound the present favorable duties on hog and salt pork, and reduced duties on fat pork merely salted, compound lard, and canned luncheon meats. New Zealand reduced the duty on sausage casings. South Africa reduced the duties on lard and edible meat fats.

Fish - The United Kingdom reduced the duty and preference on canned salmon by 50% and granted duty free status on chilled or frozen salmon. Australia granted a substantial reduction in duty and preference on canned salmon. India reduced the 30% duty on all canned fish by one-third.

Czechoslovakia granted substantial reductions on canned pilchards and salmon. Norway reduced the rate on salted salmon by 25%. Ceylon reduced the duty on canned fish. Benelux removed the (Netherlands) monopoly fee on canned salmon and reduced the duty on canned fish. New Zealand reduced the duty on canned salmon.

Tobacco and Tobacco Products. - The United Kingdom agreed to a reduction in the preference on leaf tobacco, to take effect when its present abnormally high tobacco duties were reduced to more normal levels. Canada granted substantial reductions on stemmed and unstemmed leaf tobacco and reduced the duty on cigarettes by $1.00 per thousand. The French Tobacco Monopoly has agreed to buy abroad specified amounts of leaf tobacco and cigarettes.

Australia granted duty reductions on stemmed and unstemmed cigar leaf and eliminated preference on both items. In the case of cigarettes, the duty was reduced and the preference was eliminated, and duties on other tobacco items were bound. India removed the British Colonial preference on leaf tobacco.

Norway bound existing duties on leaf tobacco and cigarettes. Newfoundland bound leaf tobacco duty free and Ceylon reduced the margin of preference on this product. On unstemmed leaf tobacco, Benelux guaranteed against tariff preferences to overseas territories and against differential duties. Cuba bound the existing duty on cigarettes. New Zealand eliminated the British preference on tobacco and cigarettes without binding duty rates.

Miscellaneous Agricultural and Food Products.- The United Kingdom granted a substantial duty reductions on soybean cake and meal. Canada granted duty reductions on eggs in the shell, cocoa preparations, confectionery, salt, biscuits, gelatine, seeds, and cut flowers except orchids. France reduced the duty on dried eggs from about 54% to 20% on unsweetened and 30% on sweetened.

New Zealand granted varying reductions on soups, spaghetti and beans in cans. Benelux bound industrial lard on the free list and granted similar duty treatment to oilcake with a ceiling on the monopoly fee.

Action with Respect to British Commonwealth Preferences on Agricultural Products.- One of the important difficulties faced by United States agricultural exports has been the preferences granted by members of the British Commonwealth to each other. Substantial improvement of this situation was obtained. Principal concessions may be summarized as follows:
United Kingdom The preferences on fresh apples (United States season), fruit salad (United States types), prunes, dried apples, pears, peaches and nectarines, and hog sausage casings, were eliminated. The preferences on raisins and canned peaches, pears and apricots were reduced by 20%, the preference on canned pigs tongues was reduced by 50%.

The preference on leaf tobacco was reduced by up to one-third, to take effect when the present abnormally high duties on leaf tobacco are reduced.

Canada - The preferences on grapefruit, oranges, grapes, rice and beef were eliminated.

The preference on raisins was reduced one-fourth, the preference on canned fruits, fruit juices and dried apricots, peaches and nectarines were reduced one-third or more.

The preference on leaf tobacco was reduced.

Australia- The preferences on cigar leaf tobacco and cigarettes were eliminated.

The preference on canned salmon was reduced by 50%.

New Zealand - The preferences or canned prunes, fresh lemons, tobacco and cigarettes were eliminated. The preferences on raisins, canned fruits and juices were reduced by 40% or more.

Automobiles and Parts.- The United Kingdom eliminated the preference and reduced the duty on motorcycles by 1/3, and bound rates on automobiles of 25 h.p. or more. France reduced automobile duties from a range of 60% to 65% plus quota to 35%, and cut rates on automobile parts and accessories from a range of 16% to 97% plus quota to a range of 11% to 30%. The duty on spark plugs and parts was reduced from 46%-70% to 25%, and the rate on friction lining was reduced from 42% to 30%.

The Union of South Africa bound its moderate duties on passenger automobiles- the new rates being not to exceed 20%, 25%, and 30%, depending on the value of the car. Most United States cars enter at the lowest rate. Rates of 3% and 5% were bound on trucks. Parts and accessories were bound at 20%. Australia granted concessions on 20 items in the automotive schedule inwolving for the most part moderate to substantial duty reductions on automobiles, assembled and unassembled, and

parts, with corresponding preference decreases. The duty and preference on motorcycles was eliminated. India agreed that the British preferences of 9% on motor cars, chassis, parts and accessories will be reduced to 6% on the effective date of the agreement; to 3% in three years; and eliminated in 6 years.

Czechoslovakia reduced duties on passenger cars, trucks and motorcycles. Norway granted substantial reductions on passenger cars, trucks and parts. Brazil reduced duties on certain automobile instruments and parts for automobile chassis, and bound rates involving some increase in specific duties but resulting in ad valorem equivalents of about 10% or less on most trucks, from 10% to about 20% on light passenger cars, heavy trucks, and motorcycles, and from 20% to about 30% on heavier passenger cars.

Cuba reduced the duty on some passenger cars and bound the rate on others; granted 50% cuts on automobile and truck bodies and varying reductions on automobile parts, truck chassis, motorcycles and parts. Chile reduced duties on trucks, busses, and jeeps by over 90%, on trailers and automobile chassis by 75%, and by about 30% on most passenger cars. Chilean duties on automobile motors and many parts were reduced or bound at moderate levels.

Lebanon agreed to eliminate to a large extent the discriminatory effect of its present complex classification and duty pattern on passenger cars, which favored the light European cars. A duty of 140 piasters per kilo was established provisionally on all passenger cars. Lebanon also bound 25% duties on automobile parts and motorcycles and parts.

Southern Rhodesia bound a 5% rate on trucks, truck chassis, and motor ambulances, and reduced the duty on motorcycles. New Zealand lowered duties on unassembled and assembled passenger cars and trucks and reduced the British preference on these items. New Zealand also bound the margin of preference on motorcycles and reduced the duty on spark plugs, - with a corresponding reduction in preference.

In adopting the Customs Union Tariff, Benelux improved the tariff treatment accorded automobiles and parts, especially when it is compared with the provisions of the old Belgian tariff. The new ad valorem duties are more equitable than the former specific rates based on weight which favored European cars, chassis and parts. China bound a 15% duty on motor tractors, trailers, buses, and trucks over one tom, and their chassis, while a 16-2/3% reduction was obtained on the smaller trucks and their chassis. Existing duties on passenger cars, motorcycles and automobile parts were bound.

<u>Aircraft and Parts</u> - Canada reduced the duty on aircraft

from 20% to 15% and the duty on airplane engines, from 17-1/2% to 15%. France granted concessions on aircraft, parts, and accessories. Australia cut the duty and preference on airplanes in half, - from 20% to 10%. India bound against increase the moderate duty on airplanes, airplane engines, and parts.

The Union of South Africa bound airplanes duty free. Czechoslovakia reduced duties on airplanes and airplane motors, the cuts ranging up to 50% for the heavier planes, while Norway granted a 50% reduction on aircraft and a cut of about 38% on aircraft parts. Benelux bound free entry on airplanes and parts for use in international commerce and bound rates on other planes and parts at 10% and 6% respectively. Brazilian duties on aircraft, parts and accessories were held at less than 10%. Chile bound moderate duties on airplanes and parts. Lebanon granted 60% reduction on airplanes and aircrafts, parts, including engines. China bound a 5% duty on airplanes and parts.

Industrial Machinery- The United Kingdom bound the rates on machine tools and granted a 25% reduction on portable pneumatic tools. Other items for which 25% reductions were granted included excavating, lifting, and rolling mill machinery, and air and gas compressors and exhausters. The duty on stationary internal combustion engines was reduced slightly and most textile machinery was either bound at 20% or reduced to 15%. Duties on certain printing presses were reduced to 15%, on can casing machines by 25%, and on various packing and labelling machines were bound at existing rates.

Canada has reduced the duty on boilers 20 percent. Ore crushers and certain other mining machinery were reduced by 14%. Locomotives and railway motor cars for mining, metallurgical and forest industries, when of a class not made in Canada, were bound free. Machinery "not otherwise provided for" was bound at 10% in the case of items of a kind not made in Canada and at 25% if of a type made in Canada.

France reduced the duty on dental machinery from 26% to 20%. Concessions were also granted on gear cutting machines, machine tools, metal working machinery and certain machine parts. Australia eliminated the duty and preference on monoline composing machines, reduced the duty on linotype and monotype machines by 50% and the duties on two printing press items by 1/4 and 1/3, respectively. Moderate reductions in preference were granted on drilling machines, lathes, milling, planing, shaping, and grinding machines, and other machine tools, and in some instances, the duties on these items were also reduced. Australia also granted duty reductions on air and gas compressors, metal working machines, and measuring and recording instruments.

India bound 10% duties on numerous types of machinery, including machinery for mining, oil-crushing and refining, refrigerating, well-drilling, shoe manufacturing, sugar manufacturing and refining, and metal working (except machine tools), and their parts. Burma bound a 10% duty on most mining machinery, oil-crushing and refining machinery, and machine pumps, and reduced duties on refrigerating machinery and hand pumps.

Newfoundland eliminated entirely duties on machinery for processing fishery products, On hand and power machinery, heating equipment, wood working and saw mill machinery, etc., the duties were bound at existing rates. The duty was bound free on mining machinery and paper and pulp making machinery. The British margin of preference was eliminated on certain types of machinery used by fish packers. Ceylon reduced the duty on cranes and hoists, and pumping machinery. Southern Rhodesia bound the present duties on certain types of mining machinery, pumps and accessories, and machine tools.

New Zealand conceded reductions of more than 50% on machinery for gold mining, boring and well drilling, and certain machinery used by bakers, confectioners, bootmakers, brick and tile makers, flour and grain milling, gas making, refrigeration, stone crushing, woolen and hosiery mills, insulation and water turbines. Lesser reductions were made on duties for machine tools, printing machines and certain other kinds of machinery. Sewing machines were bound at 3%.

The Union of South Africa lowered the preference and reduced the duty on industrial machinery. The margin of preference on cranes, excavators, winches, etc. was eliminated, and the duty bound. Machinery for factory installation, stone crushers, road rollers, road construction machinery and street sweeping and spraying machines were bound on the free list. Air conditioning and mining machinery was bound at the existing rate of duty.

Benelux bound machine tools at 6%, and agreed to maintain a moderate rate on numerous kinds of machinery and appliances, including certain pumps, prime movers, hydraulic and other presses, and lifting, hoisting and road-building machinery. Czechoslovakia bound moderate rates of duty on various machine tools. Norway assured the maintenance of duty free treatment on typesetting machines, linotypes, printing presses and certain pneumatic tools. Lebanon reduced the duty on industrial sewing machines and machine tools by 87%.

Cuba substantially lowered duties on railway passenger coaches and accessories for pumps and boilers. A binding of existing rates was obtained on sugar machinery and sewing machines. Brazil agreed to hold the duty below 10% on the following items: power pumps, steam boilers, air compressors, power excavators and

dredges, pneumatic tools, certain power cranes and hoists, internal conbustion engines, road building machinery, linotypes and other typographical machines, air-conditioning machinery, grinding mills, heavy industrial presses, sawing machines, large powervices and lathes, industrial fans, dust extractors, and other specified industrial machines. Duties on gasoline pumps and certain other industrial machines were held to a duty of less than 20%.

Chile reduced the duty by 30% on machine saws. The duty on waregouse trucks was reduced by 75%. Cars for portable railroads and ferry cables were reduced by 50%. Bindings of moderate duty rates were obtained on mining machinery, pumps, cranes, winches, tackle, pulleys, blocks, certain industrial machinery, spare parts for road machinery, polishing discs, drills, etc., internal combustion engines, wheels, axles and rims weighing over 50 net kilograms and parts for railroad machinery.

China bound a 7-1/2% rate on machine tools, and a 10% rate on pumps, industrial refrigeration machinery, and a long list of miscellaneous heavy machines.. A 25% reduction was obtained on gas, oil and steam engines, and on steam and hydraulic turbines. The duty on sewing machines was bound.

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Electrical Machinery and Appliances - The United Kingdom granted a 1/3 duty cut on electric cooking and heating apparatus, and a 25% reduction on electric phonographs and radio-phonograph combinations. Canada reduced the duty on radio apparatus from 25% to 20% and granted small reductions on heating equipment and a long line of electrical goods including certain household appliances.

France granted concessions on electric motors, industrial transformers, wireless apparatus, and phonographs and related equipment. The duty on household refrigerators was reduced from 18% plus quota to 15%.

Australia reduced the duty and preference on refrigerators and parts by more than 25%, and granted smaller reductions in duty and preference on electric stoves, ranges, ovens, radiators, toasters, heating elements, fractional horsepower motors, radio sets, tubes, parts and accessories and alternating current meters. India granted a moderate reduction on household refrigerators and parts, with a corresponding reduction in British preference. The duties on radios, tubes, and radio parts were also reduced with a narrowing of the British preference to 6%. India granted a 50% cut on wireless transmission apparatus and parts, bringing the duty down to 30%, with a slight decrease in British preference; a one-third reduction to 20% on electro-medical apparatus; and a moderate reduction on electric bulbs for automobiles and flashlights. Burma reduced the Indian preference on radios and parts, and bound the duty on electro-medical apparatus. South Africa eliminated the preference on radio apparatus, except phonograph combinations, and bound a 15% duty. South Africa also bound duty free refrigerating machinery and automatic refrigerators of more than 12 cubic feet capacity.

Czechoslovakia granted a 40% reduction on mechanical refrigerators and a 50% cut on electric cooling units. Norway reduced the rate on electric household refrigerators to 10%. Lebanon reduced duties on storage batteries, radio tubes, and industrial refrigerating machines, and bound existing rates on radio parts and household refrigerators. Cuba granted important reductions on electric light bulbs, radios, phonographs, and parts and accessories for both, and bound existing moderate rates on many types of electrical machinery and apparatus.

Brazil reduced duties on certain transformers, electro-surgical, electro-dental, and electro-medical machinery, radio tubes, dry batteries. Brazilian duties were held below 10% on electric tools, automatic refrigerators, certain motors and generators, and some household appliances. Chile lowered duties on household refrigerators, large storage batteries, and bound moderate rates on motors over 5 h.p., motor parts, radio tubes, telephone and telegraph apparatus, certain transformers, dynamos, parts for electric machines, meters, locomotives, electro-medical appliances, certain scientific apparatus, and hearing aids.

Newfoundland lowered duties on certain domestic appliances and several types of electrical goods, including wires, lamps, and dry batteries, and bound existing rates on certain electric motors and generators, radios and parts, and elevators. British preference was eliminated in the case of wires, cables, insulators, and lamps. Ceylon reduced duties on transformers, motors, radios and refrigerators. New Zealand reduced the duty and eliminated the preference on refrigerating apparatus, and also reduced duties and preferences on generators, motors over 25 h.p., vacuum tubes, and electric lamps.

Benelux bound refrigerators at 6% and 12% rates, depending on type. Moderate rates on dynamos, transformers and various types of electrical apparatus were also bound. China bound the duties on household refrigerators, radio sets, including phonograph combinations, and reduced the

rates on dynamos, motors, and transformers. Duties on heavy generating and transmission equipment were bound. Duties on radio parts and tubes were reduced or bound so as to establish a uniform rate of 15% on most items.

Office Machinery and Appliances - The United Kingdom reduced the duty on typewriters and bound 15% rates on most other office machines. Canada granted duty reductions on certain office machines. France reduced the duty on typewriters and parts from 20% plus quota to 15%, and granted concessions on calculating machines, and parts for statistical machines.

Australia cut the 20% duty on adding and computing machines and cash registers in half, and granted a substantial duty reduction on typewriters. South Africa eliminated both duty and preference on typewriters and bound 5% rates on calculators and cash registers. India reduced the 30% duties on typewriters and parts, and other office machines by one-third. Burma reduced the Indian preference on typewriters.

Czechoslovakia bound moderate rates on typewriters and calculating machines and granted substantial reductions on bookkeeping, dictating, addressing, franking, and certain statistical machines. Norway granted a 50% reduction (to 10%) on cash registers, calculating, adding, bookkeeping, statistical, duplicating, addressing and postal meter machines, and typewriters; also a 50% cut on dictating machines. Lebanon granted moderate reductions on typewriters, calculating and accounting machines, cash registers and parts of these appliances. Benelux reduced duties on some office machines to 8% and bound a 10% rate on others. Typewriters and calculating machines are included in this group.

Cuba granted duty reductions on office appliances and accessories. Brazilian duties on calculating machines were held below 10%; on typewriters, below 20%; and on cash registers, below 30%. Chile granted a 50% reduction on typewriters and parts, and bound a moderate rate on calculating machines. Newfoundland reduced duties on office machines and eliminated the British preference. Ceylon reduced the duty on typewriters. New Zealand granted a 90% reduction in the duty on adding and calculating machines, eliminating the British preference, and lowered both duties and preference on typewriters and cash registers. China granted a small reduction in the duties on typewriters, cash registers, calculating machines, and certain other office appliances.

Agricultural Machinery and Tractors - The United Kingdom bound a 15% rate on agricultural tractors, eliminating the preference. Track-laying tractors were reduced by 25% and 40% depending on horsepower. Canada bound free most farm implements and machinery. France granted a concession on tractors.

Australia bound the duty and preference on certain tractors at 10% and on others at 12-1/2%. India bound plows and parts and agricultural tractors and parts on the free list. Burma bound various types of agricultural implements on the free list. South Africa reduced the duty and preference on farm tractors from 10% to 5%. Czechoslovakia bound the existing duty on light tractors and Norway bound tractors and parts on the free list.

Cuba bound moderate rates on agricultural machinery and on tractors and parts. Brazil bound agricultural machinery and tools on the free list. Chile cut the duty on tractors and parts by about 65%, and bound moderate rates on agricultural machinery and parts. Lebanon granted a 60% duty reduction on tractors, bound duties on tractor parts, bound agricultural machinery on the free list (provisionally), and bound parts for same at a moderate level.

Newfoundland bound duty free treatment on tractors. Ceylon reduced duties on agricultural machinery, and Southern Rhodesia bound a 5% rate on certain types of agricultural machinery, and tractors and parts. The duty on ploughs and parts (15%) was also bound. New Zealand granted duty reductions on tractors and tractor engines, and bound a 3% rate on most farm machinery. China bound the duty of 7-1/2% on agricultural machinery.

Metals and Metal Products - The United Kingdom reduced by 25% the duty and preference on blast furnace pig iron smelted with coke, and bound the duties on aluminum sheets, strip, plates and discs. Duties on hand tools were reduced to or bound at 15%. Canada reduced duties on cutlery and stamped and coated products, and bound many moderate rates in the metals schedule. Canada reduced the duty on tinplate from 17-1/2% to 15% and eliminated the British preference.

France reduced duties on hand tools from 20% - 25% plus quota to 15% - 20%. Newfoundland bound moderate rates on hand tools and implements, builders tools and hardware. Ceylon reduced the duties on various tools and instruments. Southern Rhodesia bound the existing duty on mechanics tools.

New Zealand reduced the duty on hand tools by over 35% and also lowered the preference. The duty on hardware was also reduced. India bound duty free unwrought copper, pig lead, and unwrought zinc. Brazil reduced duties on steel safes and strongboxes by 15% for smaller sizes and by 30% for those of larger dimensions. Cuba reduced duties by 16% on rails, railbars, and razor blades, by 50% on plain rolled sheets, and by 25% on certain wire, - in the iron and steel schedule. Chile reduced the duty on razor blades by 25%, and the rate on large radiators by 40%. Moderate duty levels were bound on iron and steel bars, sheets, construction shapes, tinplate, bearings, screws, bolts, faucets, spigots, valves, and rails.

Benelux bound molybdenum duty free and bound a 3% rate on tinplate and a 4% rate on certain iron and steel sheets and plates. Existing duties on steel and aluminum furniture were bound. Czechoslovakia bound copper on the free list. Norway bound tinplate on the free list. China bound the rates on numerous iron and steel items, including billets, blooms, ingots, slabs, sheet-bars, bamboo steel,tinplate, certain enameled ironware, and filing cabinets. Duties were also bound on aluminum foil, sheets, and castings and on copper ingots and slabs.

Non-metallic minerals - The United Kingdom bound a 10% rate on paraffin wax and petroleum jelly. Canada removed the 50¢ per ton duty on anthracite coal and reduced the duty on other coal from 75¢ to 50¢ per ton. The $1.00 per ton duty on coke was bound. France bound duty free crude petroleum entering for controlled refineries and granted moderate duty reductions on gasoline and lubricating oil which will in future be dutiable at 18%.

Southern Rhodesia and the Union of South Africa bound their respective duties on lubricating oil. New Zealand bound a 3% duty on asbestos. India granted small reductions on asphalt, mineral grease, and some mineral oils, and cut the duty on carbon electrodes from 30% to 20%. Czechoslovakia granted moderate duty reductions on paraffin, petroleum jelly and certain mineral oils. Benelux bound duty free paraffin and petrolatum.

Lebanon bound lubricating oils at the existing rate. Brazil granted a slight reduction in the duty on bituminous coal, and a 30% reduction on petroleum oil for electrical apparatus. Brazil held the duty on mineral grease below 10%. Chile reduced the duty on lubricating oil in large containers by 40%, the duty on certain lubricating grease by 1/3, and the duty on paraffin by 50%. Moderate rates were bound on carbon electrodes, certain abrasives, vitreous compositions and refractory bricks and shapes. China granted duty reductions of 16% to 20% on lubricating oil and grease and bound the duty on asphalt.

Fibers, Textiles and Furs - The United Kingdom bound raw cotton on the free list and granted similar treatment on raw furskins. The United Kingdom granted duty reductions on silk stockings and socks. Canada bound raw cotton on the free list, and reduced the duty on clothing and miscellaneous textile manufactures by 16-2/3 percent. These reductions include women's and misses' outer garments of wool, dresses and other clothing of artificial silk, cotton dresses, and men's shirts, as well as sheets, towels, and scarves. Smaller reductions were granted on fabrics. Preference was eliminated on cotton clothing and manufactures of cotton except curtains and impregnated fabrics.

France bound on the free list raw cotton, linters, and wastes, and also otter, beaver, and nutria furskins, and raw furskins, except rabbit and hare. Newfoundland reduced duties on the following items: rayon and artificial silk by 43 percent; cotton towels, sheets, curtains and quilts by 22 percent; hats and caps by 18 percent. Cotton yarn and twist were bound free. The margin of British Preference was reduced on rayon and artificial silk fabrics.

New Zealand granted moderate reductions in the duties on women's and girls' outer garments, artificial silk hosiery, furs, elastics, and surgical dressings. The Union of South Africa eliminated the margin of preference on socks but the existing duty was not bound. The margin of preference on stockings made of artificial fibers was eliminated and the existing rate of duty bound. Australia bound raw cotton imported under by-law on the free list and granted a substantial duty reduction on raw cotton imported otherwise, eliminating the 5% preference thereon.

Czechoslovakia and Norway bound raw cotton duty free. Benelux bound raw cotton on the free list. Cuba bound raw cotton and wool on the free list, and granted duty reductions on cotton and rayon fabrics, printed or colored, in stripes, squares and other designs. Specific rates on unbleached, bleached and plain-dyed fabrics were increased, but in most instances the ad valorem equivalents of the new rates are below prewar levels. Brazil granted a moderate reduction on ready-made woven cotton clothing (except shirts and drawers). Chile reduced the duty by 50 percent on canvas and duck of cotton or linen, weighing 300 grams or more per square meter. Moderate duties were bound on Osnaburg cotton cloth, on tin cloth of cotton or rayon, and textile transmission belting. China bound the duties on undressed, dressed, and dyed furs.

Lumber and Paper - The United Kingdom granted 50% duty reductions on two items in the lumber schedule covering wood of coniferous species, and bound the rate on a third item. Bindings were obtained on square sawn hardwood, plywood, and sawn staves. China bound moderate duties on sawn softwood lumber, plywood, chemical wood pulp and old newspapers, and bound current newspapers newspapers and periodicals on the free list. The duties on document paper and several kinds of writing and printing paper were reduced by over 16% and other rates on office forms, paper napkins, towels, and handkerchiefs and numerous other paper products were bound.

New Zealand reduced the duties on rough sawn timber, including redwood, Douglas fir and hemlock to a point which eliminated half of the Canadian preference. New Zealand granted a small duty reduction on paper. India reduced the duty on Douglas fir from 30% to 20% and lowered the rate on wood fiber wall boards from 30% to 25%. The duty on cigarette paper was cut 1/3 to 20%. Australia removed the 4% duty and preference on undressed staves imported under by-law. The rate on these staves otherwise imported was reduced, and the Canadian preference was thereby halved. The duty on timber, undressed, of a certain size was cut by more than 50%

and the Canadian preference was thereby halved. Duties on seven other timber items were reduced with Canadian preferences cut in half in each case.

Newfoundland reduced duties on certain types of paper and stationery products from 60% to 45%, and bound duty-free status of printing paper. South Africa reduced duty on plywood from 4s. or 25% to 3s. or 25%, and duty and preference on unmanufactured soft wood from 9s. per 100 cubic feet to 4s. 6d. Czechoslovakia bound duty-free treatment of non-European wood. Norway bound hickory and oak lumber on the free list.

Brazil granted reductions of 10% - 25% on white, colored and printed crepe, glassine, oiled, tracing, grease-proof, and tissue paper in sheets, spools or rolls. A binding of duty-free status of books in ordinary bindings was granted. Cuba reduced the duty on wooden shooks for crates and granted a 50% cut on plywood. Duty on cardboard containers in which goods are imported was reduced 21%.

Rubber and Leather Products - The United Kingdom lowered the duty on rubber tubing and piping by 1/3 and reduced the ad valorem rate on women's footwear. Canada reduced the duty on shoes by 8-1/3 percent, and on leather trunks, valises, musical instrument cases, fancy boxes, etc., by 16-2/3 percent. Newfoundland reduced duties on sole leather by 67 percent; leather clothing by 27 percent; women's and children's boots and shoes by 14 percent; and gloves and mitts, by 11 percent. Rubber boots were bound free. The margin of British Preference was reduced on sole leather and on rough, split and undressed leathers.

Southern Rhodesia bound the present duty on unmanufactured rubber. The Union of South Africa reduced the duty on ladies handbags by 16-2/3 percent, while that on women's shoes was bound at the existing rate. New Zealand bound dressed goat and kidskins at 3%. Czechoslovakia reduced by 43 percent duties on inner tubes, and by 50 percent, duties on tire casings and rubber transmission belts. The present rates of duty on rubber hose and leather scrap were bound. Reductions were granted on kid and patent leather, and on glove leather. Norway bound duty free rubber, certain gums and resins, and certain rubber semi-manufactures. Automobile tires and tubes, and transmission belting were bound at present duty levels.

Lebanon reduced the duty on tires and tubes by 40 percent. Gilt, silvered, bronzed and patent leathers were bound at existing rates. Cuba reduced the duty on synthetic rubber by 50 percent. Increases of 39 percent and 26 percent were made on pneumatic tires and inner tubes, respectively. However, the duty on these two items will be lower on an ad valorem basis than prewar rates. Chile reduced the duty by 50 percent on special over-size tires. Transmission belting of leather and rubber was bound.

China reduced the duty on tires and tubes by 20% and bound the rate on miscellaneous rubber products. The duties on leather for belting, certain upper leather and patent leather were also bound.

Medicinals, Pharmaceuticals, Toilet Preparations - The United Kingdom reduced the margin of preference on toilet preparations by 25%, binding the existing duty. Canada granted moderate reductions on perfumery and toilet preparations. Australia granted a substantial reduction on medicinal paraffin oil and turpentine. Newfoundland reduced the duty on tooth pastes and powders by 23 percent. Ceylon bound the duty on patent medicines, while penicillin and its by-products were granted duty-free treatment. New Zealand reduced the preference and cut the duty on toilet preparations by more than 25%. Union of South Africa bound penicillin on the free list. Burma bound duties at 30% for various drugs and medicines and continued duty-free treatment for quinine sulphate and bisulphate.

India reduced duties from 36% to 30% on penicillin and its products, and on other antibiotics, cod liver oil, sulphur drugs, vitamin preparations, and crude iodine. Duties on phenol, acetic acid, boric acid and borax were reduced from 30% to 25%. Duties on dentifrices and shaving soaps and creams were reduced from 30% to 24%. Czechoslovakia granted a moderate reduction on fine soaps. Norway bound duty free certain pharmaceutical products. Certain cosmetics and dentrifices were bound against increase.

Lebanon reduced the duty on tooth pastes, liquids and powders by 50 percent. Cosmetics and articles of perfumery, as well as waxes, creams, pastes and similar preparations, were reduced by 20 percent. Pharmaceutical products were bound at the existing rate. Cuba reduced the duty on pills, capsules, medicinal lozenges and similar articles by 45 percent. Chile bound moderate duties on vitamins and on pastilles, tablets, pills, capsules, globules, wafers, etc. with medicaments. China reduced duties by 10% to 20% on anti-biotics, such as penicillin and penicillin products. The rates on most other drugs and medicines, including ginseng, were bound.

Chemicals, Paints and Related Products - The United Kingdom bound sulphur and rosin on the free list and a 10% rate was bound on carbon black. France reduced the duty on refined borax by 68 percent; benzols and toluols by 32 percent; various organic chemicals by 20 to 40 percent. Anhydrous refined borax has been made duty free, while raw sulphur, crude borax and carbon black were bound free of duty. Synthetic sodium nitrate which was on the free list with quota has been made duty free, with the right to impose a duty of not to exceed 10% under certain circumstances.

Australia eliminated the duties on carbon black, granted a substantial reduction on paraffin oil other than medicinal, and a smaller reduction on turpentine substitutes.

India reduced duties on certain paints and solutions and menthol from 36% to 24%. Present low duties on coal tar dyes were bound. New Zealand bound the existing rate of duty on turpentine, rosin and synthetic resins. The margin of preference on ready-mixed paint was reduced by 33-1/3 percent but the duty was not bound. Southern Rhodesia bound the present rate of duty on paints and colors. Ceylon reduced duty on certain chemicals paints, colors, and enamels 20 percent.

Brazil reduced the duty on coal tar dyes and turpentine by 30 percent. Chile reduced by 50 percent the duty on mixtures of chemicals for manufacturing pharmaceutical products. Cresilic acid with a mixture of sulphide of phosphorous for concentration of minerals was reduced by 33-1/3 percent. Moderate rates of duty were bound on xantogenic anhydride, diastases and phenols (liquid, crude and cresol), and potassium xanthate. The duty on pine rosin was bound.

Cuba reduced the duty on oil of turpentine by 50 percent, and created a new tariff item to provide for natural and synthetic beverage extracts without sweetening. Artificial colors, in powder and lumps, was reduced by 33 percent.

Czechoslovakia bound duty free rosin, colophony, phosphate rock, crude borax, turpentine and sulphur, and granted a moderate reduction on cleaning pastes. The duty on lampblack was bound. Synthetic sodium nitrate was bound free on an annual quantity basis. Benelux bound duty free crude sulphur, silicon and boron carbide, lamp black and certain synthetic fertilizers. Turpentine was reduced from 10% to free. Existing duties were bound on soaps, varnishes, and soapless detergents.

Lebanon bound duty free insecticides, disinfectants, and similar preparations. Norway bound free sulphur, bone black, graphite, stearic acid, certain other fatty acids, insecticides and weed killers. The duty on turpentine was reduced by 43 percent. Certain varnishes and polishes, including cellulose lacquer, were bound at present levels. China bound duties on analine and other coal tar dyes, carbon black, and artificial indigo, and also the rates on carbolic acid, borax, nitrate of soda, inks, enamels, paints, varnishes, lacquers, polishes and crude synthetic resins. China granted moderate reductions on insecticides and disinfectants.

Miscellaneous Products - The United Kingdom reduced duties by 1/3 on 16 mm. movie cameras, projectors, and arc lamps for projectors and lowered the rate on 9.5 mm. cameras by 20%. Moderate rates on celluloid film base and other celluloid in rolls were bound. The United Kingdom reduced the duty on phonograph records by 25% and made substantial reductions on artificial teeth.

Canada reduced the duty on wood furniture from 32-1/2% to 27-1/2% and on other furniture from 27-1/2% to 25%. Table-ware of China and porcelain was reduced from 35% to 25% and of earthenware, from 25% to 20%--in both cases, reducing the margin of preference. There was also a reduction on staple glassware, from 27-1/2% to 22-1/2%. Canada also granted reductions on skis, fishing rods, game boards, phonographs, brass band instruments, organs, brushes, buttons, lead pencils, crayons, mirrors, picture frames, and jewelry. An important preference was eliminated by Canada on motion picture positives. The rate to the United States as to all others becomes 1-1/2¢ per foot. The duty on negatives was reduced from 25% to 10%. Bulk advertising matter was also accorded a duty reduction.

New Zealand reduced the duty on cameras from 55% to 40% with a corresponding reduction in preference. The duty on projectors was reduced by 18% and the preference by 28%. Motion picture films were bound on the free list. The duty on tool handles was bound, and surgeons' appliances were bound free. The duties on surgical and dental instruments, linoleum and oven glassware were reduced by over 35% with a corresponding reduction of preferences.

India bound existing duties on fountain pens, and granted reductions on optical instruments and one-day alarm clocks. The duties on motion picture projectors and sound recording apparatus were bound. Australia eliminated the duty and preference on cameras. Ceylon reduced the duty on photographic apparatus and instruments from 50% to 35%, and lowered duties on chinaware and porcelain ware. France granted concessions on hand and motion picture cameras and on motion picture projectors.

Czechoslovakia bound moderate duties on vulcanized fiber and abrasive paper and granted a small reduction on abrasive cloth. The duty on unexposed motion picture film was bound and the rate on other film was reduced by 50%. A 40% decrease was granted on record keeping equipment, and a 50% cut on spark plugs. Norway bound existing duties on unexposed photographic and motion picture film. China bound the favorable duties on linoleum and other hard surface floor coverings. Other duty bindings affect cameras, lenses, camera parts, unexposed film, plates, photographic paper and several other photographic materials, and miscellaneous building materials.

Chile bound duties on certain abrasives, certain vitreous compositions, and refractory bricks and shapes, mine fuses, sandpaper, emery paper and cloth, artificial teeth and eyes, thermometers, barometers and similar instruments. Brazil reduced the duties on certain photographic and motion picture cameras by about 25%.

Australia - Concessions were made by Australia on 126 tariff items, involving a considerably larger number of individual products, of primary interest to the United States. On 87 of these items duties were reduced, on 26 items duties were reduced but not bound, on 10 items the existing rates were bound against increase, on 2 items preference margins only were bound and 1 item was bound on the duty-free list. The concessions granted involved action with respect to preferences on practically all of these items. On 13 items the preference was eliminated, on 93 the preference was reduced and on 17 the existing margin of preference was bound. The concessions of principal interest to the United States represent £ Stg. 7,520,000 ($33,088,000) of trade on the basis of 1939 imports from the United States or 51 percent of the Commonwealth's total imports from this country in that year. Imports into Australia from the United States in 1939 amounted to £Stg. 14,649,000 or 14 percent of the total £Stg. 102,156,000. For the year ended June 31, 1947 imports from the United States amounted to £Stg. 36,008,000 or 20 percent of the total £Stg. 184,688,000.

Items of primary interest to the United States on which concessions were made are tobacco, certain office machines, refrigerators, machine tools, lubricating oil, tractors and automobiles.

Machinery and Appliances - Concessions were made on 45 tariff items under this group. The duty of 20 percent and the margin of preference of 10 percent on monoline type composing machines were eliminated and this item placed on the free list. Linotype and monotype composing machines were accorded a 50 percent duty cut and duties on 2 printing press items were reduced by 25 percent and 33 percent respectively. In general, the primage duty of 4 percent on drilling machines, lathes, milling, planing, shaping and grinding machines and other machine tools was eliminated leaving the rate of duty and preference at 15 percent. The margin of preference was bound, but in many instances the rate remains unbound. The unbound rates apply to those items which are, or may be manufactured in Australia. The duty and preference on tractors imported under by-law was bound at the existing rate of 10 percent and on others at 12-1/2 percent. Reductions in duties were also obtained on air and gas compressors, metal working machines, meters and measuring and recording instruments.

Automotive Products - Concessions were made on 20 of the tariff classifications covering automobiles. The majority of these concessions were reductions in duty ranging from 25 percent to 60 percent with corresponding reductions in the margin of preference. The reduction in the rate on chassis was not bound, but the reduction in the margin of preference was bound. The duty and preference on motorcycles were eliminated and this item placed on the free list. The duty and margin of preference on airplanes were reduced from 20 percent to 10 percent.

Electrical Equipment and Apparatus - Concessions were made on 16 tariff items in this group representing £Stg. 245,000 of imports or 30 percent of the total imports of these items into Australia during 1939. Refrigerators and refrigerator parts make up the bulk of this group; the duty and preference on these items were reduced more than 25 percent. Other items, on which the reductions in duty and preference were less than 25 percent, include electrical stoves, ranges, ovens, radiators, toasters, etc., elements for radiators, toasters and kettles, electric motors under 1 H.P., wireless receivers, parts and accessories, valves for wireless telegraphy and alternating current meters.

Agricultural Products - Concessions were obtained on 17 agricultural items representing £Stg. 2,154,000 of trade or 75 percent of the total imports of these items during 1939. Unmanufactured tobacco accounts for 80 percent of the imports from the United States in this group. The preference on cigarettes was eliminated and the duty reduced from 33s.4d. plus 10 percent to 31s. per pound. The duty on unmanufactured

tobacco, unstemmed, for cigars was reduced from 3s. to 2s.9d. per pound and on stemmed from 3s.6d. to 3s. and preference eliminated in both items. The existing rates for other tobacco items were bound against increase. The duty and preference of 10 percent on sausage casings were eliminated and this item placed on the free list. The duty on canned salmon was reduced from 4d. plus 10 percent per pound to 2½d. per pound. The duty on tinned asparagus was reduced from 6s. plus 10 percent per dozen cans to 3s.6d. Raw cotton imported under by-law was bound on the free list and other raw cotton was reduced from 3d. plus 10 percent to 1½d. and the preference of 5 percent eliminated.

Timber - The 4 percent duty and margin of preference on staves, undressed, imported under by-law, was eliminated and this item placed on the free list. The duty on staves, undressed, imported other than under by-law was reduced from 10s. plus 10 percent per 100 to 9s. thereby reducing the Canadian margin of preference from 2s. to 1s. The duty on timber, undressed, 12" x 6", was reduced from 14s. plus 10 percent per 100 superficial feet to 7s. and the Canadian margin of preference reduced from 2s. to 1s. Reductions in duty were made on 7 other tariff items covering timber which resulted in a reduction of 50 percent in the Canadian margin of preference.

Miscellaneous - The duty of 30 percent and margin of preference of 20 percent on cameras were eliminated and this item placed on the free list. The duties on carbon black, medicinal paraffin oil and turpentine were eliminated and these items placed on the free list. The duty of 20 percent on adding and computing machines and cash registers was reduced to 10 percent. Among other items on which substantial reductions of duty were made are felt base floor covering, typewriters, tools, paraffin oil, other than medicinal, and women's and children's shoes. Smaller reductions were made in the duties on turpentine substitutes and lubricating oil.

Australia

Summary of Principal Concessions of Interest to the United States

Tariff No.	Commodity	Before Agreement: Rate to U.S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U.S.	Under Agreement: British Pref. Rate	Imports from United States in 1939 (In stg. £ 000)
18	Tobacco, unmanufactured n.e.i. (lb.)	12s.	12s.	12s.	12s.	1,716
19A	Tobacco, unmanufactured other than for cigarettes					
(1)	unstemmed (lb.)	6/6	Rhod. 5/9	6/6	Rhod. 5/9	
(2)	stemmed (lb.)	7/	" 6/3	7/	" 6/3	
(3)	For mixing with Aust. tobacco					
(a)	unstemmed (lb.)	5	" 4/3	5	" 4/3	
(b)	stemmed (lb.)	5/6	" 4/9	5/6	" 4/9	
19B	Tobacco, unmanufactured for cigarettes					
(1)	unstemmed (lb.)	8/7	" 7/10	8/7	" 7/10	
(2)	stemmed (lb.)	9/1	" 8/4	9/1	" 8/4	
(3)	for mixing with Aust. tobacco					
(a)	unstemmed (lb.)	7/2	" 6/5	7/2	" 6/5	
(b)	stemmed (lb.)	7/8	" 6/11	7/8	" 6/11	
51(c)	Salmon, Canned (lb.)	4d. + 10%	1d. + 10%	2½d.	1d.	62
90	Sausage Casings	10%	10%	Free	Free	198
169(A)(2)	Linotype, monotype and type-composing machines	30%	10%	15%	Free	45
169(A)(3)	Adding and computing machines	20%	10%	10%	Free	107

Tariff No.	Commodity	Before Agreement: Rate to U.S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U.S.	Under Agreement: British Pref. Rate	Imports from United States in 1939 (In stg. £ 000)
169(C)(i)	Printing presse, nai.	30%	10%	20%	Free	98
174 M	Grinders, drills-pneumatic type	19%	Free	15% (unbound)	Free	35
174 M	Drilling machines	19%	Free	15% (unbound)	Free	7
174 M(25)	Lathes	19%	Free	15%	Free	35
174 M(29)	Milling machines	19%	Free	15% (unbound)	Free	57
174 M(34)	Planing and shaping machines	19%	Free	15% (unbound)	Free	15
174(X)	Hand tools, pneumatic, portables	19%	Free	15% (unbound)	Free	38
176 F(2)(a)(1)	Refrigerators	~~15~~ea.~~£1~~2 per cu.ft. plus 10% or 85%	47½%	55%	35%	65
177B(1)(a)	Tractors (by-law)	10%	Free	10%	Free	297
177B(1)(a)	Tractors (except by-law)	12½%	Free	Bind Margin 12½%		404
181(A)(2)	Valves for wireless telegraphy	6/+10% or 50%	4/3 +10% or 30%	5/6 or 40%	4/3 or 20%	47
219 A	Screwing tools	70%	35%	45%	35%	44)
219 B	Hand tools n.e.i.	65%	40%	40%	30%	)
219 C	Hand tools (by-law)	19%	Free	15%	Bind Margin 15%	133
229 E	Lubricating oil	7-½d.+10%	6-½d.	6½d.	6½d.	714

Tariff No.	Commodity	Before Agreement: Rate to U.S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U.S.	Under Agreement: British Pref. Rate	Imports from United States in 1939 (In stg. £ 000)
229 I	Paraffin oil, medicinal	9d.+10%	6d.+10%	Free	Free	50
229 I	Paraffin oil, except medicinal	9d.+10%	6d.+10%	6d.	6d.	10
231 E	Carbon black	3/or 25%	2/or 10%	Free	Free	86
359D(4)(a)	Chassis, unassembled: car type (lb.)	5.12d.	B.P. .7d. Can. 2.12d.	5d.	B.P. Free* Can. 3d.	1,323
359D(4)(b)	Chassis, unassembled: commercial type (lb.)	4.82d.	B.P. .7d. Can. 2.32d.	4¼d.	B.P. Free** Can. 2.75d.	471
359(4)(c)	Chassis, assembled	7.7d	B.P. 1.32d. Can. 4.7d.	6½d.	B.P. 1¼d.* Can. 4½d.	33
359F(1)	Vehicle parts n.e.i. incl. axles, n.e.i., springs, n.e.i., hoods & wheels n.e.i.	70%	45%	50%	30%	151
359F(3)	Automobile gears	2/31b+50%	35%	2s.1b.+37½%	30%	12
359F(9)	Axle shafts for automobiles	8d.1b.or 63.75%	4d.1b.or 30%	7d.1b.or 40%	4d.1b.or 25%	5
382	Cameras	30%	10%	Free	Free	43
385 A	Aeroplanes	20%	Free	10%	Free	85
432 C	Raw cotton(by-law)	Free	Free	Free	Free	128

* Margin in favor of Canada cut from 3d. to 2d. and bound.
** Margin in favor of Canada cut from 2½d. to 1½d. and bound.

Belgium-Luxemburg-Netherlands - Among the tariff items on which concessions were made by the Customs Union of Belgium, Luxemburg and the Netherlands (Benelux) 220 items involving a considerably larger number of individual products are of particular interest to the United States. On 48 of these concession items duties were reduced, on 134 items the low to moderate rates in the Customs Union tariff were bound against increase, on 30 items duty-free entry was guaranteed for the life of the Agreement, and on the remaining 8 items special treatment such as freedom from preference to overseas areas was assured. From statistics necessarily incomplete at this time because of new statistical categories resulting from the combination of the old Netherlands and Belgo-Luxemburg tariffs, the concessions of principal interest to the United States made by Benelux represented roughly about $84,000,000 of the trade of the Benelux metropolitan area on the basis of 1938 imports, or about 50 percent of the total imports of the three countries from the United States in that year. Concessions on trade of the Overseas Territories of Belgium and the Netherlands, not included in this analysis, were significant and amounted to roughly $41,000,000, or about 70 percent of the imports of these territories from the United States in prewar years.

The Customs Union tariff, on which negotiations were based, is a new joint tariff of the Belgo-Luxemburg Economic Union and the Netherlands. It is to take effect on January 1, 1948. In general, its rates represent an overall average of the former duty rates under the separate tariff of the Netherlands and Belgo-Luxemburg, which under present schedules, will lapse at the end of this year. With a few exceptions, it is an ad valorem tariff. It is simpler and clearer than either of the two former tariffs and should prove in operation to be an improvement on the old separate systems.

Benelux concessions of principal interest to the United States were on citrus and other fruits, fresh, dried or canned, flour, cotton and tobacco, motor vehicles and machinery, soaps, plywood products, women's clothing and leather.

Agricultural Products - For some of the principal United States agricultural products concessions were obtained in the form of exemptions from monopoly duty, which in many cases had amounted to more than the customs duty. The following products, formerly subject in the Netherlands to monopoly charges or fees amounting in ad valorem equivalents to 2½ - 57 percent, will be exempt from monopoly duty: oranges, tangerines, grapefruit, dried fruits, raisins, canned fruit, canned asparagus, canned salmon, and fruit juices. On customs duties seasonal reductions of 25 - 35 percent were obtained for oranges, grapefruit and raisins; apples and pears were reduced by 50 percent for a seven months period; dried fruits and canned fish were reduced; wheat flour was bound at 3 percent with a tariff quota of 50,000 metric tons annually to enter duty free in the Netherlands and with maximum monopoly duty and maximum mixing requirements guaranteed. Raw cotton and lard (for industrial purposes) were bound free of duty. Freedom from customs duty was also accorded to milled rice, buckwheat and oilcake; maximum monopoly duties for these three products were bound. Unstemmed leaf tobacco was guaranteed against preferential duties to overseas territories and against differential duties.

Automotive Products - The classifications established for automobiles and parts in the Customs Union tariff represent a marked improvement over the former tariff classifications, particularly over the old Belgian tariff. Ad valorem duties replace the former high Belgian specific rates based on weight, which favored European cars, chassis and parts. On airplanes and parts free entry was assured for those to be used in international traffic and duties of 10 percent and 6 percent for other planes and parts were bound against increase.

Machinery and Appliances - A large number of American machine tools which figure prominently in United States exports to the Benelux area were bound at 6 percent. Typewriters, calculating, and other office machines were reduced from 10 percent to 8 percent or bound at 10 percent. Refrigerators were guaranteed against increases over the Customs Union rates of 6 percent and 12 percent. Similar low duties were bound for numerous other machines and appliances, including pumps of various kinds, prime movers, hydraulic and other presses, lifting, hoisting and road-building machinery, dynamos, and transformers. Various types of electrical apparatus were bound against increase.

Minerals, Chemicals and Related Products - Molybdenum, crude sulphur, paraffin, petrolatum, silicon and boron carbide, lamp blacks, and certain synthetic fertilizers were bound free. The duty of 10 percent on turpentine was eliminated. The duties on soaps, soapless detergents and varnishes were bound against increase.

Miscellaneous Products - Tinplate and certain types of iron or steel sheet and plate were bound at 3 percent and 4 percent. The duties on steel and aluminum furniture, patent leather, wood and plywood products, women's clothing of cotton and synthetic fabrics, motion picture apparatus were bound against increase.

Other Concessions - In addition to the concessions enumerated above, United States trade will benefit from a considerable number of additional concessions made by Benelux. Chief among these in trade volume was wheat, which is accorded free customs treatment and a bound maximum monopoly duty. Other concessions, either free bindings or bindings of comparatively low duties, were on sausage casings, grass seed, goat and sheep leather and cameras. These concessions, requested by the United States and obtained indirectly through third countries, affect items amounting to upwards of $25,000,000. If these figures are added to the total trade covered by direct concessions (see first paragraph), the volume of imports benefitting by the agreement amounts to about 66 per cent of total imports into the Benelux metropolitan area from the United States. This total does not include the additional benefits to the United States accruing from concessions to third countries on items in which the United States supplier position was not sufficiently prominent to warrant requests for direct concessions.

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Belgium-Luxembourg-Netherlands
Summary of Principal Concessions of Interest to the United States

Tariff Item No.	Commodity	Import Duty (ad valorem) Customs Union Tariff (per cent)	Agreement Rate (per cent)	Imports 1/ (000 dollars)
55 a 2	Oranges and tangerines: March 1--October 31 Remainder of year *Also exempt from monopoly duty or corresponding charge	20 20	15*) 20*)	1,491
57 ex b	Raisins: *Also exempt from monopoly duty or corresponding charge	20	15*	1,175
59 a	Apples: *For period February 1-May 31; also exempt from monopoly duty or corresponding charge during that period. For remainder of year, import duty and monopoly duty (or corresponding charge) together not to exceed 20 per cent ad valorem	12	6	2,097
ex 59 b	Pears: * Seasonal duty period and monopoly duty ceiling same as for apples	12	6*	793
62 a	Apples and pears, dried: *Also exempt from monopoly duty or corresponding charge	15	12*	677
62 b	Dried prunes: *Also exempt from monopoly duty or corresponding charge	15	12*	836
62 c	Dried fruits, not elsewhere specified: *Also exempt from monopoly duty or corresponding charge	15	12*	693
ex 75 a	Wheat flour: Imports into the Netherlands, up to 50,000 metric tons per annum Other *Monopoly duty (or corresponding charge) not to exceed duty or charge on wheat, multiplied by reciprocal of extraction ratio	3 3	free*) 3*)	2,427

1/ Based on 1938 Belgo-Luxembourg and Netherlands statistics conversions made at following average exchange rates: 1 franc equals $0.0038, 1 guilder equals $0.5501

Tariff Item No.	Commodity	Import Duty (ad valorem) Customs Union Tariff (per cent)	Agreement rate (per cent)	Imports 1/ (000 dollars)
140 b	Canned fruit:			
	In containers of not more th than 1200 grams (net contents)	30	30*)	738
	Other	15	15*)	
	*Also exempt from monopoly duty (or corresponding charge). Sugar duty to apply on sliding scale, based on content of added sugar			
165	Oil cake:	free	free*	7,160
	*Ceiling established for monopoly duty (or corresponding charge)			
171 a	Leaf tobacco, unstemmed		*	4,005
	*Assurances given against preferential duties on products of overseas territories and against differential duties on various types of leaf tobacco			
284	Spirits of turpentine	10	free	403
285	Gum rosin and wood rosin	free	free	670
294 a	Motion picture films, unexposed	12	12	156
	Motion picture films, exposed:	Per Lineal	Meter	
294b1,c1,d1	Negative	fr 1.65, or f0.10	fr 0.3304 or f 0.02)	206
294b2,c2,d2	Positive	fr 1.65 or f 0.10	fr 1.65 or f 0.10)	
518 b	Raw cotton	free	free	12,992
	Iron and steel sheet and plate, blade:			
703 a 1	1.1 mm. or less in thickness	4	4	649
703 a 2	Other	3	3	2,751
ex 823 a3	Aviation motors:	6	6*	1,363
	*Under the Benelux tariff those for use in international public transportation are duty free			

1/ Based on 1938 Belgo-Luxembourg and Netherlands statistics conversions made at following average exchange rates: 1 franc equals $0.0338, 1 guilder equals $0.5501

Tariff Item No.	Commodity	Import Duty (ad valorem) Customs Union Tariff (per cent)	Agreement Rate (per cent)	Imports 1/ (000 dollars
851	Typewriters	10	8	671
852	Adding and calculating machines; cash registers	10	8	782
889 c	Agricultural tractors	6	6	437
	Airplanes:			
901 b1	For international public transportation	free	free	not available
901 b2	Other	10	10	" "
902	Aircraft parts (except motors), not elsewhere specified *Under the Benelux tariff those for use in international public transportation are duty free	6	6	1,312

1/ Based on 1938 Belgo-Luxembourg and Netherlands statistics conversions made at following average exchange rates: 1 franc equals $ .0338, 1 guilder equals $0.5501

Brazil - Of the concessions made by Brazil those on 77 tariff items involving nearly 300 separate sub-classifications are of primary interest to the United States. The Brazilian tariff is specific and the rates in general are low. As a result of depreciation of the Brazilian currency, these rates have lost over 40 percent of their incidence. To take account of this depreciation, Brazil is in process of making a general upward readjustment of its tariff to the extent of 40 percent. The reasons requiring this readjustment were presented to and accepted by all the countries represented at Geneva. It was recognized that devaluation of currency required readjustment of specific tariff rates if their original revenue and protective incidence was to be maintained, and the readjustment was part of the basis of negotiations by all countries with Brazil.

Without attempting to describe the nature of the concessions made on all of the items of particular interest to the United States (after taking the 40 percent readjustment into account), they can be briefly summarized as follows: duties were reduced on 9 complete tariff items and on 28 sub-classifications; on 1 item, canned soup, the existing moderate rate was bound against increase; and on 3 items and part of another item assurance was obtained that present duty-free treatment would be maintained for the life of the agreement; on 48 tariff items and 29 sub-classifications of other items, existing specific rates were increased by 40 percent (this being in effect a binding of the previous rates, adjusted for currency devaluation); on 2 other tariff items and 2 sub-classifications of other items rates were increased less than 40 percent. In addition, nearly $2,500,000 in trade is assured continuance of the present duty-free treatment in Brazil.

Under the adjusted duty rates thus negotiated by Brazil at Geneva, about 60 percent of the United States export trade in 1938 covered by the Brazilian concessions to the United States (over $17,000,000 out of a total of $30,000,000) will be dutiable at less than 10 percent ad valorem; about $5,000,000 more of that trade will be dutiable at between 10 percent and 20 percent ad valorem; and another $3,500,000 will pay duties between 20 percent and 30 percent ad valorem.

The concessions obtained covered about one-half of Brazil's total imports from the United States in 1938.

Items of primary interest to the United States on which concessions were made by Brazil are fresh and dried fruit, powdered milk, radio tubes, agricultural machinery, automobile parts and coal tar dyes.

Foodstuffs - A satisfactory classification and moderate duty rate has been established for canned soup with or without meat. Important duty reductions were obtained on powdered milk, walnuts in the shell (indirect concession), and canned fruit. Fresh fruit were bound on the duty-free list.

Textiles - A moderate reduction was received on ready-made woven cotton clothing (except shirts, and drawers).

Paper - Reductions in duties, ranging from 10 percent to 25 percent of the present rates were obtained on white, colored, and printed crepe, glassine, oiled, tracing, grease-proof and tissue paper in sheets, spools or rolls. In addition the duty-free status of books in ordinary bindings was assured for the life of the agreement.

Non-Metallic Minerals - Bituminous coal will be subject to a slightly reduced duty under one of the Brazilian concessions, and lower duties will also apply to carbon rods, electrode blocks, etc. Duty reductions of 30 percent were obtained on petroleum oil for transformers, switches and other electrical apparatus, and on paraffin.

Metals - A reduction of over 25 percent has been obtained for solder, including welding rods. Steel safes and strong-boxes measuring from 50 to 75 centimeters in the greatest dimension will enjoy a reduction of over 15 percent from the present Brazilian duty, while those of larger dimension will enjoy a reduction of 30 percent from the present duty rates.

Machinery and Vehicles - Concessions amounting to reductions of 30 percent of the present import duties have been obtained for dry electric batteries and transformers weighing up to 500 kilograms. Electro-surgical and electro-dental apparatus, and most kinds of electric apparatus used in the practice of medicine, including x-ray and violet-ray machines and the like, weighing up to 10 kilograms, will be subject to duties about 6 percent lower than the present rates. Radio tubes for receiving and transmitting apparatus will pay slightly lower duties under the terms of the agreement. On the other hand the duty on parts and attachments for earth-moving equipment has been cut by 60 percent. An 11 percent reduction was negotiated on physical apparatus for boats and vehicles, such as amperemeters, pressure gauges, thermostats, speedometers, etc., and 30 percent reductions were obtained on automobile chassis parts. Agricultural machinery and tools were bound on the free list.

Chemicals - Coal tar dyes and turpentine are two important chemical products on which the Brazilian duty will be cut by 30 percent as a result of the Geneva negotiations.

Miscellaneous Materials and Products - The Brazilian duty on photographic cameras (except box type such as Brownie), including those for taking motion picture films, has been reduced by about 25 percent.

Net Specific Duty Increases - On mineral grease (cylinder stock), barbed wire, airplanes and their parts and accessories, most trucks, motion picture films, photographic films and plates, power pumps, steam boilers, air compressors, power excavators and dredges, pneumatic and electric tools, automatic refrigerators, power cranes and hoists weighing over 250 kilograms, internal combustion engines, electric motors and dynamos weighing over 100 kilograms, road building machinery, most household machinery and appliances, calculating machines, linotypes and other typographical machines, air-conditioning machinery, grinding mills, industrial presses weighing over 5000 kilograms, sawing machinery and machine saws, power vices and lathes weighing over 1000 kilograms, industrial fans, dust extractors, etc., weighing over 1000 kilograms, and other specified industrial machines, net specific duty increases were accepted but even including these increases the ad valorem equivalents of the rates were held below 10 percent.

Increases in duty have been permitted on certain abrasives, coarse steel wool, steel files and cabinets, iron and steel tables, passenger automobiles weighing up to 1400 kilograms, trucks weighing over 4000 kilograms, motorcycles, motion picture apparatus, gasoline pumps, cranes and hoists weighing up to 250 kilograms, typewriters, spark plugs, and certain industrial machines weighing up to 500 kilograms, but on all these items the increased specific rates have been kept at less than 20 percent ranging down to 10 percent ad valorem.

On the following products increased specific rates, ranging in ad valorem equivalents between 20 percent and 30 percent, were made part of the scheduled concessions: oatmeal, whiskey, white cement, chromite refractory brick, iron and steel beds and chairs, steel wire over 3 millimeters in diameter, passenger automobiles weighing from 1400 to 1900 kilograms, and cash registers.

Additional Concessions - The United States will also receive benefits from duty concessions granted by Brazil on products of which the United States has not been the principal supplier. Among these items the following are considered of importance: penicillin was declared duty-free; chemical fertilizers were bound on the free list; import duties were reduced on wall paper, anthracite coal, glass tiles, sulphur, titanium white, insecticides, synthetic tanning materials, sodium nitrate, sodium sulphate and sulphide, scissors, shears and clippers, certain musical instruments, hand winches, differential pulley blocks, etc., spinning and weaving machinery looms, rayon and knitting machines, cigarette making machines, agricultural spraying apparatus, and dressed dolls.

Brazil also reduced slightly its import duties on most scientific and precision instruments, and on surgical and medical instruments, and bound the duties on cartridges, gun caps and fuses.

Brazil

Summary of Principal Concessions of Interest to the United States

Tariff Item Number	Description	Rates of Duty: Before Agreement	Rates of Duty: Under Agreement	Imports from U. S. 1938 1000 cruzeiros
98	Powdered milk	2.60 L.K.	1.82 L.K.	555
225	Fresh fruit	free	free	36,696
229	Dried fruit	free	free	1,814
545	Books	free	free	2,672
556	Paper: crepe, glassine, oiled, greaseproof, etc., in sheets, spools or rolls.	(white: 3.10 L.K. (colored: 4.20 L.K. (printed: 5.20 L.K.	2.80 L.K.) 2.94 L.K.) 4.20 L.K.)	1,799
579	Bituminous coal	22.90 N.T.	22.40 N.T. 2/	18,159
599	Transformer oil	(1) 1.00 L.K.) (2) 1.60 L.K.)	0.70 L.K.) 1.12 L.K.)	1,726
804	Solder, including welding rods	0.80 L.K.	0.54 L.K.	1,552
950	Coal tar dyes	10.60 N.K.	7.42 N.K.	2,979
1652	Transformers, electric, etc.: Weighing up to 10 kilograms " over 10 kilograms up to 100 kilograms " " 100 " " " 200 " " " 200 " " " 500 "	 5.50 L.K.) 4.20 L.K.) 3.00 L.K.) 2.40 L.K.)	 3.15 L.K.) 2.94 L.K.) 2.10 L.K.) 1.68 L.K.)	6,853
1654	Radio tubes: weighing up to 100 gr. " over 100 gr.	30.60 L.K.) 38.00 L.K.)	29.40 L.K.) 37.80 L.K.)	3,542
1663	Electro-medical and electro-dental apparatus, etc.: Weighing up to 5 kilos " over 5 and up to 10 kilos	 17.10 L.K.) 11.40 L.K.)	 15.96 L.K.) 10.64 L.K.)	2,122

(1) coloration +15 to +22. (2) coloration over +22.

Tariff Item Number	Description	Rates of Duty: Before Agreement	Rates of Duty: Under Agreement	Imports from U.S. 1938 1000 cruzeiros
1782	Automobile parts:			
	Chassis frame, motor bed, hoods, etc., chains, axles, etc.	2.18 L.K.	1.54 L.K.	
	Gearshift levers, shock absorbers, steering post and wheel, transmission case, etc.	3.40 L.K.	2.38 L.K.	2,121
1825	Agricultural tools and machinery, such as: plows, reapers, cultivators, harrows, planters, rollers, seeders, etc.	free	free	71,934 1/
1859	Parts for earth-moving machinery	2.10 L.K.	0.84 L.K.	867

ABBREVIATIONS: L.K. means legal kilogram
N.T. " net ton
N.K. " net kilogram

1/ includes other machine tools .

2/ Further reduced to 20.00 N.T. by indirect concession.

Burma - Burma granted concessions on a total of 40 tariff items or sub-items; these cover products imported from the United States in 1938-39 valued at about 3,100,000 rupees ($1,113,000), or 41 percent of total imports from the United States in that year. Rates were reduced on 8 items, bound against increase in 17 cases, and duty-free treatment was maintained for 5. On 10 items rates were not bound but Burma agreed to reduce or eliminate the margin of preference enjoyed by goods originating in the United Kingdom, British Colonies, or India.

Of the total of 40 concessions, those on 18 items, accounting for imports valued at 3,032,000 rupees ($1,088,000) or 40 percent of total imports from the United States were of primary interest to this country.

Items of principal interest to the United States on which Burma made concessions are canned milk, canned or bottled fruits and vegetables, lubricating oil, various chemicals, drugs and medicines, machinery and typewriters.

Dairy, Fruit and Vegetable Products - Among the concessions which will benefit the United States was a binding of the rate combined with a reduction in the margin of preference enjoyed by the United Kingdom and India on condensed and preserved milk; a binding of the rate on milk foods; and a reduction of the margin of preference enjoyed by the United Kingdom, British Colonies and India on canned or bottled fruits and vegetables.

Minerals - The United Kingdom's preference was eliminated on lubricating oil, one of the principal United States exports to Burma, and the 25% duties on mineral grease and various other types of mineral oils were bound against increase.

Chemicals, Drugs, Medicines - For various kinds of chemicals, drugs and medicines the duty was bound at 30%. Duty-free treatment was continued for quinine sulphate and bisulphate.

Metals, Metal Products, Machinery - The 25% rate on certain non-ferrous base metals was bound against increase. The duties on barbed wire and wire rope were bound at 20%. The 35% duty on hand pumps was reduced to 20% ad valorem.

Among the main United States exports to Burma, mining machinery other than for coal mining, oil crushing and refining, and pumping, had a 10% duty bound against increase. The duty on refrigerating machinery was reduced from 40% to 25% ad valorem.

Various types of agricultural implements were assured continued duty-free treatment.

The margin of preference granted India on imports of typewriters was reduced.

Miscellaneous - The margin of preference enjoyed by India on radios, radio apparatus and parts was reduced. The Indian preference margin was also reduced on all sorts of brushes and oil and floor cloth. The 30% duty on electro-medical apparatus was maintained.

preference margin was also reduced on all sorts of brushes and oil and floor cloth. The 30% duty on electro-medical appparatus was maintained.

BURMA

Summary of Principal Concessions of Interest to the United States

Tariff Item No.	Brief Description	Present Rates: Preferential: U.K.	Present Rates: Preferential: British Colonies	Present Rates: Preferential: India	Present Rates: Standard	Concession Rates Standard	Imports from U.S. 1938-39 1/ (Rupees 000) 2/
18	Canned fruits and vegetables	25%	25%	Free	35%	3/, 4/, 5/	79
Ex.54	Mineral grease	25%	25%	10%	25%	25%	59
56	Chemicals, drugs, and medicines, not otherwise specified in tariff	20%	20%	5%	30%	30%	147
160	Lubricating oil, per imperial gallon	½ anna	2½ annas	Free	2½ annas	6/	1,028
Ex.239	Mining machinery, other than coal mining	10%	10%	Free	10%	10%	1,076
Ex.239	Pumping machinery	10%	10%	Free	10%	10%	224
Ex.243	Typewriters	20%	30%	10%	20%	7/	95

1/ Fiscal year ending March 31.
2/ Rupee = $0.3590.
3/ Exempt from ordinary most-favored-nation duties which exceed United Kingdom preferential duty by more than 5%.
4/ Exempt from ordinary most-favored-nation duties which exceed British Colonies preferential duty by more than 5%.
5/ Exempt from ordinary most-favored-nation duties which exceed Indian preferential duty by more than 25%.
6/ " " " " " " " " " United Kingdom preferential duty.
7/ " " " " " " " " " Indian preferential duty by more than 10%.

Canada - Tariff concessions made by Canada covered over 750 separate tariff items and thousands of articles of interest to the United States. Duty reductions applied to approximately 500 of the former. In terms of 1939 trade the concessions benefit about 71 percent of the imports from the United States, either by way of reductions from the rates of duty presently applicable, or by way of the binding of the present free or dutiable status. The trade so covered was valued at $354,000,000[a] in 1939 (total imports from the United States in that year being $497,000,000). Duties were reduced on forty-five percent of the 1939 value of dutiable trade, or $136,625,000.

The 1939 trade was, of course, low in relation to the current trade which is about four times as high in value and also higher in volume. In 1946, the value of imports from the United States was recorded at $1,406,000,000, and the indications are that this year's total may reach two billions. In this increased trade, the dutiable portion of the import has not decreased but increased. It appears, therefore, that Canada's reductions in duty will apply this year to United States trade of at least $450,000,000. In addition to concessions on items of primary interest to the United States, other benefits were acquired by virtue of concessions on products in which the United States may have a secondary interest. Some concessions, also, have a special interest in that they involved the elimination or reduction of the preferential rates extended by Canada to the other members of the British Commonwealth.

While some new items were bound, bindings, in general, were carried over from previous trade agreements; no attempt is made to summarize the details of this list. It is not, however, unimportant, since often it provides for the maintenance of the free status of some important raw materials in which the United States is the largest but not the only supplier. Often also, it assures the continuation of moderately low rates on manufactures in which the Canadian production is expanding, and in which our large share of the business makes further reduction impossible. Examples of highly important items included again in the bound list are raw cotton, which is free, and machinery, "not otherwise provided for" which is dutiable at 10 percent for items of a kind not made in Canada, and 25 percent for items which compete with Canadian production. The total value of Canada's imports from the United States of items in the bound list, on the basis of 1939 trade, is $216,000,000. A few of the rates bound in the previous agreements are no longer in that category because of special developments of a competitive nature. However, the number of these is extremely limited, the most important examples being biological products for injection and certain plastics.

Commodities on which concessions of various types were made which are of primary interest to the United States include anthracite coal, fresh fruits and vegetables, certain dried fruit, tobacco, whisky, office machines, aircraft, certain items of wearing apparel, refrigerators, washing machines, positive motion picture film, and many other manufactures.

Coal - Outstanding among the reductions of interest to the United States was one long requested by the industry of this country, viz., the removal of the 50 cent per ton duty on anthracite coal, which has applied since 1932.

a/ Canadian dollars used throughout

This important fuel, used mainly for heating Canadian homes, was made free of duty. The duty on other coal was reduced from 75 to 50 cents per ton. The 1946 coal import from the United States was valued at a total of $118,000,000, of which anthracite constituted $42,000,000. The $1.00 per ton duty on coke, in which trade is also large, was bound against increase.

Agricultural Products - Another significant group of concessions concerns fresh fruits and vegetables, in which Canadian consumption has advanced markedly in recent years, in conformity with the advance in general income and dietary standards. Grapefruit, which has heretofore been subject to a tariff of 1/2 cent per pound, was put on the free list, and the free all-year treatment which has applied to oranges since 1942, by orders in council, was incorporated in the tariff structure. With these changes, all citrus fresh fruit became free of duty. Grapes of the vinifera type, which have been dutiable at 1 cent per pound, were also made free. In other fresh fruit items, which compete more directly with Canadian production, important reductions were made in the specially advanced rates which apply in the season when Canadian crops are on the market in large quantity. As in the 1938 agreement, provision was made for limiting the time in which the advanced valuations are applicable, and it was provided that they shall be in lieu of, rather than in addition to, the normal off-season rate, which remains at 10 percent. The 1946 trade in fresh fruits was valued at $48,000,000, of which citrus fruits accounted for $28,000,000.

The concessions in fruits were extended also to canned fruits, where reductions apply generally, and to orange and pineapple juice and fruit syrups, where trade is large. In dried fruits, the duty on raisins was reduced from 4 to 3 cents per pound, the trade from the British Commonwealth countries was continued free of duty. Plums and prunes, dried, unpitted, were put on the free list, whereas previously they had been subject to a duty of 1 cent per pound. In 1946 they accounted for an import of $3,000,000, all from the United States. Total trade in raisins was somewhat larger - almost $4,000,000 - but Australia did two-thirds of the business.

The same sort of reductions in the advanced seasonal valuations were applied to fresh vegetables as to fresh fruits, and some reductions were provided for in dried beans. The duty on frozen vegetables was reduced from 25 to 20 percent ad valorem. This also represents a very large sector of the import trade. The 1946 trade in fresh vegetables was valued at $24,000,000.

Among the many reductions in the food and agricultural group which are not included in the table, were those on baby chicks, eggs in the shell, cocoa preparations and confectionery, salt, biscuits, prepared cereal foods in small packages, starch, milled corn products (but not cornmeal), gelatine, seeds and cut flowers (except orchids). In addition to the tobacco reduction shown, which is of limited interest in view of Canada's near self-sufficiency in cigarette types, the very high impost on cigarettes was reduced by $1.00 per pound.

Textiles - Reductions in the textile group were important in clothing and miscellaneous manufactures where the rate of duty had been 30 percent and will hereafter be 25 percent. Women's and misses' outer garments of wool, dresses and other clothing of artificial silk, cotton dresses and men's shirts, and a long list of domestic requisites - sheets, towels, scarves, (including linen) were granted concessions; trade in these items is running currently at the annual rate of almost $17,000,000. In fabrics, which carry, in general, rates compounded of both specific and ad valorem duties, there were reductions but they were smaller, and complicated as to significance by the present abnormal shortage of goods and parallel reductions which were made to retain the preferential margin in favor of the United Kingdom. Ordinarily a very large supplier, that country has not yet regained anything like its normal place in Canada's general textile imports, and partly on this account, Canadian fabric imports from the United States are still extraordinarily large, over $50,000,000 in cottons alone.

Metals - In the case of the metals schedules, which are the largest in point of trade and the most detailed from the viewpoint of tariff treatment, the tariff treatment accorded in preceding agreements was substantially continued; the relatively moderate rates which now stand on many types of industrial goods were bound.

An item to which special interest attaches from the viewpoint of Imperial Preference is tinplate, on which the Canadian Government will ask Parliament to eliminate the preference heretofore accorded the United Kingdom by applying a 15 percent rate to imports from that country which are now free and to reduce the 17½ percent rate assessed against the United States to 15%. In pre-war years, the United Kingdom was the major supplier of tinplate to Canada by virtue of free entry, although there was also large trade from the United States. Because of war-born conditions, the United States has continued to do a very large business, but development of Canadian production in the last decade has very much affected import potentialities for the future.

Automotive Products and Machinery - The important automotive schedule was unchanged, but the duties on aircraft and aircraft engines were reduced from 20 and 17½ percent, respectively, to 15 percent. Free entry was bound for most farm implements and machinery. Duties on engines and boilers, not including stripped automobile engines, were reduced from 25 to 20 percent. The rate on ore crushers and certain other mining machinery was reduced from 17½ to 15 percent and free entry was accorded locomotives and railway motor cars for mining, metallurgical and forest industries, when of a class not made in Canada. There were some reductions in office and household machinery which are not unimportant considering the new levels established and the value of the trade covered.

Miscellaneous Products - In consumer goods, cutlery and stamped and coated products embody reductions which affect a fairly large trade which has been passing in spite of fairly substantial duties. Heating equipment and a long line of electrical goods were subject to small duty reductions. The rate on radio apparatus was reduced from 25 to 20 percent. Imports of the latter in 1946 were valued at more than $5,000,000.

Large trade is also involved in the rates which have been negotiated for furniture, which will hereafter be 27½ percent on wood and 25 percent on other kinds, in lieu of the 32½ percent and 27½ percent now applying. Imports in these goods in 1946 amounted to $3,200,000. The rate on table-ware of china and porcelain was reduced from 35 to 25 percent, and on tableware of earthenware from 25 to 20 percent. Both these changes reduced the preferential margin but in chinaware it will continue large - i.e., 25 percent. There were many changes in the rates on glass. From the viewpoint of United States interest, one of the more important pertains to staple glassware, including machine made tumblers where the rate became 22½ in lieu of 27½ percent.

Amusement and sporting goods listed specifically for reductions include skis, fishing rods and game boards. Phonographs, brass band instruments, organs, including pipe organs, and brass band instruments of a kind not made in Canada were covered by concessions. There were also cuts in rates on perfumery, toilet preparations, brushes, buttons, lead pencils and crayons, mirrors and picture frames. In leather goods there was a small duty reduction on shoes (to 27½ percent from 30 percent), and larger rate reductions (from 30 to 25 percent) on trunks and valises and musical instrument cases, fancy boxes, etc. A duty reduction from 35 to 32½ percent was also made in jewelry, in which the 1946 trade was valued at $3,446,000.

An important preference eliminated was that on motion picture films, positives, in which the rate became 1½ cents per foot, the same as for British films, in lieu of the 2¼ cents heretofore assessed. The duty on negative films was also reduced importantly, from 25 to 10 percent.

Advertising matter, shipped in bulk, became dutiable at 10 cents per pound, but not less than 25 percent ad valorem. Heretofore the duty had been 12½ cents but not less than 27½ percent. The duty free entry of small packages, valued at not more than $1.00, was continued.

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Canada
Summary of Principal Items of Interest to the United States

TARIFF NO.	DESCRIPTION		CURRENT TRADE TREATMENT TO U.S.	CURRENT TRADE TREATMENT PREFERENTIAL RATE TO BRITISH COMMONWEALTH (1	NEW RATE TO U.S.	NEW RATE B.P.	IMPORTS FROM U.S. IN 1939 (IN $1,000 CANADIAN)
586	Coal, Anthracite (Not Screenings)	Cents Per Ton	50	Free	Free	Free	14,037
588	Coal, Other (Including Anthracite Screenings)	"	75	35	50	35	18,486
101	Oranges		Free from (2 Jan. to July Incl., 35 Cents Per CWT Then	Free	Free	Free	5,842
100) 100A)	Grapefruit	Cents Per Lb.	1/2	Free	Free	Free	1,187
93-96 Incl.	Other Fresh Fruits		10% in Off Season Allowed Seasonal Valuations	Free	No Charge in Off Season Reductions in Seasonal Valuations Averaging 33-1/3%	Free	6,550
83-87	Fresh Vegetables		Variable Monthly 10% in Off Season Advanced Seasonal Valuations	Free	No Charge in Off Season; Reduction in Seasonal Valuations Averaging 23%	Free	5,377
99C	Raisins	Cents Per Lb.	4	Free	3	Free	3,206
99A	Plums and Prunes, Dried and Unpitted	"	1	Free	Free	Free	779

(1 Hereafter Referred to as B.P. Rate

(2 Since December 1942 free all year by order in Council

TARIFF NO	DESCRIPTION		CURRENT TARIFF TREATMENT TO U.S.	B.P.	NEW RATE TO U.S.	B.P.	IMPORTS FROM U.S. IN 1939 (IN $1,000 CANADIAN)
55	Corn	Cents Per Bushel	10	Free	8	Free	1,857
62) 62A)	Rice, Uncleaned, Unhulled, Paddy	Percent	Free but with 25% Preference to Australia When That Country Can Supply	Free	Free Potential Preference to Australia Eliminated	Free	299
109A	Peanuts, Green	Cents Per Lb.	1	Free	Free	Free	11
109) 114)	Shelled Nuts	"	Some 3 Some 2	Some 3 Some 2	1	1	439
152	Fruit Juices and Fruit Syrups						
	Pineapple Juice	Percent	25	Free	10	Free	173
	Grapefruit Juice	"	15	Free	15	Free	390
	Other, Including Orange	"	25	Free, Ex Lime 12-1/2	10	Free, Ex Lime 10	400
142B	Tobacco, Unmanufactured (Not Turkish)						
(1)	Unstemmed	Cents Per Lb.	40	Free	20	Free	1,269
(11)	Stemmed	"	60	Free	30	Free	47
Ex 156	Whiskey	Per Proof Gal. ($)	6.00	5.00	5.00	4.50	243
		"	7.00	7.00	7.00	7.00	
	Clothing and Miscellaneous Manufactures, N.O.P.:						
532	Of Cotton	Percent	30	25	25	25	1,492
548	Of Linen and Other Vegetable Fiber	"	30	25	25	25	417
555	Of Wool and Other Animal Fibers	"	(Some 32 1/2% Some 40% Plus 32-1/2 Cents Per Pound)	25	27-1/2	25	243

TARIFF NO.	DESCRIPTION		CURRENT TARIFF TREATMENT TO U.S.	CURRENT TARIFF TREATMENT B.P.	NEW RATE TO U.S.	NEW RATE B.P.	IMPORTS FROM U.S. IN 1939 (IN $1,000 CANADIAN)
	Clothing and Miscellaneous Manufactures, N.O.P. (Cont'd)						
567A	of Artificial Silk and Other Synthetic Fibers	Percent	32-1/2	25	27-1/2	20	933
440L (1)	Aircraft (Not Including Engines	"	20	Free	15	Free)	
(11)	Parts (Not Including Engines)	"	15	Free	15	Free)	2,835
440N	Aircraft Engines	"	17-1/2	Free	15	Free	874
440O	Engine Parts, Carburetors, Etc.						
(1)	Not Made in Canada	"	Free	Free	Free	Free)	
(11)	Other	"	6-3/4	Free	5	Free)	218
352	Miscellaneous Manufactures of Brass or Copper	"	24-3/4	20	20	20	2,610
445D	Electric Wireless or Radio Apparatus	"	25	Free	20	Free	2,558
443	Apparatus for Heating or Cooking	"	25	15	22-1/2	15	2,183
362C	Nickel Plated Ware, Gilt Electro-Plated Ware	"	30	17-1/2	22-1/2	15	1,657
445G	Electric Motors	"	25	15	22-1/2	15	1,478
Ex 611A	Boots, Shoes, Slippers and Insoles (Not Canvas with Rubber Soles	"	30	22-1/2	27-1/2	20	1,150

TARIFF NO.	DESCRIPTION		CURRENT TARIFF TREATMENT TO U.S.	CURRENT TARIFF TREATMENT B.P.	NEW RATE TO U.S.	NEW RATE B.P.	IMPORTS FROM U.S. IN 1939 (In $1,000 Canadian)
178	Advertising and Printed Matter	Cents Per Pound Not Less Than	12-1/2 27-1/2 Percent	5 But Not Less Than	10 25 Percent	5	1,363
623	Musical Instrument Cases, Fancy Boxes, Etc.	Percent	30	15	22-1/2	12-1/2	1,041
410L	Ore Crushers, Stamp and Grinding Mills, Rock Drills, Etc.	Percent	17-1/2	5	15	5	1,217
326 (1)	Glass, Demijohns, Carboys, Machine Made Tumblers, Etc.	Percent	27-1/2	15	22-1/2	15	1,049
414 (1)	Typewriters	Percent	20	Free	20	Free)	
(11)	Typewriter Parts	"	20	Free	15	Free)	1,251
414C	Bookkeeping and Calculating Machines and Parts	"	12-1/2	Free	10	Free	1,078
(11)	Adding Machines	"	20	Free	17-1/2	Free)	
	Adding Machine Parts	"	20	Free	15	Free)	162
415A	Refrigerators, Domestic or Store	"	25	20	22-1/2	20	1,189
428C	Engines or Boilers and Complete Parts (Not Auto)	"	25	15	20	15	1,133
647	Jewelry of Any Material for Adornment of the Person	"	35	25	32-1/2	22-1/2	853
432D	Manufactures of Tinplate Decorated or Not	"	25	15	20	15	791
445	Electric Light Fixtures and Appliances	"	27-1/2	20	22-1/2	20	880

TARIFF NO.	DESCRIPTION		CURRENT TRADE TREATMENT TO U.S.	CURRENT TRADE TREATMENT B.P.	NEW RATE TO U.S.	NEW RATE B.P.	IMPORTS FROM U.S. IN 1939 (In $1,000 Canadian)
	Asbestos Manufactures						
312A	Made of Asbestos of British Commonwealth Origin	Percent	20	Free	12-1/2	Free	525
312	Not Made of Asbestos of British Commonwealth Origin	"	20	15	12-1/2	12-1/2	
415B	Washing Machines Domestic	"	25	15	22-1/2	15	842
597A	Phonographs, Gramophones and Parts	"	24-3/4	15	20	15	634
212	Sulphate of Alumina, Alum Cake	"	15	Free	10	Free	663
519	Furniture - House, Office, Store						
(1)	Of Wood	"	32-1/2	15	27-1/2	15	599
(11)	Other	"	27-1/2	15	25	15	697
441E	Guns, Rifles, Not Made in Canada	"	15	Free	10	Free	108
441	Guns, Rifles, Other, Including Air Rifles, Not Toys	"	27-1/2	10	22-1/2	10	367
191A	Picture Post Cards, Greeting Cards and Similar Artistic Cards and Folders	"	30	20	25	15	547
199B	Containers of Fiberboard or Paperboard	Cents Per Lb.	1	1	4/5	4/5	504
		But Not Less Than	25 Percent	-	20 Percent	-	
385A	Sheets, Plates, Hoop, Band or Strip of Acid or Heat Resisting Steel, Valued at Not Less Than 5 Cents Per Lb.	Percent	17-1/2	Free	12-1/2	Free	398

TARIFF NO.	DESCRIPTION		CURRENT TARIFF TREATMENT TO U.S.	CURRENT TARIFF TREATMENT B.P.	NEW RATE TO U.S.	NEW RATE B.P.	IMPORTS FROM U.S. IN 1939 (IN $1,000 CANADIAN)
252	Shoe blacking, etc.	Percent	22 1/2	12 1/2	17 1/2	12 1/2	312
319	Glass in sheets and bent	"	25	Free	20	Free	31
320	Glass, plate, not bevelled, in panes not exceeding 7 sq.ft.	"	20	Free	10	Free	368
321	Glass, plate, not bevelled, in panes exceeding 7 sq.ft.	"	20	Free	20	Free	104
322	Plate glass, n.o.p.	"	30	17 1/2	25	17 1/2	89
657A	Motion picture films positives	Cents per ft.	2 1/4	1 1/2	1 1/2	1 1/2	253
653	Brushes, not otherwise provided for	Percent	30	15	25	15	191
445A	Electric head, side and tail lamps, torches and flashlights	"	27 1/2	20	22 1/2	20	294
438	Railway cars and parts	"	27 1/2	15	22 1/2	15	368
461	Safes, doors for vaults, scales, balances, etc.	"	27	10	20	10	276
507A	Single ply, sliced or rotary cut veneers of wood n.o.p. not over 5/16" in thickness, not taped or jointed	"	20	10	15	10	279
288	Stoneware and earthenware	"	35	20	25	17 1/2	124

TARIFF NO.	DESCRIPTION		CURRENT TARIFF TREATMENT TO U.S.	CURRENT TARIFF TREATMENT B.P.	NEW RATE TO U.S.	NEW RATE B.P.	IMPORTS FROM U.S. IN 1939 (In $1,000 Canadian
435 (A)	Locomotives and Railway Motor Cars, of a Class Not Made in Canada, for use in Mining, Metallurgical or Sawmill Operations	Percent	12-1/2	Free	Free	Free)	
(B)	Diesel Electric Locomotives, of a Class Not Made in Canada	"	12-1/2	Free	10	Free)	200
394	Axles, Other Than Railway	"	30	22-1/2	22-1/2	22-1/2	217
Ex 711	Vegetable Flavoring	"	20	15	10	10	206
	Vegetable Coloring	"	20	15	10	10	137
429	Cutlery or Iron or Steel						
(B)	Table Knives and Forks	"	30	15	25	15	35
(C)	Penknives, Etc.	"	30	Free	20	Free	24
(D)	Knives, N.O.P.	"	30	Free	20	Free	89
(F)	Scissors and Shears	"	30	Free	20	Free	78
Ex (G)	Safety Razor Blades	"	25	Free	20	Free	103
655A	Lead Pencils and Crayons (Not Chalk)	"	35	10	30	10	104
432	Hollow Ware of Iron or Steel						
	Enamelled	"	30	17-1/2	22-1/2	17-1/2	127
	Tinware	"	25	15	20	15	46
	Other	"	25	10	20	10	76
439B	Cars, Not Otherwise Provided For, Wheelbarrows, Road or Railway Scrapers, and Hand Cars	"	27-1/2	15	22-1/2	10	199

TARIFF NO.	DESCRIPTION		CURRENT TARIFF TREATMENT TO U.S.	CURRENT TARIFF TREATMENT D.P.	NEW RATE TO U.S.	NEW RATE D.P.	IMPORTS FROM U.S. IN 1939 (In $1,000 Canadian)
	Wire						
351)	Covered and Cable	Percent	27-1/2	20	20	20	132
402A)	Welded or Woven Fencing	"	30	20	25	17-1/2	52
401G)	N.O.P. of Iron or Steel	"	20	15	15	15	252
350)	" Other	"	30	10	20	10	121
622	Trunks, Valises, Etc.	"	30	15	22-1/2	12-1/2	84
433	Baths, Bath-Tubs, Basins, Closets, Etc.	"	25	5	20	5	160
407	Silent Chain, of a Class Not Made in Canada	"	20	Free	15	Free	68
407A	Chains, N.O.P., of Iron or Steel, and Parts	"	30	15	25	15	119
465	Signs of any Material Other Than Paper	"	25	10	20	10	106
323	Glass Mirrors and Silvered Glass	"	30	20	22-1/2	20	94
193	Paper Bags or Sacks of all Kinds Printed or Not	"	30	15	22-1/2	15	85
195	Wall Paper	"	30	17-1/2	22-1/2	17-1/2	111
425	Lawn Mowers	"	30	10	25	10	101
424A	Hand Fire Extinguishers	"	30	22-1/2	20	20	98
505A	Hardwood Flooring, Beech, Birch, Maple and Oak, Tongued or Jointed	"	17-1/2	17-1/2	12-1/2	12-1/2	84
43.F	Children's Carriages, Sleds and Other Vehicles, and	"	30	15	22-1/2	15	64

Ceylon- Ceylon made concessions on 83 tariff items or sub-items. Imports from the United States of products covered by these tariff concessions were valued at 2,856,000 rupees ($939,000) in 1939, or 48 per cent of Ceylon's total imports from the United States. The corresponding figures for 1946 are 9,762,000 rupees ($2,947,000) or 23 percent of total imports from the United States.

Concessions on 21 tariff items and sub-items were of primary interest to the United States. On 15 of these concession items duties were reduced; on four the existing moderate rates were bound against increase; on one item continuation of present duty-free treatment was assured; and on one item, the margin of preference was reduced. These concessions represented about 2,567,000 rupees of Ceylon's imports from the United States in 1939, or about 45 per cent of Ceylon's total imports from the United States in that year. In addition the United States benefits from concessions on the other 62 items, although these concessions were made on commodities of secondary interest to the United States. Imports of these items from the United States were valued at 289,000 rupees in 1939.

Of the total concessions granted by Ceylon, rates were reduced on items valued in terms of United States imports in 1939 at 961,000 rupees, present duties were bound on items valued at 421,000 rupees, and continued duty-free treatment was maintained on items valued at 58,000 rupees. The preferential margin enjoyed by British areas was reduced or eliminated in the case of 15 items, in which imports from the United States were worth 1,931,000 rupees in 1939. Of the latter figure Rs. 515,000 is included in the duty reductions previously mentioned.

The principal concessions by Ceylon of interest to the United States are those on apples and other fresh fruit, dried and canned fruit, tobacco, machinery, radios, refrigerators, typewriters, paints, drugs and medicines.

Food, Drink and Tobacco - The duty on fresh apples was reduced from 20 per cent to 15 per cent for the period from September 1 to March 31, and the same reduction was made on fresh grapes imported from June 1 to January 31. On other fresh fruits imported between November 1 and June 30 the rate was reduced from 25 per cent to 20 per cent. Rates were reduced from 30 per cent to 25 per cent on dried fruit except dates, currants and raisins, and from 35 per cent to 30 per cent on canned fruit.

The duty on prepared cereal foods were reduced from 25 per cent to 20 per cent and canned fish from 20 per cent to 15 per cent. Milk foods and prepared and condensed milk were assured continued duty-free treatment.

With reference to unmanufactured tobacco, which is normally Ceylon's principal import from the United States, provision was made for the reduction of the margin of preference to a level not to exceed 2.25 rupees per pound.

Machinery, Implements, Apparatus - The duties on various implements and tools, agricultural machinery, cranes and hoists, and pumping machinery were reduced from 25 per cent to 20 per cent, plus a surcharge of 10 per cent of the duty. Transformers and electrical motors were reduced from 20 per cent to 15 per cent and photographic instruments and apparatus from 40 per cent to 35 per cent.

The rates on radios and refrigerators were reduced from 30 per cent to 27½ per cent and on typewriters from 20 per cent to 17½ per cent.

Chemicals and Drugs - The rates on certain chemicals, paints, colors and enamels, and printers' materials were reduced from 25 per cent to 20 per cent. The duty on patent medicines, one of the principal United States exports to Ceylon, was bound at 15 per cent and penicillin and its by-products were granted duty-free treatment.

Miscellaneous - The duty on asphalt was bound at Rs. 1.00 per hundredweight, plus the surcharge of 10 per cent of the duty. The duty on floor-cloth was reduced from 30 per cent to 20 per cent. Chinaware and porcelainware duties were reduced from 30 per cent to 25 per cent, plus surcharge. Other concessions benefitting the United States are the reduction of the rates on woolen garments and haberdashery and millinery from 30 per cent to 25 per cent and the binding of the existing duty on artificial silk.

Ceylon

Summary of Principal Concessions of Interest to the United States

Tariff Item No.	Brief Description	Present Rates General	Present Rates Preferential	Concession Rates General	Concession Rates Preferential	Imports from U.S. (Rupees 000) (1 1939	1946
I-E-3	Fresh apples 1 Sept. to 31 March	20%	10%	15%	10%	198	
I-E-33	Canned fish	20%	10%	15%	10%	86	113
I-E-57	Milk foods	Free	Free	Free	Free	57	2,838
I-E-58	Condensed, preserved milk	free	Free	Free	Free	1	965
II-B-1	Asphalt, per cwt.	Rs. 1.00(2	Rs. 1.00 (2	Rs. 1.00(2	Rs. 1.00(2	143	139
III-E-5	Implements and tools, various	25%(2	15%(2	20%(2	10%(2	60	282
III-G-1	Agricultural machinery and parts	25%(2	15%(2	20%(2	10%(2	--	132
III-G-13	Refrigerators	30%	25%	27½%	25%	119	64
III-G-20	Typewriters and parts	20%	15%	17½%	15%	45	209
III-M-X	Artificial silk and manufactures	40%	30%	40%	30%	7	201
III-N4 (IV)	Woolen garments	30%	20%	25%	15%	19	101
III-O-16	Patent medicines	15%	15%	15%	15%	262	1,450
I-F-8	Tobacco, unmanufactured, per lb.	Rs.18.25	Rs.15.25	This item is exempt from most-favored-nation customs duty which exceeds preferential rate by over Rs. 2.25		1,416	2,605

1) Ceylon rupee = $0.3289 in 1939 and $0.3019 in 1946.
2) Plus surcharge of 10% of duty.

Chile - Among the concessions which Chile made, those on 99 tariff items are of particular interest to the United States. On 34 of these concessions duties were reduced, on 65 items the existing moderate rates were bound against increase, and on 2 parts of items, matrices for phonograph discs and ambulances, the import duty was removed entirely. The concessions obtained represented about $15,000,000 of trade on the basis of 1939 imports, or about 58 percent of Chile's total imports from the United States in that year.

Items of primary interest to the United States on which concessions were made are typewriters, automobiles, tractors, tires, batteries, lubricating oils and grease, whiskey, and printing ink.

Agricultural Products - The Chilean import duty on whiskey was reduced by one-third, and the duty on canned soup was bound against increase. Furthermore, the Chilean Government has agreed to study, as soon as possible, the possibility of reducing the import duty on canned soup, and of binding the import duty on hops, in return for which the United States would be willing to remove the seasonal limitation on the United States tariff concession given to Chile on dried beans.

Textiles - A reduction of one-half the duty was obtained on canvas and duck of cotton or linen weighing 300 grams or more per square meter. A moderate rate of duty was bound on Osnaburg cotton cloth, and a low rate of duty was bound on "cord" cloth of cotton or rayon for making and repairing tires and tubes.

Non-metallic Minerals - The duty on mineral lubricating oil, in containers over 1 net kilogram content was reduced by 40 percent, and on lubricating grease containing over 50 percent of mineral oil, it was reduced by one-third. Solid paraffin benefits by a 50 percent cut in the duty. Reasonably low rates of duty were bound on carbons and electrodes, certain abrasives, vitreous compositions for fire enameling or for coloring glass, and refractory bricks and shapes.

Metals - On safety razor blades, and radiators weighing over 75 net kilograms, the import duty rates have been reduced 25 percent and 40 percent, respectively. Moderate rates were bound on certain iron and steel bars, sheets, construction shapes, tinplate, bearings, screws and bolts, faucets, spigots and valves, and rails.

Machines and Vehicles - Reductions of over 90 percent of the duty were obtained on trucks, busses, jeeps, and handsaw blades; over 80 percent on automobile horns and lamps; 75 percent on motorized trucks (warehouse type) for moving and piling merchandise, trailers and third axles and other attachments for increasing the load capacity of trucks; automobile chassis; and axles; on tractors and on spare parts for vehicles the duty was reduced by about two-thirds; it was cut in half on cars for portable railroads, ferry cables, etc., springs, and on typewriters and their parts; reductions of approximately 30 percent were obtained on machine saws, storage batteries weighing over 100 net kilograms, and automatic refrigerators of up to 10 cubic feet capacity, and on most passenger automobiles. In addition, the agreement provides that the Chilean luxury tax on passenger automobiles, of 15 percent of the duty-paid value and now applying to all passenger automobiles with a C.I.F. value of over $1200, will apply only to passenger cars with a C.I.F. value of over $1500.

Bindings of the present moderate or low duty rates have been obtained on mining machinery, apparatus, and parts; agricultural machinery and parts; pumps; packing (except of rubber) and brake bands; cranes and winches, and tackle, pulleys, blocks, etc.; industrial machinery and apparatus, and spare parts for road machinery; separate appliances for machines, such as polishing discs, drills, etc.; hand tools and utensils and their parts; internal combustion motors including automobile motors, and electric motors of more than 5 horsepower; spare parts for boilers, motors and turbines; radio tubes; apparatus for telephone and telegraph plants; dynamos; transformers of more than 200 K.V.A.; spare parts for electrical machinery; electric meters; steam and electric locomotives and their tenders; wheels, axles and rims weighing over 50 net kilograms; spare parts for railroad machinery; airplanes and their parts; X-ray, violet-ray and similar apparatus; motion picture machines and their parts; machines and apparatus for pure or applied sciences, weighing up to 20 net kilograms; photographic cameras including motion picture cameras; and calculating machines.

Chemicals - A reduction of 50 percent was made on mixtures of chemical products for manufacturing pharmaceutical products, including compound medicinal solutions, imported in containers of over 5 net kilograms; and on cresilic acid with a mixture of sulphide of phosphorous for concentration of minerals, a reduction of one-third of the duty was obtained.

The present low or reasonable rates of duty were bound on xantogenic anhydride, diastases and vitamins; phenols (liquid crude and cresol); potassium xanthate; and pastilles, comprimees tablets, pills, capsules, globules, wafers, etc., with medicaments.

Miscellaneous - The import duty was halved on paste for making phonograph records and on special oversize tires for agricultural machinery, construction machines, road machinery and for tractors; and reductions of about 40 percent were made in the duty on printing ink, and of about 20 percent on protectors for artisans and professionals, such as helmets, aprons, masks, gloves, etc.

The present duties have been bound against increase on mine fuses and wicks, colophony (pine resin), machinery and transmission belting of leather, rubber or textile material, sandpaper and emery paper or cloth, artificial teeth, eyes, and hearing aids, and thermometers, barometers and similar apparatus.

Other Concessions - Concessions were made on the following additional products which are of interest although the United States has not historically been Chile's principal source of supply.

Superphosphates and bicalcic phosphate, and fishing tackle were exempted from import duty; fresh fruit was bound duty-free; the import duty was reduced on graphite, rough sawn pine lumber, agricultural seeds, angostura bitters, sailcloth and duck of hemp or jute, and of cotton or flax weighing less than 300 grams per square meter, woolen cloth for interlining clothes, waxed cotton clothing for fishermen, etc., various acids (benzoic, boric, butyric, sulphuric and tannic), catgut and similar sutures, Prussian and ultramarine blue, artists' paints, vintage apparatus,

steam boilers, internal combustion motors for fishing craft, floating dredgers, leather hat bands; precious stones and pearls, unset or strung, with or without clasp, and prismatic binocular glasses.

The import duty was bound on peanuts, ammonium nitrate, sodium cyanide, cod-liver oil, iron and steel galvanized sheets; meters for water, gas, oil and other liquids; conveying machinery; hoes, picks, pickaxes, rakes and shovels, without handles; semaphores and signalling materials; asbestos in fiber, paste or powder, and made up into articles for packing, with or without other material.

CHILE

Summary of Principal Concessions of Interest to the United States

Tariff Item Number	Description	Rates of Duty: Before Agreement Gold Pesos	Rates of Duty: Under Agreement Gold Pesos	Imports from U.S. - 1939 1000 Gold Pesos
43 G	Metallurgical coke	11.20 G.T.	5.60 G.T.	119
252	Whiskey	9.00 Lt..	6.00 Lt..	5
325	Canvas and duck of cotton or linen	2.20 N.K.	1.10 N.K.	142
1055 A	Mixtures of chemical products for making pharmaceutical products	3.00 G.K.	1.50 G.K.	77
1072	Mineral oil for machines, in containers of over 1 net kilogram	0.25 G.K.	0.15 G.K.	4,725
1089	Lubricating grease with over 50 percent mineral oil	0.60 G.K.	0.40 G.K.	240
1093	Solid paraffin	0.20 G.K.	0.10 G.K.	799
1094	Paste for making phonograph records	0.30 L.K.	0.15 L.K.	79
1130	Printing ink	0.35 G.K.	0.20 G.K.	199
1144	Cresilic acid for concentrating minerals	0.75 G.M.Q.	0.50 G.M.Q.	433
1275	Safety razor blades	0.20 Ten	0.15 Ten	198
1360	Protectors for artisans, such as helmets, aprons, etc.	2.20 G.K.	1.75 G.K.	131
Ex- 1367	Matrices for phonograph records	0.35 G.K.	Free	-
Ex- 1367	Blades for handsaws	0.35 G.K.	0.025 G.K.	75
Ex- 1367	Saws for machines	0.35 G.K.	0.125 G.K.	158

CHILE

Summary of Principal Concessions of Interest to the United States

Tariff Item Number	Description	Rates of Duty: Before Agreement Gold Pesos	Rates of Duty: Under Agreement Gold Pesos	Imports from U.S. - 1939 1000 Gold Pesos
Ex 1383	Radiators weighing over 75 net kilograms	0.25 G.K.	0.15 G.K.	n.a.
Ex 1415	Storage batteries weighing over 100 net kilograms	0.35 G.K.	0.25 G.K.	64
1425	Small cars for Decauville railroads, ferry cables, etc.	0.30 G.K.	0.15 G.K.	39
1463-1469	Passenger automobiles, weighing from 501 to 1000 kilograms	Various[1]	0.80 N.K.	6,997
	Passenger automobiles, weighing from 1001 to 1500 kilograms		1.10 N.K.	
	Passenger automobiles, weighing more than 1500 kilograms		2.10 N.K.	
	Trucks, light delivery Trucks, and busses		0.10 N.K.	
	Jeeps and agrijeeps		0.025 N.K.	
	Ambulances		free	
1471	Automobile horns	3.00 G.K.	0.50 G.K.	45
Ex 1475	Motorized cars for transporting and piling merchandise	0.75 G.K.	0.20 G.K.	28
1476	Trailers, and special attachments for increasing the load capacity of trucks	0.75 G.K.	0.20 G.K.	35
Ex 1480	Chassis for automobiles and trucks	0.30 G.K.	0.075 G.K.	8,396
Ex 1480	Tractors	0.15 G.K.	0.05 N.K.	1,637
1482	Axles	0.90 G.K.	0.20 G.K.	39
1483	Automobile lamps	15.00 L.K.	2.50 L.K.	19
Ex 1487	Tires, oversize, for machines, tractors, etc.	1.00 G.K.	0.50 G.K.	109

CHILE

Summary of Principal Concessions of Interest to the United States

Tariff Item Number	Description	Rates of Duty: Before Agreement Gold Pesos	Rates of Duty: Under Agreement Gold Pesos	Imports from U.S. - 1939 1000 Gold Pesos
1490	Spring, excluding shock absorbers	0.45 G.K.	0.225 G.K.	255
1492	Spare parts for automobiles	1.20 G.K.	0.40 G.K.	1,053
1857	Typewriters and parts	3.00 G.K.	1.50 G.K.	1,138
Ex 1936	Refrigerators, automatic, up to 10 cubic feet capacity	0.75 G.K.	0.50 G.K.	544

1/ Present duty on automobiles and trucks varies from 1000 gold pesos each, plus 1 gold peso per gross kilogram over 1000 kilograms, - up to 10000 gold pesos each, plus 6 gold pesos per gross kilogram over 3500 kilograms.

ABBREVIATIONS:

G.T.	means	gross ton
Lt..	"	liter
N.K.	"	net kilogram
G.K.	"	gross kilogram
L.K.	"	legal kilogram
G.M.Q.	"	gross metric quintal

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China - Among the concessions made by China, the first Far Eastern power with which the United States has negotiated under the Trade Agreement Act, 110 separate items (listed in Schedule VIII annexed to the General Agreement on Tariffs and Trade) were of primary interest to the United States. These 110 items involve a considerably larger number of individual products; this is especially true in the case of China because China's tariff contains comparatively few items, and the number of products included in an individual tariff item is therefore greater than in many countries. On 20 of these concession items duties were reduced; on 89 items the existing duties, recognized for the most part to be generally low revenue duties, were bound against increase; and on 1 item maintenance of the present duty-free treatment, which because of the importance of customs revenue as a source of governmental income is accorded to few imports into China, was assured for duration of the agreement. China's imports of these 110 items from the United States in 1939 were valued at approximately 64,448,000 Customs Gold Units ($48,340,000 1/). This represented about 75 percent of China's total imports from the United States in that year. On the basis of available (incomplete) 1946 trade data, the corresponding figures for that year were about 450 billion Chinese dollars ($202,500,000 2/), and about 52 percent.

Items of principal interest to the United States on which concessions were granted include cotton, tobacco, wheat, wheat flour, certain dried fruits, radios, automobiles, machine tools, office machines, tires, certain foodstuffs, and specified dyes.

Agricultural Products - Tariff concessions of interest to an important segment of the United States economy were obtained on a sizable list of agricultural products. The present duties of 10 percent ad valorem on raw cotton, having a staple of 7/8 inch or more in length, and on leaf tobacco, were bound. China is an important market for both products, exports of cotton being valued at over $14,000,000 in 1939, and over $91,000,000 in 1946, while exports of leaf tobacco were valued at more than $5,000,000 in 1939 and at more than $19,000,000 in 1946. The present duties of 15 percent ad valorem on wheat and wheat flour, for which China has also been an important market in most years, were likewise bound against increase. These 4 commodities accounted for nearly half of United States exports to China in 1939.

Moderate duties on dried prunes, currants, and raisins were also bound, and reductions of 20 percent were obtained in the present duties on condensed milk, evaporated or sterilized milk and cream, and milk food (including dried milk). Additionally, the present duties were bound on canned asparagus, oatmeal, rolled oats, and groats, canned vegetables, and "other canned or packaged foodstuffs," a classification under which such items as packaged breakfast cereals, canned tomato juice, canned soups, and similar canned or packaged groceries have been imported.

Automotive Products - Among the more important concessions made by China were those on trucks, buses, passenger cars, tractors, and aircraft. The existing duty of 15 percent ad valorem on motor tractors, buses, trucks over 1 metric ton carrying capacity, and chassis for any of the above was bound against increase. A reduction of 16-2/3 percent was obtained in the duty on trucks not over 1 metric ton carrying capacity, and on chassis for such trucks. In the case of passenger cars, chassis for passenger cars, and motorcycles, the present duty was bound. The duty on parts and accessories for motorcycles was reduced by 16-2/3 percent, while the much lower duty on parts and accessories for motorcars and trucks was bound. The revenue duty of 5 percent on airplanes and parts thereof was also bound.

1/ Converted at US$0.75007 equals 1 C.G.U.
2/ Converted at US$0.45 equals CN$1,000.

Machinery and Appliances - A large number of concessions were made by China on a variety of machine items and appliances. The present low duty of 7-1/2 percent ad valorem on agricultural machinery, machine tools, machine shop tools, and hand tools (wholly or chiefly of metal), was bound, as was the existing duty of 10 percent on pumping machinery, industrial refrigerating equipment, and "other machinery", a broad "basket" classification under which many types of heavy machinery have been imported. On prime movers, including such items as gas and oil engines, steam engines, and steam and hydraulic turbines, a reduction of 25 percent was obtained. A reduction was also granted on dynamos, motors, and transformers of comparatively small capacity, while the low duty on heavier electrical generating and transmitting machinery was bound.

Existing moderate duties on sewing machines, household refrigerators, and complete radio sets, including radio-phonograph combinations, were bound. On most radio parts a uniform duty of 15 percent has now been obtained as a result of a 25 percent reduction in the duty on receiving tubes and certain other parts, and a binding of the duty on loud speakers, condensers, etc. A small reduction was obtained in the duty on a broad item covering almost all office machines (including typewriters, cash registers, calculating machines, etc.), and a binding of the existing rate on office filing cabinets and systems made wholly or chiefly of metal.

Dyes, Chemicals, and Related Products - China, which is traditionally a very great importer of dyes, bound its present duties on aniline dyes and other coal-tar dyes, carbon black, and artificial indigo. The duties on carbolic acid, crude or refined borax, nitrate of soda, inks, enamels, paints, polishes, varnishes, pyroxylin lacquers, and unmanufactured synthetic resins were also bound. In the case of insecticides, disinfectants, and anti-biotics, such as penicillin and penicillin products, China granted reduction of from 10 to 20 percent in existing duties. The duties on most other drugs and medicines were bound against increase. An unusual item is ginseng (highly prized in China as a drug), on which the duty was also bound.

Metal Products - In the category of metal products China bound present relatively low duties on aluminum foil, sheets, plates, castings, and moldings, on copper ingots and slabs, on a number of iron and steel products, such as billets, blooms, ingots, slabs, sheet-bars, bamboo steel, and decorated and plain tinplate, and on certain enameled ironware.

Wood and Paper Products - Continued free entry was provided for current newspapers and periodicals, while the duty on old newspapers was bound. A reduction of 16-2/3 percent was obtained in the duties on document paper and on many types of writing and/or printing paper, free of mechanical wood pulp, while the duty on many paper products such as office forms and paper napkins, towels, and handkerchiefs was bound. The low duty on chemical wood pulp was also bound, as were the duties on sawn softwood lumber and plywood.

Miscellaneous Products - The present duties on tires and tubes were reduced 20 percent, while the duty on miscellaneous rubber manufactures (under which classification such items as rubber aprons, gloves, hose, bandages, bands, and sponges have been imported) was bound. Reductions of from 16 to 20 percent in existing duties on lubricating oil and grease, wholly or partly of mineral origin, are significant in view of a recent increase in duties on certain other petroleum products. Duties on leather for belting, upper leather of certain types, patent leather, undressed skins or furs, dressed and/or dyed furs, resin, asphalt, and miscellaneous building materials were bound. The duty on linoleum and other hard-

surface floor coverings, which may be of special interest to United States exporters, was bound at a more favorable rate than that applicable to other floor coverings. Binding of the duty on cameras, lenses, other camera parts, unexposed film, plates, photographic paper, and a number of other kinds of photographic and cinematographic materials is significant because of the fairly substantial volume of trade involved.

Other Concessions - A considerable number of tariff concessions, in addition to those in which the United States has a primary interest, were made which are of considerable importance. Concessions on many iron and steel semi-manufactures, such as sheets and plates, structural sections, and pipes and tubes are of interest to the United States, as are concessions on timber, certain forms of aluminum, asbestos, paraffin, and printing and textile machinery. Binding against increase of duties on a number of alcoholic beverages will be of interest to United States exporters in that field. The volume of China's imports from the United States of these items totaled nearly 5,000,000 Customs Gold Units (approximately $3,750,000) in 1939, and, on the basis of incomplete statistics, more than 35 billion Chinese dollars ($15,750,000) in 1946.

China

Summary of Principal Concessions of Interest to the United States

Tariff and Code No.	Description of Products	Rate of Duty: Before Agreement	Rate of Duty: Under Agreement	Imports from U.S. 1939 (Customs Gold Units)
Ex 71/00	Cotton, raw, having a staple of 7/8 inch or more in length	10%	10%	10,884,419
196/00	Tinned plates, plain	15%	15%	2,774,721
	Electrical machinery for power generating and transmission, such as dynamos, motors, transformers, converters, etc., and parts thereof:			
245/41-55	(a) Dynamos and motors not over 20 kilowatt capacity, and transformers not over 200 kilo-volt-ampere capacity and parts or accessories thereof	15%	12½%	64,312
245/61-80	(b) Others	10%	10%	67,149
246/06-60	Machine tools, such as lathes, planers, drill presses, etc., and parts thereof	7½%	7½%	57,518
247/10-40	Machine shop tools, such as cutters, drills, reamers, etc. (including pneumatic and electrically operated tools), and hand tools made wholly or chiefly of metal	7½%	7½%	275,506
251/11-45	Typewriters, automatic sales machines, calculating machines, cash registers, copy presses, check perforators, dating machines, duplicating machines, numbering machines, and similar office machines for clerical or accounting purposes, and parts thereof	20%	17½%	126,710
	Vehicles, motor:			
256/10 256/15 256/20 256/25 256/40 256/45	(a) Motor tractors, motor trailers, motor passenger vehicles with seats for not less than 12 passengers, motor trucks over 1 metric ton carrying capacity, and chassis for any of the above	15%	15%[5]	7,052,817

Tariff and Code No.	Description of Products	Rate of Duty Before Agreement	Rate of Duty Under Agreement	Imports from U.S. 1939 (Customs Gold Units)
	(b) Others (including motorcars, motorcycles, etc.), assembled or in parts; chassis, and bodies with metal parts assembled for any of the above:			
~~256/30~~ 256/30	Trucks not over 1 metric ton carrying capacity	30%	25%	10,242
256/35	Chassis for trucks not over 1 metric ton carrying capacity	30%	25%	1,409
256/50	Motorcars, n.o.p.f.	30%	30%	1,624,290
256/55	Chassis for motorcars, n.o.p.f.	30%	30%	544
256/60	Motorcycles	30%	30%	18,721
256/65	Motor vehicles, n.o.p.f.	30%	30%	260,609
	(c) Parts and accessories (except tires):			
256/70	(1) For motorcycles	30%	25%	4,985
256/75	(2) Others	15%	15%	1,519,502
	Radio sets and parts:			
271/11	(1) Hard rubber or composition dials, Litzendraft wire, grid leak, microphones, headphones, loud speakers and loud speaker units, crystals, transmitting vacuum tubes, intervalve audio frequency transformers, and receiving and transmitting condensers of all kinds	15%	15%	89,149
271/12	(2) Buzzers, receiving vacuum tubes, ABC battery eliminators, sockets, jacks, plugs, lugs and tips, binding posts, name-plates and brackets	20%	15%	84,448
271/14 271/15	(3) Switches, lightning arresters, keys, coils, and complete radio sets and units	25%	25%	203,784

Tariff and Code No.	Description of Products	Before Agreement	Under Agreement	Imports from U.S. 1939 (Customs Gold Units)
323/00	Milk and cream, evaporated or sterilized	25%	20%	28,782
324/00	Milk, condensed	25%	20%	15,471
325/00	Milk food (including dried milk, lactogen, glaxo, etc.)	25%	20%	71,129
357/00	Flour, wheat	15%	15%	11,022,979
395/00	Wheat	15%	15%	5,079,945
423/10-20	Tobacco, leaf	10%	10%	8,667,468
425/10	Tobacco, stalk	15%	15%	909,661
481/50	Proprietary medicines	25%	25%	222,137
482/00	Aniline dyes, and other coal tar dyes, n.o.p.f.	35%	35%	387,166
498/11-25	Indigo, artificial	35%	35%	381,252
534/10	Oil, lubricating, wholly or partly of mineral origin	15%	12½%	2,041,822
584/00	Timber, ordinary, sawn: softwood	20%	20%	2,538,701
644/42	Pneumatic tires for motor vehicles, containing natural and/or synthetic rubber	25%	20%	932,845
644/43	Inner tubes for motor vehicles, containing natural and/or synthetic rubber	25%	20%	119,960

Cuba - Of the concessions made by Cuba those of particular interest to the United States embrace 497 tariff classifications, plus an additional 21 tariff classifications on which continued duty-free importation on a non-preferential basis was assured. The trade coverage for 1939 on these 497 tariff items was approximately $70,000,000. An additional $4,000,000 in trade for 1939 is included in the 21 duty-free items which were bound, making a total coverage of $74,000,000 or 95 percent of total imports valued at $78,000,000 for the year 1939.

Supplementary concessions were made through provision by Cuba that imports classified under 492 of the 497 tariff items will be exempted from payment of the 20 percent emergency surtax on the duty established in 1941 and by an agreement that the Public Works Surtax on the duty shall not exceed 3 percent on 9 items at present subject to a Public Works Surtax of 10 percent. A moderate number of specific rates were increased, particularly in the textile schedule, but compensating reductions were granted on related products. Duties were reduced on 128 tariff items, and duties were increased on 19 tariff items. Bindings, including continuation of duty free treatment, accounted for 330 items. In addition, on 41 tariff items in the cotton and synthetic fiber fabrics schedules, the base rates were increased moderately, but notes were appended providing for improved treatment over that accorded at present on fabrics printed or dyed with stripes, squares or other designs which are the items of major interest to the United States.

Preferential tariff treatment for United States products was continued on the 497 tariff items included in a special United States-Cuba Preferential Schedule. In some instances, however, the absolute margin of preference was reduced.

Items on which concessions were made of interest to the United States are petroleum products, tires, radios, office machines, automobiles, cotton, lard, rice, wheat flour, potatoes, canned fruit and onions.

Agricultural Products - The present favorable rate for the United States on the important hog lard item was bound against increase. A tariff quota of 3,250,000 quintals was established on hulled and semi-hulled rice. It was agreed that this amount would be increased by the amount necessary to supply the difference between estimated Cuban production and estimated consumption requirements. The United States rate within the quota will be $1.85 per 100 kilograms, and the United States ex-quota rate will be no higher than $3.70 per 100 kilograms. In the event the Cuban Government decides to allocate the tariff quota by countries, the allocation will be in proportion to the imports by countries in the 10 calendar years immediately preceding the first year in which such allocation is made. On wheat flour, the United States rate was reduced to $0.63 per 100 kilograms. The new rate will apply to all wheat flour imported from the United States regardless of the origin of the wheat used therein, whereas wheat flour milled entirely from wheat grown in the United States has been dutiable at a rate of $0.78 per 100 kilograms and wheat flour milled in the United States containing imported wheat has been dutiable at the rate of $0.91 per 100 kilograms. Wheat imports were granted a 50 percent reduction in duty. The United States rate on onions during the low-duty season was reduced from $2.50 to $1.50 per 100 kilograms, and the low-duty period will begin on June 1 rather than June 15. On potatoes, imports from the United States during the months of August and September will be dutiable at $1.00 per 100 kilograms, a reduction of 50 percent from the former rate. Potatoes imported during the months of July and October will continue to be subject to a rate of $2.00 per 100 kilograms. The rate for the remaining months of the year continues at $4.00 per 100 kilograms.

Reductions in rates on other important agricultural items included the following: Fat pork, merely salted, 16 percent; compound lard, 25 percent; peas and chick peas, 12 percent; canned peas, sweet corn and asparagus, 50 percent; canned fruits, 25 percent; canned soups, 25 percent; canned luncheon meats, 30 percent; fruit juices, 45 percent; fecula and cornstarch, 25 percent; jams, jellies and marmalades, 16 percent; and whiskey, 10 percent. Among other items, bindings of existing duty treatment were secured on fresh fruits, soy bean oil, and pork, except products dutiable under letters A and B of item 241 of the Cuban tariff. A 50 percent decrease in the duty rate was granted on oleaginous seeds and alfalfa meals for feeding livestock, a 14 percent decrease on feed for fowl and an 18 percent reduction on unspecified feeds. The present duty on cigarettes was bound against increase. Raw cotton and wool were made duty free.

Instruments, Machinery and Appliances - Radios and phonographs were made dutiable uniformly at a rate of 30 percent ad valorem, representing duty cuts of from 23 to 28 percent. The rates on parts and accessories for radios and phonographs were reduced by 50 percent and about 30 percent, respectively. The existing rate of 15.96 percent ad valorem on office appliances and accessories was lowered to 14 percent on appliances and 10 percent on accessories. The rates on passenger cars valued at less than $2,300 at the factory were reduced from 16 to 26 percent while the existing rate was bound on automobiles valued at $2,300 or over. Reductions were secured of 50 percent on automobile bodies and truck bodies, unmounted, of about 20 percent on automotive parts and 33 percent on truck chassis. Duties were lowered substantially on motorcycles and parts, railway passenger coaches, and accessories for pumps and boilers. Moderate reductions were negotiated on many other items in this class, and bindings were granted on a number of low duty items such as scientific apparatus for physics laboratories, agricultural and sugar machinery, electrical machinery and apparatus, sewing machines and tractors and parts.

Textiles - Cuba found great difficulty in making any concessions on textiles in view of the expansion during recent years of their domestic industry and of their maturing plans for further expansion in this field. It was necessary to accept some increases in the specific rates on unbleached, bleached, and plain-dyed fabrics of cotton and rayon. Compensating reductions were made on fabrics, printed or colored in stripes, squares or other designs. In the case of increased duties the ad valorem equivalent of the duty will nevertheless be lower in most instances than prior to the war.

Miscellaneous Manufactures - The duty on plain glass tableware was reduced from $4.008 to $3.50 per 100 kilograms, and lowered rates were made on electric light bulbs, the reductions ranging from 12 to 33 percent in accordance with wattage. Among the concessions granted on iron and steel products were decreases on railway rails and rail bars of 16 percent, on razor blades of 16 percent, on rolled sheets, not polished or tinned, of 50 percent, and on wire over one-half millimeter and up to 8 millimeters in diameter of 25 percent. The rate of duty on oil of turpentine and synthetic rubber was cut by 50 percent, and a new tariff item was created to provide for natural and synthetic beverage extracts without sweetening having a rate of $0.15 per kilogram. A reduction of 33 percent was made in the duty on artificial colors, in powder or lumps, while the tariff on the Cuban import item "pills, capsules, medicinal lozenges and similar articles" was lowered by 45 percent. Cardboard containers in which goods are imported into Cuba will benefit by a 21 percent reduction in the duty rate, and the rate on wooden shooks for crates was reduced from $0.96 to $0.06 per 100 kilograms. A 50 percent reduction was negotiated on the rate for plywood. The United States rate on patent

leather was lowered from $0.35 to $0.30 per kilogram. In addition, reductions were made on a number of items of lesser trade volume, and bindings were granted by Cuba on a long list of items for which the level of duty was already low. The United States rate on pneumatic tires was increased from $0.18 to $0.25 per kilogram, and the rate on inner tubes will be $0.265 per kilogram, an increase from $0.21 per kilogram under the present agreement. However, as in the case of most textile rate increases the ad valorem equivalent of the specific rate will be lower under the new and increased rates than during the pre-war years. Gasoline will be dutiable at a rate of $0.96 for 100 kilograms, a reduction from $1.12, and the new agreement rate on lubricating oils will be $4.00 per 100 kilograms as against the former rate of $4.70. Equivalent cuts in rates on petroleum and other petroleum products were made.

Cuba

Summary of Principal Concessions of Interest to the United States

Tariff Item	Nomenclature	Dutiable Unit	Rate to U.S. before Agreement	Rate to U.S. under Agreement	Imports from U.S. 1939 (Dollars)
6-A	(Crude natural petroleum) For distillation or for other uses	100 Kgs.	$0.40	$0.31	$1,498,455
7-A	Gasoline	100 Kgs.	1.12	0.96	1,229,318
7-F	Lubricating oils	100 Kgs.	4.70	4.00	1,366,257
11-A	(Crystal and glass) In Tableware and other articles which do not constitute ornaments, plain, pressed or moulded, not chased, engraved, gilded or painted	100 Kgs.	4.008	3.50	303,186
37-A	(Rolled sheets) Not polished or tinned, having a thickness of 3 or more millimeters	100 Kgs.	0.84	0.42	128,080
53-F	Steel blades for safety razors, in finished or unfinished state	100 blades	0.30	0.25	104,625
64-C	(Wire) All others	100 Kgs.	8.00	6.50	235,807
85-A	(Artificial colors) In powder or lumps	100 Kgs.	0.60	0.40	125,579
112-A	Raw cotton	100 Kgs.	0.35	Free	3,941,699
193-G	Patent leather, in whole hides or sheets	Kg.	0.35	0.30	133,332
207-H	Radio and television receiving and transmitting sets, whether complete or chassis alone	Ad.val.	26%	20%	449,234
207-I	Parts and accessories, including tubes, for radio and television receiving and transmitting sets and tubes for film reproducing apparatus	Ad.val.	19.5%	10%	139,225
222-A	Office appliances, including typewriting machines, check protectors, sales registering machines and cash registering machines; machines for recording and reproducing dictation and conversation, including cylinders and machines for cleaning and shaving the same; calculating, bookkeeping, addressing machines; and all other machines for use in offices, banks, etc.	Ad.val.	15.96%	14%	194,918

Tariff Item	Nomenclature	Dutiable Unit	Rate to U.S. before Agreement	Rate to U.S. under Agreement	Imports from U.S. 1939 (Dollars)
227-B	Finished automobiles, with bodies mounted, of any material, whose list price in the factory does not exceed seven hundred and fifty dollars ($750).	Ad.val.	12%	10%	$1,104,100
227-C	Finished automobiles, with bodies mounted, of any material, whose list price in the factory is more than seven hundred and fifty dollars ($750) but not more than one thousand five hundred dollars ($1,500).	Ad.val.	16.5%	12%	287,535
227-D	Finished automobiles, with bodies mounted, of any material, whose list price in the factory is more than one thousand five hundred dollars ($1,500) but not more than two thousand three hundred dollars($2,300)(1)	Ad.val.	21%	15%	38,562
227-I(2)	Truck chassis with or without cabs for chauffeurs, in which metal predominates, but without bodies, and bus chassis without bodies	Ad.val.	7.5%	5%	598,868
227-N(3)	Parts and accessories, n.e.s. for automobiles and trucks	Ad.val.	6%	5%	405,698
239	Pure hog lard, neutral hog lard, lard oil and lard stearine, and any other edible derivative of hog lard except hydrogenated hog lard.	100 Kgs.	$3.20	$3.20	3,485,571
253-B	(Rice) Hulled, suitable for consumption, and semi-hulled	100 Kgs.	$1.85	$1.85(4)	5,811,548

(1) Automobiles valued at over $2,300 continue to be dutiable at the rate of 21% ad valorem.
(2) Formerly, item 227-H
(3) Formerly, item 227-L
(4) Subject to quota provisions described in the text.

Tariff Item	Nomenclature	Dutiable Unit	Rate to U.S. before Agreement	Rate to U.S. under Agreement	Imports from U.S. 1939 (Dollars)
256-A	Wheat flour	100 kgs.	$0.78 (5)	$0.63	$3,813,925
258-A	Peas	100 kgs.	1.82	1.00	172,992
259-B	Onions imported from June 1 (6) to November 14th, inclusive, of each year	100 kgs.	2.50	1.50	289,553
260-D (7)	Potatoes not specifically classified, imported in the months of August and September of each year. (8)	100 Kgs.	2.00	1.00	518,912
272-B	(Preserved fruits, in brandy, syrup, or in any other form) Apples, pears, peaches, plums, apricots, cherries and berries, including their mixtures	Kg.	0.042	0.03	205,209
314-B	Hollow tires	Kg.	0.18	0.25	1,116,314
323	All other manufactured articles not included, generically or specifically, in any of the preceding Items (of the Cuban Tariff), and the assimulation whereof to those bearing greatest resemblance has not been directed by the Treasury Department, for inclusion in the classification to be opportunely added to this Tariff	Ad.val.	24.5%	22%	110,862

(5) The rate for wheat flour milled in part from wheat not grown in the U.S. was $0.91 per 100 kgs.
(6) Formerly, June 15th
(7) Formerly included in item 260-C.
(8) The duty for the months of July and October continues at the rate of $2.00 per 100 Kgs.

Czechoslovakia - Of the concessions made by Czechoslovakia those on approximately one hundred items classified under 56 tariff numbers are of particular interest to the United States. Import duties were reduced on 75 items, and existing rates of duty on 16 items were bound against increase. On 8 other items the present duty-free status was bound for the life of the agreement. In a few cases, specific tariff classifications were obtained for products not heretofore provided for in the Czechoslovak tariff. On the basis of imports from the United States in 1937, the last representative pre-war year, these concessions cover imports into Czechoslovakia from the United States valued at approximately 949.9 million crowns ($31.6 million), or 81 percent of total imports from the United States of 1,172.3 million crowns ($39.1 million).

Items of primary interest to the United States on which concessions were made are cotton, raisins, prunes, canned fruit, lubricating oil, lampblack, rubber tires, automobiles, refrigerators, office machines and machine tools.

Prior to the Geneva Conference, the rates of duty of the Czechoslovak tariff, which are almost entirely specific, were revised upward by 1.7, with certain exceptions, effective July 1, 1947, to offset the post-war official devaluation of the Czechoslovak crown from its immediate pre-war value of $0.034 to its present value of $0.02.

In addition to the concessions granted directly by Czechoslovakia on products of primary importance to the United States additional benefit is derived from concessions on 50 or more items, mostly of secondary importance.

Agricultural products: Raw cotton was assured continued duty-free entry, while substantial reductions were granted on various fresh and dried fruits. The duty on fresh apples was reduced by about one-third from November 1 to May 31. A similar reduction was granted on fresh pears from October 1 to May 31.

Reductions of about one-half or more were granted by Czechoslovakia on raisins, prunes and most other dried fruit. Duties on most canned foodstuffs, especially fruits and fruit juices, vegetables and vegetable juices, soups and canned pilchards and salmon were reduced by 50 percent or more. Lesser reductions were obtained on grapefruits, oranges, pecans and sausage casings.

Automotive products: Duty concessions were obtained from Czechoslovakia on heavy passenger automobiles and motorcycles, light trucks and on airplanes and airplane motors. The duty on motorcycles weighing over 190 Kgs. each was reduced by 41 percent; and on passenger automobiles weighing over 1,000 Kgs. by 35 percent. The duty on motor trucks weighing up to 1,500 Kgs. was reduced by about 10 percent. Airplanes weighing over 10,000 Kgs. were reduced from 50 percent ad valorem to 25 percent, with lesser reductions on lighter planes. The duty on tractors weighing up to 3,000 Kgs. was bound against increase.

Machinery and appliances: The moderate rates of duty on various machine tools were bound against increase. Mechanical refrigerators were granted a more specific classification in the Czechoslovak tariff, with a reduction of about 40 percent in the duty. Duties on typewriters, calculating machines and surgical

instruments were bound against increase. Rates of duty were reduced by 37 percent on bookkeeping, accounting, statistical, addressing and franking machines. As a result of a more specific classification, the duties on dictating and transcribing machines were reduced by about 83 percent.

Chemical and related products: Rosin, colophony, phosphate rock, turpentine and sulphur were bound duty-free. Moderate reductions were obtained on paraffin, petroleum jelly and certain mineral oils. A very moderate duty on lampblack was bound against increase. Duty-free entry was granted for crude borax and for an annual quantity of synthetic sodium nitrate. Duties were also reduced on fine soaps and certain cleaning pastes.

Rubber and leather products: Import duties were reduced by 43 percent on inner tubes and by 50 percent on tire casings and rubber transmission belts. The present rate of duty on rubber hose was bound against increase. Reductions in moderate rates of duty were granted on kid, glove and patent leather. The moderate rate of duty on leather scrap was bound against increase.

Miscellaneous materials and products: Binding of the present duty-free treatment was obtained for non-European wood and for copper. Moderate rates of duty were bound on vulcanized fiber and abrasive paper. A small reduction in a moderate rate of duty was obtained on abrasive cloth.

The duty on unexposed motion picture film was bound against increase, while reductions of 50 percent or more were obtained for other films.

A reduction of 40 percent was granted on record keeping equipment and of over 50 percent on spark plugs and electric cooling units.

CZECHOSLOVAKIA

Summary of Principal Concessions of Interest to the United States

Tariff No.	Description	Rate of duty In crowns per 100 Kgs. (unless otherwise indicated) Before Agreement (New general tariff)	Under Agreement	Imports from U.S. 1937 (000 Czech. crowns)
ex 10	Raisins - - - - - - - - - - - - - - - - -	350	180.	4,294
ex-37-a	Table apples - - - - - - - - - - - - - -	300.	75. from Nov. 1 to May 31	11,209
ex 38	Prunes			
	Packed in containers weighing:			
	from 30 to 50 kgs. each - - - - -	165.	60.	(8,901
	up to 30 kgs. - - - - - - - - -	300.	60.	(
ex 137	Canned fruit:			
	Pineapple - - - - - - - - - - - - -	2,000.	500.	(1,935
	Other canned fruit - - - - - - - - -	2,000.	700.	(
134-b	Wood of non-European origin - - - - - -	free	free	6,128
ex 150-b	Phosphate rock - - - - - - - - - - - - -	free	free	11,312
ex 165	Rosin, colophony - - - - - - - - - - - - -	free	free	20,165
178	Mineral oils (including lubricating oils) of a density of more than			
	0.880 and up to 0.890 - - - - - - -	220.	180.	(33,927
	of a density of more than 0.890	220.	200	(
180	Raw cotton - - - - - - - - - - - - - - -	free	free	393052

Tariff No.	Description	Rate of duty In crowns per 100 Kgs. (unless otherwise indicated) Before Agreement (New general tariff)	Under Agreement	Imports from U.S. 1937 (000 Czech. crowns)
ex 320	Pneumatic tires			
	Inner tubes - - - - - - - - - - - -	3,000	1,700	60.
	casings - - - - - - - - - - - - - -	3,000	1,500	1,286
335	Glove leather - - - - - - - - - - - - -	860	620	3,233
336	Patent leather - - - - - - - - - - - - -	1,800	800.	2,847
406	Abrasive paper - - - - - - - - - - - -	400.	400	1,495
407	Abrasive cloth - - - - - - - - - - - -	530.	500.	2,954
ex 476	Mechanical refrigerators - - - - - - -	2,200	1,700	Not shown separately
ex 488	Copper - - - - - - - - - - - - - - - - -	free	free	101,118
ex 538-c	Lathes, planing, shaping and milling machines for working metals, weighing each over 1000 kgs. - - - - - - - - - -	1,000	1,000	21,285
ex 553-a	Motorcycles, weighing over 190 kgs. each - - - - - - - - - - - - -	4,100	2,200	41.
ex-553-b	Passenger automobiles, weighing over 1,000 kgs. each - - - - - - - - - - - -	4,500	2,900	1,553
ex 553-c	Motor trucks, weighing up to 1500 kgs. each. - - - - - - - - - - - -	3,200	2,900	1,080
ex 553-e	Airplanes			
	Weighing each not over 10,000 kgs.- -	50 % ad valorem	40% ad valorem	(5,472
	Weighing each over 10,000 kgs. - - - - - -	50% ad valorem	25% ad valorem	(

Tariff No.	Description	Rate of duty In crowns per 100 Kgs. (unless otherwise indicated) Before Agreement (New general tariff)	Under Agreement	Imports from U.S. 1937 (000 Czech. crowns)
ex-576-a	Typewriters and calculating machines--	40. per kilo	40. per kilo	16,036
ex 576-a	Bookkeeping, duplicating, accounting, statistical, addressing and franking machines - - - - - - - - - - - - - -	40. per kilo	25. per kilo	3,703
ex 576-b	Sound recording and reproducing apparatus (except records) - - - - -	90. per kilo	15. per kilo	Not shown separately
~~xxx592~~ ex 596 - a	Sulphur, in pieces, bars, or ground- -	free	free	5,552
ex 599-b	Crude borax - - - - - - - - - - - - - - -	free	free	5,384
605-a	Lampblack - - - - - - - - - - - - - - - -	40.	40.	6,489

France - The pre-war French tariff was largely specific and, in addition many items were subject to quota limitations. Prior to the Geneva Conference the French formulated a new tariff on an ad valorem basis, without quotas for protective purposes. The new ad valorem rates in general represented substantially the ad valorem equivalent of the old specific rates in the period 1936-38 with moderate increases on quota items to take account of the removal of the protective quotas. This new tariff was the basis of negotiation at Geneva.

Among the concessions made by France, those on 220 tariff items involving approximately 1,280 sub-items and an even greater number of products are of special interest to the United States. These concessions cover approximately 85 percent, by value, of French imports from the United States into France in 1939. They apply to products imports of which from the United States into France in 1939 amounted to 3,800 million francs ($95,000,000). About 53 percent of the concessions are duty-free bindings, 7.9 percent represent reductions of over 50 percent; 38.5 percent reductions of 25 to 50 percent; 10.9 percent reductions of less than 25 percent; 25.7 represent duty-bindings and 17.0 represent duty increases. 58 percent of the trade involved in the increases was in items which were previously under quota.

As a result of the concessions granted, no French rates of duty applying to the United States are higher than 35 percent ad valorem. Of the French concessions on dutiable items, 86 percent of the 1939 trade involved will be at duty levels within a range of 6 percent to 25 percent ad valorem. Items on which concessions were made which are of primary interest to the United States include cotton, oranges, apples, pears, dried fruit, lard, petroleum products, specified chemicals, machine tools, tractors, automobiles, and some office machines.

Agricultural Products - The principal agricultural products on which concessions were obtained (with value of French imports from the United States in 1939 in parentheses) are: Raw cotton (727 million francs[a/]), raw cotton linters (48 million francs), oranges (44 million francs), fresh table apples and pears (95 million and 15 million francs respectively), prunes (45 million francs), dried apricots and peaches (32 million francs), dried apples and pears (14 million francs), raisins (11 million francs), wheat (13 million francs), refined lard (27 thousand francs). Percentages of duty reduction on agricultural products are: lard, 59; wheat, 66; prunes, over 50; canned pineapple and fruit mixtures containing 5 percent or more of pineapple, sweetened, 70 percent; the same, unsweetened approximately 60 percent; other canned fruit, sweetened, approximately 50 percent; the same unsweetened, 40 percent; canned fruit and vegetable juices, sweetened, from approximately 60 to approximately 70 percent according to container and amount of sugar content.

The pre-war duty on dried fruits (other than prunes and raisins) roughly 14 percent ad valorem, was reduced to 10 percent; the rate on raisins (including Thompson's seedless) from 19 to 15 percent and that on prunes (in containers of from 10 to 16 kilograms) was reduced from 55 to 25 percent ad valorem. Before the war fresh

a/ 1 franc equaled approximately $0.025 in 1939.

table apples were subject to a duty of approximately 9 percent ad valorem and a restrictive quota. The new rates are 8 percent during the period February 15 to March 31 inclusive; 6 percent from April 1 to May 31, inclusive; 8 percent from June 1 to July 31 inclusive and 12 percent during the remainder of each year. Fresh table pears, likewise subject to a quota and an 8 percent duty before the war, are now subject to a duty of 8 percent from December 1 to June 30 and 12 percent at other times. The duty on oranges is now 25 percent from June 1 to August 31 inclusive and 35 percent at other times compared to a pre-war year-round rate of 35 percent plus quota restrictions.

Raw cotton, raw cotton linters and other cotton wastes were bound free.

Automotive Products - The duty on automobiles was reduced from 60-65 percent ad valorem (plus quota restriction) to 35 percent ad valorem. Duties on automobile parts and accessories, not specified, were reduced to a range of from 11 percent to 30 percent ad valorem from a level of from 16 percent to 97 percent ad valorem, plus quota restriction. Pre-war duties of 46 percent to 70 percent on spark plugs and parts were reduced to 25 percent; the pre-war duty on friction linings from 42 to 30 percent.

Machinery and Appliances - Duties were reduced from the following pre-war to the following agreement rates on machinery and appliances: electric household refrigerators, 18 percent (plus quota restriction) to 15 percent ad valorem; dental equipment from 26 percent to 20 percent ad valorem; typewriters and parts from 20.3 percent (plus quota restriction) to 15 percent ad valorem; hand tools from a range of 20 to 25 percent (plus quota restriction) to a range of 15 percent to 20 percent ad valorem; parts for statistical machines from 20 percent (plus quota restriction) to 15 percent ad valorem; concessions were obtained on the following products which accounted for sizeable amounts, by value, of French imports from the United States in 1939: gear cutting machines, calculating machines, tractors, electric motors and industrial transformers, wireless apparatus, (except tubes imported separately) a wide range of machine tools and metal working machinery, various rough or worked machine parts of iron, steel or cast iron, various machine parts of two or several metals, various hand tools, aircraft, parts and accessories, phonographs and related equipment, hand and motion picture cameras and, motion picutre projectors.

Petroleum Products - Crude petroleum entering controlled refineries in France, of which the imports from the United States into France in 1939 amounted to 1,082 million francs, was bound free; duties on gasoline and lubricating oil were reduced from a pre-war level of protection of 20 and 19 percent respectively to a rate of 18 percent ad valorem.

Chemicals and Related Products - Raw sulphur, crude borax and carbon black were bound free. These products accounted for imports from the United States into France in 1939 of 36 million, and 64 million francs, respectively. The duty on refined borax was reduced

from a pre-war level of 22 percent ad valorem to 7 percent on hydrated refined borax while anhydrous refined borax was made duty-free. The pre-war duty of 22 percent ad valorem on benzols, toluols etc. (imports from the United States into France in 1939 amounted to over 32 million francs) was reduced to 15 percent ad valorem. Synthetic sodium nitrate (imports from the United States into France amounted to 32 million francs), free before the war but subject to quota, continues free subject to a reservation by which France retains the right to impose an import duty no higher than 10 percent ad valorem and no higher than the rate on natural sodium nitrate, on or after July 1, 1951, in the event no commodity agreement has been reached under the Charter. Pre-war duties of approximately 25 percent on various organic chemicals were reduced to rates of 15 percent or 20 percent ad valorem.

Concessions on Tobacco and Tobacco Products - The French Tobacco Monopoly is committed to import annually 15,000 metric tons of leaf tobacco from non-French sources, with the further provision that, if in any year the processing of leaf tobacco by the Monopoly should exceed 60,000 metric tons, an additional quantity equal to one-half of the excess will be imported in the following year. The Monopoly is also committed to import 1,400 metric tons of cigarettes annually from non-French sources. The ratio between selling prices of foreign cigarettes and those of comparable French cigarettes will not be higher than that existing before the war. These import commitments are subject to application of the provisions of Articles XII and XIV of the General Agreement on Tariffs and Trade (relating to balance of payments position).

Miscellaneous Products - Raw furskins (except rabbit and hare), imports of which from the United States into France in 1939 amounted to 46 million francs, were bound free as were otter, beaver and nutria furskins.

Many additional benefits will accrue to the United States as a result of concessions granted with respect to products of which the United States was not the principal supplier.

FRANCE

Summary of Principal Concessions of Interest
to the United States

Tariff Item No.	Description of Products	Rate of Duty: Before Agreement: Average ad valorem equivalent of duty 1936-38	Rate of Duty: Before Agreement: New French Minimum Tariff Rate Percent Ad valorem	Rate of Duty: Rate Under Agreement Percent Ad valorem	Imports from U.S. (1939) (1,000 francs)
72A	Citrus fruits, fresh or dry:				
	oranges (sweet or bitter)				
	from June 1 to August 31	34.3	40	25)	
	outside said period	34.3	40	35)	44,473
74B	Grapes, dried (raisins)	19.0	20	15	11,346
76A	Apples, fresh table				
	from Feb. 15 to Mar. 31 incl.	8.0	15	8)	
	from Apr. 1 to May 31 incl.	8.0	15	6)	
	from June 1 to July 31 incl.	8.0	15	8)	95,444
	outside above periods	8.0	15	12)	
B	Pears, fresh table				
	from Dec. 1 to June 30 incl.	8.8	20	8)	
	outside the above period	8.8	20	12)	15,480
80B-1	Apples and pears, dried	14.3	15	10	14,464
C,D	Apricots and peaches, dried	13.6	15	10	31,532
E	Prunes, dried	54.6	40	25	44,770
93	Wheat	67.8	50	30	13,101

FRANCE

Summary of Principal Concessions of Interest to the United States (continued)

Tariff Item No.	Description of Products	Rate of duty: Before Agreement: Average ad valorem equivalent of duty 1936-38	Rate of duty: Before Agreement: New French Minimum Tariff Rate Percent ad valorem	Rate of duty: Rate under Agreement Percent ad valorem	Imports from U.S. (1939) (1,000 francs)
136-3	Lard, refined	84.3	80	35	27
203-4	Aluminum, rolled, forged or cast	19.5	30	20	69,057
240-B	Sulphur, unpurified ("raw")			free	35,789
321	Benzols, toluols, etc.	21.6	30	15	32,382
334-A	Gasoline:				
	on importation	a/	24	18)	
	on removal from controlled refineries	a/	free	free)	216,058
336-B, C	Lubricating oil:				
	on importation	b/	24	18)	132,084
	on withdrawal from controlled refineries	b/	free	free)	
Ex354-B	Carbon black			free	63,896

a/ Protection on gasoline refined in France was equivalent to 20% ad valorem in 1938, based on the margin between the specific duty on gasoline withdrawn from controlled refineries and on that imported direct.

b/ Protection on lubricating oil refined in France was equivalent to 19% ad valorem in 1938, based on the margin between the specific duty on lubricating oils withdrawn from controlled refineries and on those imported direct.

FRANCE

Summary of Principal Concessions of Interest to the United States (continued)

Tariff Item No.	Description of Products	Rate of duty: Before Agreement: Average ad valorem equivalent of duty 1936-38	Rate of duty: Before Agreement: New French Minimum Tariff Rate Percent ad valorem	Rate under Agreement Percent ad valorem	Imports from U.S. (1939) (1,000 francs)
Ex449	Borate of sodium, pure:				
	anhydrous	21.1	20	free)	
	hydrated	21.1	20	7)	5,427
573-D-2	Sodium nitrate, synthetic	free	15	free a/	28,663
401-C-2 4,6	Alumina fused	12.6	15	10	5,153
461-2	Carbide of silicon (carborundum) crude, crushed or in grains	20.6	15	10	1,099
673-2,3 4 & 5	Abrasives, natural, on fabrics	16.9	20	10	512
	" " " paper, wood, etc.	13.0	15	10	1,883
6,7&10	Abrasives, artificial, on fabrics	13.0	20	10	4,594
8,9,12 & 13	Abrasives, artificial, on paper, wood, etc.	8.4 & 6.1	15	10	5,173
759-B	Raw furskins (other than rabbit and hare)			free	45,741
880-2, 3 & 4	Cotton, raw ginned, unbleached			free	726,881

a/ Provisionally free of duty.

FRANCE

Summary of Principal Concessions of Interest to the United States (continued)

Tariff Item No.	Description of Products	Rate of duty: Before Agreement: Average ad valorem equivalent of duty 1936-38	Rate of duty: Before Agreement: New French Minimum Tariff Rate Percent ad valorem	Rate of duty: Rate under Agreement Percent ad valorem	Imports from U.S. (1939) (1,000 francs)
1287 and other nos.	Automobile parts and accessories (not elsewhere requested)	Range from 16.1 to 97.2	20 to 70	11 to 30	76,202
Ex1295-A & B	Glazed iron and steel sheets for automobile bodies	17.1	22 to 25	16	22,100
Ex1550	Electric household refrigerators	18.3	30	15	15,044
1641B,C	Semi-automatic and automatic lathes	12.5	25	12.5	n.s.a.
Ex1641-M 6 to 10	Machines for rectifying, edge-setting (sharpening), grinding, polishing, lapping, dressing and surface planing, working by means of grindstones, abrasions and polishing products; with micrometic setting system	13.5	25	13.5	n.s.a.
1641-N	Embossing (drifting or brooching) machines	12.5	25	12.5	n.s.a.

n.s.a. - Not separately available.

FRANCE

Summary of Principal Concessions of Interest to the United States (continued)

Tariff Item No.	Description of Products	Rate of duty: Before Agreement: Average ad valorem equivalent of duty 1936-38	Rate of duty: Before Agreement: New French Minimum Tariff Rate Percent ad valorem	Rate under Agreement Percent ad valorem	Imports from U.S. (1939) (1,000 francs)
Ex1641 M-1 to 5	Metal-grinding machines, without micrometric setting system	10.3	25	10	6,277
	Machine tools: Boring, milling, threading, planing machines; sliding lathes, vertical-lathes machine tools working by the removal of metal	14.4	25	Range 6, 14 and 18 a/	232,597
1641-P	Gear-cutting machines	4.6	25	10	30,179
	Small portable electric tools				
1647-A	With motor incorporated	8.0	25	10)	
B	" " separate	n.a.	25	10)	n.a.
1663A,B	Adding, subtracting and calculating, other than statistical machines	8.6	25	9	22,116
1665 A to E	Calculating machines with punch-card, called statistical machines	21.6	25	22	7,069
1670-C to G, I	Parts for above (statistical) machines	20.0 and 20.3	25	15	10,525

a/ 6% on lathes other than automatic and semi-automatic; screw-cutting and tapping machines; reaming and planing machines weighing over 10,000 kgs.; shaping machines over 3,000 kgs.; mortising machines; drilling machines, other than radial. 14% on sliding lathes weighing over 5,000 kgs., reaming and planing machines weighing 10,000 kgs. and less, shaping machines weighing 3,000 kgs. or less, specialized milling cutters and not specialized milling cutters weighing over 5,000 kgs.; 18% on sliding lathes and milling cutters weighing 5,000 kgs. or less; and on radial drilling machines.

FRANCE

Summary of Principal Concessions of Interest to the United States (continued)

Tariff Item No.	Description of Products	Rate of duty: Before Agreement: Average ad valorem equivalent of duty 1936-38	Rate of duty: Before Agreement: New French Minimum Tariff Rate Percent ad valorem	Rate of duty: Rate under Agreement Percent ad valorem	Imports from U.S. (1939) (1,000 francs)
	Typewriters and parts				
1662A,B	Typewriters and similar machines	20.3	25	15)	
1670B-1	Cases of metal	17.9	20	15)	42,355
2	Cases of other materials	n.a.	20	15)	
1797	Passenger automobiles with bodies, complete or not	59.7	70	35	8,846
1798-A	Trucks, with bodies, complete or not	65.2	70	35)	
1799	Automobiles (for special uses)	65.2	70	35)	6,886
1798-B	Tractors:				
	With explosion or internal combustion motors:				
	Caterpillar tractors	8.9% for tractors weighing over 3,000 kgs; 15.2% for tractors weighing less than 3,000 kgs.	70	15)	
	Wheel tractors (tractor fore-carriages and other), weighing per unit:			)	
	Up to 1200 kgs. incl.		70	15)	36,826
	Over 1700 kgs.		70	35)	
	Winch tractors		70	35)	
	With electric motor and with other engine		70	35)	

FRANCE

Summary of Principal Concessions of Interest to the United States (continued)

Tariff Item No.	Description of Products	Rate of duty: Before Agreement: Average ad valorem equivalent of duty 1936-38	Rate of duty: Before Agreement: New French Minimum Tariff Rate Percent ad valorem	Rate under Agreement Percent ad valorem	Imports from U.S. (1939) (1,000 francs)
	Bodies and parts of bodies for passenger cars and trucks complete bodies equipped or not:				
1801-A	For transportation of passengers	59.2	70	30)	
1801-B	For transportation of goods	59.2	70	30)	
	Auto body parts:			)	
1802-A	Cabs	59.2	70	30)	16,764
1802-C	Parts n.e.s., except accessories	59.2	70	30)	

India and Pakistan - Among the concessions made by India and Pakistan, those on 57 tariff items or sub-items, involving a considerably larger number of individual products, are of principal interest to the United States. On 34 of these concession items duties were reduced, on 13 items the existing rates were bound against increase, on 4 items assurance was obtained that present duty free treatment would be maintained for the life of the agreement, and on 6 items there was a reduction in the tariff margin enjoyed by the United Kingdom or Colonies other than a narrowing of the margin resulting from a lowering of the general rate of duty. These concessions represented about 26,608,000 rupees ($8,552,000) of imports from the United States on the basis of 1938-39 imports, or about 27 percent of India's total imports from the United States in that year.

The principal concessions by India and Pakistan of interest to the United States are those on dried and condensed milk, canned fish and meat, unmanufactured tobacco, certain canned fruits, certain chemicals and drugs, unwrought copper, rosin mineral grease, coal-tar dyes, certain machine items, office machines, radios, tubes, tractors and automobiles.

In addition, the United States will benefit from concessions on 61 tariff items, on which there were reductions of duty in 48, bindings of existing rates in 4, bindings of duty-free treatment in 8 and 1 reduction in preference margin. These concessions covered products imported into India from the United States valued at 1,659,000 rupees ($595,000) in 1938-39.

Total concessions on the 118 tariff items or sub-items granted by India and Pakistan covered imports from the United States in 1938-39 valued at 28,267,000 rupees ($10,148,000), or 29 percent of total imports from the United States in that year. Of this amount there were reductions of rate, based on 1938-39 imports from the United States, on goods valued at 6,547,000 rupees, bindings of existing rates on goods valued at 5,679,000 rupees, bindings of duty-free treatment on goods valued at 1,667,000 rupees, and reductions in margins of preference only on goods valued at 14,373,000 rupees.

The concessions will result in a reduction of the margin of preference enjoyed by the United Kingdom, the British Colonies or Burma on 16 items of interest to the United States, imports of which in 1938-39 from the United States were valued at 11,778,000 rupees; and elimination of the preference in four items, valued at 5,094,000 rupees.

The trade figures given above understate the total value of concessions of interest to the United States, since Indian import figures do not show in detail the value of imports of all goods on which concessions have been granted. Since 1945-46 Indian trade figures are incomplete, there is no comparison possible with this later year.

Ploughs and parts and agricultural tractors and parts were assured continued free entry.

The duties on radios, tubes and other parts were reduced from 60 percent to 50 percent, and the United Kingdom margin of preference narrowed to a 6 percent margin. The duty on wireless transmission apparatus and parts was reduced from 60 percent to 30 percent, and the United Kingdom margin of preference was somewhat reduced.

On electro-medical apparatus there was a reduction in duty from 30 percent to 20 percent. The duty on electric bulbs for automobiles and flashlights was reduced from 60 percent to 50 percent.

Vehicles - Among the principal United States exports to India and Pakistan are motor cars and parts. On motor cars, chassis, parts, and accessories, the 9 percent margin of preference enjoyed by the United Kingdom is to be reduced to 6 percent when the agreement goes into effect, to 3 percent at the end of three years, and eliminated completely at the end of another three years.

The duty of 3 percent on airplanes, their engines and parts, was bound against increase.

Chemicals and Related Products - Although Indian trade figures do not reveal the real value of imports from the United States in the categories of chemicals and related products, concessions in duty on these items are important in terms of United States trade. The duty was reduced from 36 percent to 30 percent on penicillin and its products, on other antibiotics, cod liver oil, sulpha drugs, vitamin preparations, and crude iodine. The duties on phenol, acetic acid, boric acid and borax were reduced from 30 percent to 25 percent. Duties on certain paints and solutions and menthol were reduced from 36 percent to 24 percent. The present 12 percent duty on coal tar dyes, another large United States export to India and Pakistan, was bound. The 30 percent duty on tooth paste, toothpowder, shaving soaps and shaving creams was also bound against increase. The margin of United Kingdom preference on certain chemical and pharmaceutical products and paints and solutions was reduced by the reduction in the general rate, and on some types of chemicals, drugs, and medicines it was limited to 10 percent.

Miscellaneous - The 30 percent duties on safety razors and blades and fountain pens, which have been important in exports to India in recent years, were bound against increase. A duty reduction from 30 percent to 20 percent was secured on optical instruments, and from 60 percent to 50 percent on one-day alarm clocks. Duties of 10 percent were bound against increase on cinema projecting and sound-recording apparatus.

Milk, Fish and Meat Products - The duty free status of dried skim milk now temporarily in effect is bound. On condensed and other preserved milk products the duties were reduced from 30 percent to 25 percent ad valorem.

There was a reduction from 30 percent to 20 percent on all canned fish, including sardines and pilchards, and on canned meat and frozen meat.

Tobacco - The preference to the British Colonies was removed on imports of unmanufactured tobacco, one of the most important products coming from the United States.

Vegetables, Fruit, and Beverages - The duty was reduced from 36 percent to 24 percent on canned asparagus and from 36 percent to 30 percent on dehydrated and other canned vegetables, with the exception of dehydrated or canned tomatoes, potatoes, onions, and cauliflower. The duty on canned soup was reduced from 30 percent to 25 percent.

On canned apricots, berries, grapes, pineapple, plums, and prunes, fruit juices of these fruits, and fruit salad the duty was reduced from 36 percent to 30 percent. British Colonial preference margin on canned pineapple, previously 12 percent, was limited to 8 percent. The same reduction was made for fresh apples, pears, prunes and grapes. The duty on blended flavoring concentrates for the preparation of non-alcoholic beverages was bound at 30 percent.

Wood, Paper and Rosin - The duty was reduced from 30 percent to 20 percent on Douglas fir and cigarette paper, and from 30 percent to 25 percent on wall boards of wood fiber. The duty on rosin was reduced from 36 percent to 24 percent.

Minerals, Metals and Manufactures - On asphalt, mineral grease and some types of mineral oils the duties were reduced from 30 percent to 27 percent. The reduction of duty on the specified types of mineral oils narrowed the margin of preference enjoyed by Burma. On electric carbons the duty was reduced from 30 percent to 20 percent. Unwrought copper and pig lead were bound in their present temporary duty-free status. Unwrought zinc was also assured continued duty-free treatment.

Machinery - Among the principal concessions obtained from India and Pakistan were those on machinery and vehicles. The existing low 10 percent duties were bound on various types of machinery imports, including mining machinery, oil crushing and refining machinery, refrigerating machinery, petroleum and gas well drilling equipment, boot and shoe manufacturing machinery, sugar manufacturing and refining machinery, and metal working machinery, other than machine tools, and their parts.

The duties on typewriters and parts, among our main exports to India, and on office machines were reduced from 30 percent to 20 percent and the duty on domestic refrigerators and parts was reduced from 36 percent to 30 percent. The duty reduction on refrigerators reduced the margin of preference enjoyed by the United Kingdom.

India and Pakistan

Summary of Principal Concessions of Interest to the United States

Tariff No.	Brief description	Existing Rates General	Existing Rates Pref. to U. K.	New Rates General	Value of imports from U.S. 1938-39 1/ (1,000 rupees) 2/
Ex.4(1)	Dried skim milk	Free	Free	Free	8
Ex.4(1)	Other condensed or preserved milk	30%	30%	25%	133
Ex.13(4)	Rosin	36%	36%	24%	569
Ex.15	Mineral grease	30%	30%	27%	532
Ex.20(2)	Certain canned fruits	36%	36%	30%	n.s.s.
24(3)	Unmanufactured tobacco	Rs.7-8 per lb.	Rs.7-8 per lb. 3/	Eliminate Colonial preference	4,639
Ex.28	Penicillin and anti-biotics	36%	24%	30%	n.s.s.
Ex.28	Vitamin preparations	36%	24%	30%	n.s.s.
Ex.28	Chemicals, drugs, medicines all sorts, not otherwise specified in tariff as revised	36%	24%	Rate not to exceed rate to U.K. or Colonies by more than 10%	3,293 4/
Ex.28(4)	Toothpaste, powder, etc.	30%	30%	30%	n.s.s.
Ex.30(1)	Coal-tar dyes	12%	12%	12%	786
Ex.49	Fountain pens	30%	30%	30%	n.s.s.
Ex.70(1)	Unwrought copper	Free	Free	Free	447
Ex.72(a-e)	Mining, oil crushing, refrigerating, petroleum, metal-working, sugar-manufacturing machinery, cinema projecting and sound-recording apparatus	10%	10%	10%	4,478
72(5)	Domestic refrigerators	36%	24%	30%	585
Ex.72(6)	Typewriters, office machines, parts	30%	30%	20%	1,148
Ex.72(8)	Tractors and parts	Free	Free	Free	641
Ex.73(4)	Radios, tubes and parts	60%	48%	50%	1,221
Ex.75(1)	Motor cars, chassis, parts	45%	36%	Eliminate U.K. preference over 6-year period	6,441

1/ Fiscal year ending March 31.
2/ Rupee = $0.359.
3/ Rs. 7-0 per lb. to British Colonies; 10% to Burma.
4/ Basket classification also including items on which rates were reduced.

New Zealand - Among the concessions made by New Zealand those on 67 tariff items involving a considerably larger number of individual products are of particular interest to the United States. On 54 of these items duties were reduced, on 11 items the existing moderate rates were bound against increase, and on 2 items duty-free treatment was bound. Concessions involving British preferential rates were granted on a total of 53 of these items. On 43 items the margin of preference was reduced but on three of these the rate of duty was not bound. On 10 items the preference was eliminated but on 4 of these the rate of duty remains unbound. The concessions of principal interest to the United States represent about NZ£ 3,713,000 ($13,144,000) of trade on the basis of 1939 imports, or about 66 percent of New Zealand's total imports from the United States in that year. New Zealand imports from the United States in 1939 amounted to NZ£ 5,613,500 or 11 percent of the total, NZ£ 49,387,200. In 1946 imports from the United States amounted to NZ£ 11,793,000 or 16 percent of the total, NZ£ 71,634,000.

Items of primary interest to the United States on which concessions were made are raisins, oranges, tobacco, agricultural machinery, tractors, machine tools, refrigerators, automobiles and certain timber.

Agricultural Products - In addition to the 6 items listed in the attached table concessions were made on 18 other agricultural items. These concessions included reductions of more than 50 percent in the duty on onions, citrus fruit pulps, dried apricots, grapes, oranges, and canned prunes and pineapples. Smaller reductions were made in the duties on fruit juices in containers of less than one gallon, canned salmon, raisins, lemons, canned soups and spaghetti, canned beans and sausage casings. The existing low duty of 3 percent on unsweetened fruit juices in containers of one gallon or more, dried prunes, dressed goat and kid skins and glucose was bound against increase.

The margin of preference was eliminated on tobacco and cigarettes but the rate of duty was not bound.

Motor Vehicles - The import duty on unassembled or completely knocked down (c.k.d.) motor vehicles was reduced from a total of 61¼ percent (including surtax) to 40 percent while the duty on other kinds of motor vehicles was reduced from 73½ percent to 50 percent. These reductions resulted in a decrease in the margin of preference from 56¼ percent and 49 percent to 35 percent and 30 percent, respectively. The margin of preference on motorcycles was bound at 10 percent. The duty on spark-plugs was reduced from 30.625% to 20% with a corresponding reduction in preference. United States exports of motor vehicles to New Zealand during 1939 amounted to NZ£ 360,000 or 8 percent of the total imports. This figure normally would be much larger but restrictions were placed on the importation of motor cars by the New Zealand Government late in 1938.

Machinery - Concessions were made on a total of 10 machinery items. Reductions of more than 50 percent were made on tariff items covering engines for tractors, machinery for gold mining, boring and well drilling, machines and certain machinery approved by the Minister including bakers, confectioners, bootmaking, brick and tile making, flour and grain milling, gas making, refrigerating, stone crushing, woolen mill and hosiery mill, insulators and water turbines.

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Lesser reductions were made on the duty covering traction engines and tractors, machine tools peculiar to woodworking and metalworking and printing machines and certain machinery approved by the Minister other than that listed in the preceding paragraph.

The duty of 3 percent on reapers, binders, harvesters, and other farm equipment was bound. The margin of preference was reduced on all of these items except farm machinery and equipment.

Electrical Machinery and Equipment - The duty on refrigerating apparatus was reduced from 61¼ percent ad valorem to 20 percent and the margin of preference was eliminated. The duty on machinery for generating electricity, motors over 25 H.P. and vacuum tubes was reduced from 30.625 percent to 20 percent with a corresponding reduction in the margin of preference. The duty on electric lamps was reduced from 42.875 percent to 25 percent with a corresponding reduction in preference.

Timber - The duties on rough sawn timber, which includes redwood, Douglas fir and hemlock were lowered sufficiently to reduce the Canadian margin of preference by 50%.

Photographic Equipment and Materials - The duty on cameras was reduced from 55.125% to 40% with a corresponding reduction in the margin of preference. The duty on projectors was reduced 18% and the margin of preference 28%. Motion picture films were bound on the free list.

Miscellaneous - Concessions obtained on a number of miscellaneous items included the elimination of preference and a cut of 90% in the duty on adding and computing machines; a reduction of the margin of preference and a cut of more than 35% in the duty on surgical and dental instruments, linoleum, oven glassware and artificers' tools; a reduction in preference and a cut of more than 25% in the duty on toilet preparations, cash registers and typewriters and smaller reductions in the duties on women's and girls' outer garments, artificial silk hosiery, furs, elastics, surgical dressings, hardware and paper.

The existing duty of 3% on sewing machines, turpentine, rosin, synthetic resins, asbestos and wooden handles for tools was bound against increase.

Surgeons' appliances were bound on the free list. The margin of preference on ready mixed paints was reduced from 30% to 20% but the rate was not bound.

NEW ZEALAND

Summary of Principal Concessions of Interest to the United States

A-Australia
C-Canada
B.P.British Preferential

Tariff No.	Commodity	Before Agreement: Rate to U.S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U.S.	Under Agreement: British Pref. Rate	Imports from U.S. in 1939 (In NZ£ 000)
36 (2)	Raisins (lb.)	1.225d	B.P. 3%	0.75d	Free	30
37 (5)	Oranges (lb.)	1.225d	B.P. 3% S.Af. Free	0.50d	Free	21
41	Glucose	3%	3%	3%	3%	57
81 (1)	Tobacco, Unmanufactured, for cigarettes (lb.)	3s.11¼d	3s.9d	Elim.Pref.		546
82 (2)	Tobacco, Unmanufactured, for cigars (lb.)	2s.7½d	2s.6d	Elim.Pref.		
200 (3)	Goat and kid skins, dressed	3%	3%	3%	3%	74
300 (2) (d)	Paper in rolls, n.e.i.	24.50%	Free	Bind Margin of 10%		43
332	Adding and Computing Machines	30.625%	3%	3%	3%	46
332 (2)	Reapers, binders, harvesters, mowers and parts	3%	3%	3%	3%	52
338 (4)	Electric vacuum tubes	30.625%	Free	20%	Free	40
342	Measuring instruments	24.50%	3%	20%	Free	36
348	Traction engines and tractors	10.5%	Free	10%	Free	499
351 (3)	Boring and well drilling machinery	30.625%	Free	15%	Free	59

NEW ZEALAND

Summary of Principal Concessions of Interest to the United States

A-Australia
C-Canada
B.P.British Preferential

Tariff No.	Commodity	Before Agreement: Rate to U.S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U.S.	Under Agreement: British Pref. Rate	Imports from U.S. in 1939 (In NZ£ 000)
351 (10)	Machine tools, peculiar to wood working and metal working	30.625%	Free	20%	Free	68
352	Machinery and appliances approved by the Minister					
	(a) Bakers confectioners, bootmaking brick and tilemaking, flour and grain milling, gasmaking, refrigerating, stonecrushing woolen-mill and hosiery-mill; also insulators and water turbines	30.625%	Free	15%	Free	231
	(b) Other	30.625%	Free	20%	Free	
353 (6) (b)	Refrigerating apparatus	61.25%	B.P.20% A.C.30%	20%	B.P.20% A.C.20%	69
354	Artificers tools	30.625%	3%	17½%	Free	73
356 (1)	Hardware, holloware, etc.	61.25%	B.P.20% A.C.30%	50%	B.P.20% A.C.30%	50
389 (a)	Motor vehicles, unassembled or completely knocked down	61.25%	B.P. 5% Can.12.25%	40%*	B.P. 5% Can.10%	360
389 (e)	Motor vehicles, other kinds	73.50%	B.P.15% Can.30.625%	50%*	B.P.15% Can.30.625%	

*Except on tires imported with automobiles

NEW ZEALAND

Summary of Principal Concessions of Interest to the United States

A-Australia
C-Canada
B.P. British Preferential

Tariff No.	Commodity	Before Agreement: Rate to U.S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U.S.	Under Agreement: British Pref. Rate	Imports from U.S. in 1939 (In NZ£ 000)
404 (2)	Timber, rough sawn, redwood and Douglas fir (duty per 100 bd. ft.)	9s.11.7d	B.P. 7l6 Can.7s. 10.5d	Cut rate to point where Canada pref. is cut by 50%		69

Norway - Norway made concessions on 48 tariff items, involvin a considerably larger number of individual products, which are of particular interest to the United States. On 21 of these items duties were reduced, on 13 items the existing moderate rates were bound against increase, and on 14 items assurance was obtained that present duty free treatment would be maintained for the life of the agreement. These concessions represent about 30,788,000 Kroner ($11,770,000) of trade on the basis of 1939 imports, or about 35 percent of Norway's total imports from the United States in that year. In 1946 Norway imported goods valued at 477,746,000 Kroner ($96,126,000) from the United States and this figure represented about 22 percent of Norway's total import trade.

Items of principal interest to the United States on which concessions were made are cotton, oranges, grapefruit, apples, dried fruit, wheat flour, tobacco, office machines, automobiles and tires.

Agricultural Products - Raw cotton and wheat flour were assured continued free entry and substantial duty reductions were accorded United States fruits. The duties on fresh apples imported during the spring and early summer were cut in half, and those entering between February 16 and March 15 were also granted a 50% reduction. Existing rates were bound on apples arriving during the Norwegian season, that is between August 1 and February 15. In the case of fresh pears, the high duty period was shortened by 2 months, with a binding of this rate, and of the lower rate effective during the balance of year.

A moderate duty on oranges and grapefruit was bound against increase, and 50% reductions were obtained for prunes and most kinds of dried fruit. The rate on raisins was reduced by over 25%. In the case of most canned fruits and canned asparagus the duties were halved. Substantial reductions were obtained for fruit and vegetable juices. The duties on leaf tobacco, stemmed and unstemmed, were bound against increase.

Automotive Products - Among the most important concessions received from Norway were those on automobiles and aircraft. The duty on passenger cars was reduced from 50% ad valorem to 10%, while the rate on trucks was lowered from 24% to 20%, and the rate on aircraft from 24% to 12%. Parts for automobiles and aircraft were lowered from 40% to 25%. Tractors and parts were bound free.

Machinery and Appliances - Office machines were among the United States export products to receive 50% duty cuts. By lowering the duty on a single tariff item from 20% to 10% benefits will accrue to cash registers, calculating machines, adding machines, typewriters, and machines for bookkeeping, punching, sorting, tabulating, duplicating, addressing and postal metering. The rate on dictating machines was also reduced by 50%. The maintenance of duty free treatment was assured for typesetting machines, linotypes, printing presses and certain pneumatic tools. A new and more favorable classification with a 10% duty was established for electric household refrigerators.

Chemicals and Related Products - Sulphur, bone black, graphite, stearic acid, certain other fatty acids, insecticides, weed killers, and certain pharmaceutical products were bound free, the duty on turpentine was reduced by 43%, and the duty on certain cosmetics and dentrifices was bound against increase.

Rubber and Rubber Products - The present duty free status was bound on rubber, certain gums and resins, and certain rubber semi-manufactures, and duties on automobile tires and tubes were bound at present levels.

Miscellaneous Materials and Products - Binding of present duty free treatment was obtained for tinplate and lumber of hickory and oak. Duties on intestines and salted salmon were reduced by 25, and present duty levels were bound in the case of cigarettes, unexposed photographic and motion picture film, certain varnishes and polishes, including cellulose lacquer, and machine and transmission belting.

Other Concessions - In addition to the concessions summarized in the foregoing paragraphs, Norway's concessions on numerous other products are also of interest to the United States although this country has been a secondary supplier in the past. Among these products are such items as canned lobster, canned salmon, spirits, radio apparatus, lemons, pineapples, dates, copra, bottles, certain glassware, wheat, barley, oats, rye, toys, certain tools and implements, razors and blades, cheese, rice, cigars, wines and motorcycles.

NORWAY

Summary of Principal Concessions of Interest to the United States

Tariff Item Number	Description of Article	Rate of Duty (Crowns per kilogram unless otherwise specified) Before Agreement	Under Agreement	Norwegian Imports from U.S. in 1939 Thousand Norwegian crowns
42	Cotton	free	free	3667
ex 124	Photographical and motion picture films of all kinds, unexposed	4.00	4.00	517
ex 210	Fresh oranges and grapefruit	0.02 plus 33 1/3%	0.02 plus 33 1/3%	4,355
213	Apples	Aug.1-Mar. 15 0.80	(Aug.1-Feb.15-0.80 (Feb.16-Mar.15-0.40	29
214	Apples	Mar.16-July 31 0.40	(Mar.16-July 31 (0.20	1,318
219	Dried prunes and plums	0.50	0.25	1,292
ex 222	Raisins	0.08 plus 33 1/3%	0.08	1,857
229	Dried fruits (n.o.s.) including apples, apricots and mixture thereof	1.20	0.60	1,370
235	Fruits, preserved in other ways other than those mentioned in section 3 and 4, including also pineapple, apricots, peaches, plums and pears, in tins, even with the addition of sugar	1.20	0.60	247
ex 957	Automobile casings of natural or synthetic rubber	0.60	0.60	982
424	Wheat flour	Free	free	1,774
ex 513	Cash register, calculating and adding machines, typewriters, bookkeeping machines, card punching, card sorting and tabulating machines, duplicating machines, addressing machines & postal metering machines	ad valorem 20%		2,560
ex 861	Tobacco leaf, not sauced, stemmed " " " " unstemmed	4.50 plus 10% 4.50	4.95 4.50	6,434 701

NORWAY (Continued)
Summary of Principal Concessions of Interest to the United States

Tariff Item Number	Description of Article	Rate of Duty (Crowns per kilogram unless otherwise specified) Before Agreement	Under Agreement	Norwegian Imports from U.S. in 1939 Thousand Norwegian crowns
ex 953	Passenger automobiles, also bodies and chassis therefor	50% ad valorem	30% ad valorem	4,902
ex 954	Automobile trucks, also bodies and chassis therefor and motors for automobiles and aircraft	24% ad valorem	20% ad valorem	4,150
ex 955	Automobile and aircraft parts n.e.p.f.	40% ad valorem	25% ad valorem	4,395

SOUTHERN RHODESIA

Concessions were made by Southern Rhodesia on 15 tariff items or sub-items of particular interest to the United States. Existing low rates of duty were bound on 12 items, duties were reduced on 2, and on 1 item assurance was obtained that present duty-free treatment would be maintained. These concessions represent about £ 272,000 ($1,205,000) of trade on the basis of 1939 imports from the United States, or about 32 percent of Southern Rhodesia's total imports from this country in that year. On the basis of 1945 trade, the corresponding figures are £ 322,000 ($1,298,000) and 21 percent respectively.

Items of primary interest to the United States on which concessions were made are agricultural machinery, tractors, pumps, mining machinery, and lubricating oils.

Machinery and Vehicles - The present 5 percent general rate was bound against increase on certain types of agricultural machinery and implements, mining machinery, pumps and accessories, iron and steel sheets, motor ambulances, trucks and vans, and their chassis, tractors and parts, and on mechanics' and machine tools. Ploughs and parts had their rates bound at 15%. The duty on motorcycles and parts was reduced from 100% (4/5 of the duty is now temporarily suspended) to 33 1/3%.

Miscellaneous - The present duty of 3d per imperial gallon on lubricating oil was bound against increase. The rate on certain paints and colors, now 20% (temporarily suspended) and the 5% duty on unmanufactured rubber were maintained.

SOUTHERN RHODESIA

Summary of Principal Concessions of Interest to the United States

Tariff Item No.	Brief Description	Before Agreement		Under Agreement		Imports from U.S.	
		General	Preferential	General	Preferential	1939 (£ 000) 1/	1945
118 (a) (i)	Agricultural machinery	5%	Free	5%	Free	20	33
118 (c)	Mining machinery	5%	Free	5%	Free	83	57
EX 118 (d)	Pumps and accessories	5%	Free	5%	Free	21	24
130 (ii)	Tractors and parts	5%	Free	5%	Free	29	52
146	Tools	5%	Free	5%	Free	19	33
199	Lubricating oils, per imperial gallon	3d	1 1/2d	3d	1 1/2d	44	60

1/) 1 £ = $4.43 (1939)
) 1 £ = $4.03 (1945)

SYRO-LEBANESE CUSTOMS UNION

Among the concessions made by the Syro-Lebanese Customs Union those on 48 tariff items, which include a larger number of individual commodities, are of primary interest to the United States. On 28 items the duties were reduced, on 17 the existing rates were bound against increase, and on 3 free duty entry was assured. These concessions represent approximately 3,076,000 Syro-Lebanese pounds ($1,784,000) of trade on the basis of 1938 imports from the United States, or about 63 percent of total imports into Syria and Lebanon from this country in that year. The value of Syro-Lebanese total imports from the United States has risen from 4,998,000 Syro-Lebanese pounds ($2,899,000), or 7 percent of total Syro-Lebanese imports, in 1938, to 48,609,000 pounds ($22,360,000), or 18.2 percent, in 1946.

The items of principal interest to the United States on which concessions were made are passenger automobiles, tires and tubes, machine tools, office machines, batteries, dentrifrices, and prunes.

Automotive Products - A major concession made by the Syro-Lebanese Customs Union was an undertaking to eliminate the existing differential duty treatment which provided much higher duties on passenger automobiles (imported chiefly from the United States) than on lighter automobiles (imported chiefly from countries other than the United States). A provisional rate of 140 piasters per kilogram was established, replacing a range of duties with a higher maximum, based on horsepower and weight. Duties of 25% on automobile parts and engines, and on motorcycles and parts were bound, while 60% reductions were granted on airplanes, parts, and engines. The rate on tires and tubes was reduced from 25% to 15% ad valorem.

Machinery and Appliances - Moderate reductions were made on typewriters, calculating and accounting machines, cash registers, and parts for office machines, electric accumulators (batteries) and their plates, and on industrial machinery parts, the new rate being 20 percent ad valorem. The duty on radio tubes was reduced from 40% to 25% ad valorem, and the duty on radio parts was bound at 25%. The rate on tractors was cut by 60%. The duty on tractor parts was bound. Agricultural machinery was bound provisionally on the free list and parts for such machinery were bound at moderate rates. The new rate of one percent on refrigerators and sewing machines for industrial use and machine tools was bound and represents a considerable reduction from the former rates. A 25% duty on household refrigerators was bound.

Miscellaneous Products - The rates on prunes (50%) and confectionery (40%) were reduced to 40% and 30% ad valorem, respectively. A substantial reduction was secured on dentifrices, the new rate being 25 percent ad valorem, while the new rate of 40 percent on other cosmetics and articles of perfumery represents a moderate concession. Insecticides, disinfectants, and similar preparations were bound free. The rate for waxes, creams, pastes, and similar preparations was reduced to 20 percent ad valorem. On lubricating oils and pharmaceutical products the rates were bound at 11 percent. The duties on fountain pens, stylographic pens, automatic pencils, and parts were reduced from 40% to 25%. The 25% rate on patent leather was bound.

SYRO-LEBANESE CUSTOMS UNION
Summary of Principal Concessions of Interest to the United States

Tariff No.	Tariff Description	Unit	Import Duty Before Agreement	Import Duty Under Agreement	Value of imports from United States in 1938 - Syro-Lebanese pounds
890	Automobiles:				
	a - Passenger automobiles weighing less than 1,500 kilos. when ready to operate:				
	1. Less than 7 H.P.	---	25%		
	2. From 7 to 15 H.P.	per car	750 S.L. Pounds		41,703
	3. From 15 to 20 H.P.	do	1,000 do		
	4. From 20 to 25 H.P.	per kilo.	130 piasters		90,542
	5. 25 H.P. and more	do	140 do		393,841
	b - Passenger automobiles weighing 1,500 kilos. or more, but less than 2,000 kilos. when ready to operate:	per kilo	105-150 piasters according to H.P.	140 piasters per kilo. (provisional rate)	339,040
	c - Passenger automobiles weighing 2,000 kilos. or more when ready to operate:	per kilo	105-160 piasters according to H.P.		12,752
375 (b)	Tires and tubes for automobiles, motorcycles, velocipedes, and other motor vehicles	---	25%	15%	251,868
849	Machine tools	---	7.5%	1%	19,608

Tariff No.	Tariff Description	Unit	Import Duty Before Agreement	Import Duty Under Agreement	Value of imports from United States in 1938. Syro-Lebanese pounds
852	Typewriters and parts	-	25%	20%	14,768
853	Calculating and accounting machines, cash registers, and parts thereof	-	25%	20%	1,948
861	Electric accumulators (batteries)	-	25%	20%	12,672
319	Cosmetics and articles of perfumery:				
	e - 1. Tooth pastes, liquids and powders	-	50%	25%	(a)
	e - 2. Others	-	50%	40%	(a)
982	Fountain pens, stylographic pens, automatic pencils, and parts thereof	-	40%	25%	10,710

(a) Not available. United States statistics show exports of $17,600 to Syria and Lebanon in 1938.

Syro-Lebanese pound equal $0.58 in 1938.

UNION OF SOUTH AFRICA

Of the concessions made by the Union of South Africa those on 49 tariff items involving many more individual products are of particular interest to the United States. On 13 of these items duties were reduced, on 24 items the existing moderate rates were bound against increase, and on 12 items assurance was obtained that present duty free treatment would be maintained for the life of the agreement. Concessions involving British preferential rates were made on 7 of these items, on 4 of these preference was eliminated and on the remaining 3 it was substantially reduced. The concessions represent SAL7,286,000 ($32,4[illegible],000) of trade on the basis of 1939 imports or 42 per cent of the Union's total imports from the United States in that year. Total imports into the Union of South Africa from the United States in 1939 amounted to SAL17,450,000 or 19 per cent of the total SAL90,221,900. In 1945 imports from the United States amounted to SAL31,149,700 or 28 per cent of the total SAL112,385,005.

Items of primary interest to the United States on which the Union of South Africa made concessions are automobiles, office machines, radios, lubricating oil, agricultural machinery, certain other machinery, and articles of ladies wearing apparel.

Automotive Products - Concessions on automobiles included the assurance that the specific duty on lower priced automobiles (now 23s. per 100 lbs.) would not exceed 20 per cent ad valorum; and the top price in this classification was increased from FOB SAL400 to FOB SAL600. The second classification of motor cars with an FOB value of SAL400 to SAL600 with a duty of 25 per cent was increased from SAL600 to SAL800, while the third classification of FOB value of SAL 600 at 30 per cent was increased to FOB value exceeding SAL800. The low existing rates of 5 per cent and 3 per cent on motor trucks were bound against increase. Parts and accessories for both automobiles and trucks were bound at 20 per cent. Airplanes were bound on the free list.

Machinery and Appliances - Concessions were obtained on 15 items under this classification. The duty and preference of 9s.6d. on tractors, other than the mechanical horse type, was eliminated and this item placed on the free list. The duty and margin of preference on mechanical horse type tractors was reduced from 10 per cent to 5 per cent. The duty and preference of 10 per cent on sprayers and sprinklers was eliminated and this item placed on the free list. The duty and margin of preference was reduced from 5 per cent to 3 per cent on machinery for manufacturing and industrial purposes. The margin of preference of 7 per cent on cranes, excavators, winches, etc., was eliminated, but the rate of duty was not bound. Agricultural machinery, fixed plant and machinery for factory installation, traction engines, stone crushers, road rollers and other road construction machinery and street sweeping and spraying machines were all bound on the free list. The duty on air conditioning and mining machinery was bound at the existing low rate of 5 per cent.

Electrical Machinery and Appliances - The rate of duty on radio and wireless apparatus other than radio-phonograph combinations, was bound at 15 per cent and the margin of preference was eliminated. Refrigerating machinery and mechanically cooled refrigerators having a storage capacity exceeding 12 cubic feet were bound on the free list.

Wearing Apparel and Accessories - The margin of preference on socks was eliminated but the rate of duty was not bound. The margin of preference on stockings of artificial fibers was eliminated and the rate bound at 15 per cent. The duty on ladies' handbags was reduced from 30 per cent

to 25 per cent and the duty on women's and maids' shoes was bound at 30 per cent or 3s.6d. per pair.

Wood and Manufactures - The duty and margin of preference on unmanufactured soft wood was reduced from 9s. per 100 cubic feet to 4s.6d. The duty on plywood was reduced from 4s. or 25 per cent to 3s. or 25 per cent.

Office Machinery - The duty and margin of preference of 10 per cent was eliminated on typewriters and this item placed on the free list. The duty on calculators and cash registers was bound at the existing rate of 5 per cent.

Agricultural Products - The duty on canned asparagus was reduced from 20 per cent to 15 per cent; on lard and edible meat fats from 2½d. to 2d. per pound. The margin of preference on fresh apples was eliminated and the duty bound at the existing rate of 5 per cent. The margin of preference and the existing duty of 25 per cent on patent or proprietary farinaceous and cereal foods except oatmeal and rolled oats was bound.

Miscellaneous - The duty and margin of preference on barbed wire fencing was eliminated and this item placed on the free list. Lubricating oil, empty bottles and clocks and watches were bound at the existing rates of duty. Tower clocks and penicillin were bound on the free list.

UNION OF SOUTH AFRICA

Summary of Principal Concessions of Interest to the United States

Tariff Number	Commodity	Before Agreement: Rate to U. S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U. S.	Under Agreement: British Pref. Rate	Imports from U.S. in 1939 (In £ 000)
46(b)	Tinned Asparagus	20%	20%	15%	15%	31
70(b)	Stockings of artificial fibres only	15% 5%	10%	15%	10%	48
94	Calculating machines	5%	5%	5%	5%	67
94	Cash Registers	5%	5%	5%	5%	34
118(a)	Agricultural machinery	Free	Free	Free	Free	316
118(b)	Fixed plant and machinery for factory installation	Free	Free	Free	Free	203
118(c)	Mining machinery	5%	Free	5%	Free	213
118(g)	Machines n.e.i., for manufacturing and industry, including printing machines	5%	Free	3%	Free	410
118(g)	Air compressors	5%	Free	3%	Free	75
129(a)	Motor cars	23s. (FOB value not over £400)	23s.	20% (Up to £600)	20%	2,090
129(b)	Motor cars	25% (Value £400-£600)	25%	25% (£600-£800)	25%	
129(c)	Motor cars	30% (Over £600)	30%	30% (Over £800)	30%	
129(h)	Motor car parts and accessories, but excluding bulbs, batteries, tires, tubes & parts n.s.p.f.	20%	20%	20%	20%	519

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Summary of Principal Concessions of Interest to the United States

Tariff Number	Commodity	Before Agreement: Rate to U. S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U. S.	Under Agreement: British Pref. Rate	Imports from U.S. in 1939 (In £ 000)
13C(c)	Motor truck chassis					
	(I) Completely unassembled	3%	3%	3%	3%	643
	(II) Otherwise	5%	5%	5%	5%	
13C(e)	Motor truck parts and accessories excluding bulbs, tires, tubes and parts n.s.p.f.	20%	20%	20%	20%	102
139	Refrigerating machinery and mechanically cooled refrigerators	Free	Free	Free*	Free	321
147(a)	Traction engines, stone crushers, steam and motor road rollers, mechanical thrust borers, power rammers, rippers, etc. for road construction	Free	Free	Free	Free	384
147(f)(I)	Tractors mechanical horse type	10%	Free	5%	Free	324
147(f) (II-iv)	Tractors, other than mechanical horse, and parts (100 lbs.)	9s6d	Free	Free	Free	
149(2)(b)	Typewriters	10%	Free	Free	Free	79
153(b)	Barbed fencing wire (per 100 lbs.)	5d	Free	Free	Free	91
154(3)	Radio and wireless apparatus other than gram radios	15%	5%	15%	15%	379

Summary of Principal Concessions of Interest to the United States

Tariff Number	Commodity	Before Agreement: Rate to U. S.	Before Agreement: British Pref. Rate	Under Agreement: Rate to U. S.	Under Agreement: British Pref. Rate	Imports from U.S. in 1939 (£ 000)
199(a)	Lubricating oil in bulk (gallon)	3d	3d	3d	3d	554
(b)	Lubricating oil not in bulk	15%	15%	15%	15%	
251(b)	Women's & maids' shoes	30% or 3/6 per pair		30% or 3/6 per pair		70
279(a)(1)	Softwood, unmanufactured (100 cu. ft.)	9/	Free	4/6	Free	202
300(a-c)	Clocks and watches	10%	10%	10%	10%	49
302(1)	Ladies' hand bags	30%	30%	25%	25%	65

* Having a storage capacity exceeding 12 cubic feet

UNITED KINGDOM

Of the items on which the United Kingdom made concessions approximately 274 tariff items, involving a larger number of individual products were of principal interest to the United States. On 111 of these concession items, duties, and with few exceptions margins of preference, were reduced. On ten items the margins of preference were completely eliminated. On one item, tobacco, reductions in margins of preference were made conditional upon future reductions in the most-favored-nation rates. On 146 items the existing rates were bound against increase, and on 17 items assurance was obtained that present duty free treatment would be maintained during the life of the agreement. The concessions obtained represented trade values at £70,124,000 (approximately $308,546,000) on the basis of 1939 imports, or about 60 per cent of the United Kingdom's total imports from the United States in that year.

Among the principal items of interest to the United States on which the United Kingdom made concessions were wheat, cotton, apples, pears, dried and canned fruits, canned vegetables, canned salmon, hams and lard, hand tools, a wide range of machinery and appliances, motor vehicles, certain categories of wood and timber products, toilet preparations, combination radio-phonographs, 16 mm. movie cameras and projectors, nylon stockings, women's handbags, women's cotton dresses, coats and skirts and women's footwear.

Agricultural Products - Wheat and raw cotton were assured of continued duty free entry, and the rate on barley was bound at 10 per cent ad valorem. The existing duty of 3s. per cwt. on fresh apples imported from mid-August through mid-April was eliminated, thereby eliminating the margin of preference. The present rates on pears imported the year round were bound against increase. Duty reductions and, consequently, reductions in the margin of preference, amounting to approximately 25 per cent, were accorded on raisins and dried apricots. The duty on prunes was decreased by one-third and the margin of preference eliminated. The duty on dried apples, pears, peaches and nectarines was eliminated, the margin of preference thereby being removed. The duty on "gallon" apples was bound, and reductions in duties and preference were obtained on imports of canned apricots, peaches and pears. The moderate duties on canned apples, loganberries and pineapples were bound against increase. The duty on the type of fruit salad of greatest interest to United States exporters was removed, while the rate on other fruit salads was bound. Canned grapefruit, grapefruit juice and orange juice were assured of continued free entry.

In the case of canned vegetables, the duties and margins of preference on beans and peas were halved, and asparagus and corn were bound at the existing general ad valorem rate of 10 per cent. The duties on all other canned vegetables, except tomatoes, were reduced to 15 per cent ad valorem. Substantial reductions were given on imports of soya beans and soya bean cake and meal. The duty on corn starch, valued over 10s. per hundredweight, was reduced, and the rate on lower priced corn starch was bound.

A fifty per cent decrease in the rate of duty and margin of preference on canned salmon was obtained, and chilled or frozen salmon was granted duty free treatment. The moderate rates on canned pigs' tongues and ground pork were bound, the margin of preference on the former being eliminated altogether and the margin on the latter being reduced by fifty per cent. Imports of hams entering under a quota of 775,000 cwts. a year were bound free. The right was reserved to impose a duty of 5d. per pound on imports of hams in excess of the quota, those from Empire sources being accorded the same tariff treatment as all others. Lard was assured of continued duty free entry, while hog sausage casings valued over £10 per hundredweight were reduced from 10 per cent to free.

Machinery and Appliances - The duties on most hand tools and tools usable with machine tools were reduced to or bound at 15 per cent ad valorem, and the moderate rates on a wide range of machine tools were bound against increase. Portable pneumatic power tools were accorded a reduction of one-fourth. Imports of electrical cooking and heating apparatus were granted a reduction in duty of one-third to 10 per cent ad valorem. Reductions of one-fourth were obtained on excavating and lifting machinery, and on telphers and transporter installations. The duty on rolling-mill machinery was reduced by approximately one-fourth, as was the rate on air and gas compressors and exhausters. A reduction was obtained in the duty on stationary internal combustion engines. Most textile machinery was either bound at the present rate of 20 per cent ad valorem or reduced to 15 per cent. Printing machines, such as rotary and magazine presses, were reduced from 20 per cent to 15 per cent. The duty on can casing machines was decreased by one-fourth while other packing and labelling machines were bound at existing rates. Reductions were granted on typewriters, and the duties on most other office machines were bound at 15 per cent ad valorem.

Under the category "motor vehicles", reductions were granted in the rate on motor bicycles and tricycles amounting to approximately one-third, the margin of preference being eliminated entirely. Duties for automobiles of 25 horsepower or more were bound at the existing rate. The rates on agricultural tractors were bound at the present rate of 15 per cent ad valorem and the margin of preference was eliminated. The duties on imports of track-laying tractors were decreased by 25 per cent in one case and 40 per cent in another, according to the drawbar horsepower.

Wood and Products - Imports of wood and timber of coniferous species were granted reductions of 50 per cent in rates and margins of preference on two classifications and the rate on a third category was bound. Provisions for possible duty free entry depending on action by the United States in regard to treatment accorded Canadian lumber were included. Square sawn hardwood was bound at the existing rate, as were plywood and sawn staves.

Metals and Minerals - The duty and margin of preference on blast furnace pig iron smelted with coke was reduced by one-fourth, while the duty on aluminum sheets, strip, plates and discs was bound against increase.

Chemicals and Toilet Preparations - The general ad valorem rates of ten per cent was bound on imports of carbon black, paraffin wax and petroleum jelly. Sulphur and rosin were assured of continued duty free entry. The margin of preference on toilet preparations was reduced by twenty-five per cent, the rate being bound at the existing level.

Cinematograph Apparatus - Rates on movie cameras using 16 mm. film, projectors, and arc lamps for projectors were reduced by one-third, while the rate on cameras using up to 9.5 mm. film was reduced by one-fifth. The existing moderate ad valorem rate on celluloid film base and other celluloid in rolls was bound against increase.

Miscellaneous - Electrical phonographs, radio-phonograph combinations and phonograph records were accorded reductions of twenty-five per cent. A reduction of approximately one-third was granted on rubber tubing and piping. The ad valorem rates of duty were reduced on women's handbags, women's footwear, women's and girls' dresses, coats and skirts of cotton, and nylon stockings. Reductions were also made in the ad valorem rates on artificial teeth. Raw fur skins were assured of continued duty free entry.

In addition to the above concessions, the United States will benefit from many additional concessions made by the United Kingdom. Among these

are concessions on the following: glass and glassware; alarm clocks; telegraph and telephone apparatus; gloves; men's footwear; toilet requisites; and jewelry.

UNITED KINGDOM

SUMMARY OF PRINCIPAL CONCESSIONS OF INTEREST TO THE UNITED STATES

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref.	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 Total U.K. Imports (£1,000)
3 Exempt.	Wheat in grain	-	Free	Free	Free	Free	3,279	28,002
3 GAV	Barley in grain	ad val.	10%	Free	10%	Free	793	3,926
4	Apples, fresh or raw from Aug. 16 to April 15	cwt.	3s.	Free	Free	Free	1,378 1/	5,022 1/
4	Pears, fresh or raw							
	from Aug. 1 to Jan. 31	cwt.	3s.	Free	3s.	Free	670	1,531
	from Feb. 1 to July 31	cwt.	4s.6d.	Free	4s.6d.	Free		
4 & 6	Fruit, dried without sugar:							
	Raisins	cwt.	10s.6d.	Free	8s.6d.	Free	626	2,329
	Prunes	cwt.	10s.6d.*	Free*	7s. 2/*	Free 2/*	594 3/	650 3/
	Apricots	cwt.	10s.6d.	Free	8s.	Free		
3 I (4)(i) (b) (1)	Apples, pears, peaches and nectarines	cwt.	7s.	Free	7s. or 10% ad val 4/ whichever is the greater	Free 4/	88	113
	Fruit, preserved by chemicals or artificial heat (other than preserved in syrup)							
3 I (4) (i) (a) (1)	Apples, other than dried	cwt	3s.6d. or 20% whichever is the less	Free	3s.6d.	Free	93	290

* The Gov. of the United Kingdom shall be free to maintain until 1st Sept., 1948, the rates in force at the date of this Agreement.

1/ Trade for the whole year 2/ The products provided for under this item shall be exempt from ordinary most-favored-nation customs duties which exceed the preferential duties on such products. 3/ Including plums, prunellos, greengages, damsons and mirabelles. 4/ The products provided for under this item shall be exempt from ordinary most-favored-nation customs duties which exceed the preferential duties on such products by more than 7s. per cwt.

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 Total U.K. Imports (£1,000)
	Fruit, preserved in syrup:							
4	Apples	cwt.	2s.3d.	Free	2s.3d.	Free	53	54
4	Apricots	ad val.	15%	Free	12%	Free	506	634
4	Loganberries	cwt.	4s.	Free	4s.	Free	72 1/	132 1/
4	Peaches	ad val.	15%	Free	12%	Free	1,283	2,073
4	Pineapples	cwt.	5s.	Free	5s.	Free	128	1,499
4	Pears	ad val.	15%	Free	12%	Free	1,254	1,867
4	Fruit salad, where not less than 80% by weight....consists of....peaches, nectarines, pears, apricots, cherries	cwt.	5s.6d.	Free	Free	Free)	988	1,000
	Other fruit salad	cwt.	5s.6d.	Free	5s.6d.	Free)		
3 Exemp.	Grapefruit and grapefruit juice, preserved	-	Free	Free	Free	Free	660 2/	662 2/
	Vegetables, preserved in air-tight containers but not including vegetables and pickles preserved in vinegar:							
3 GAV	Asparagus	Ad val.	10%	Free	10%	Free	88	102

1/ Including currants, gooseberries, raspberries and strawberries.
2/ Grapefruit only

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref.	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 Total U.K. Imports (£1,000)
Ex 3 I(7)(ii)	Peas	Ad val.	20%	Free	10%	Free	n.a.	n.a.
Ex 3 I(7)(ii)	Beans	Ad val.	20%	Free	10%	Free)	13 1/	148 1/
3 GAV	Maize	Ad val.	10%	Free	10%	Free)		
Ex 3 I(7)(ii)	Other, except tomatoes	Ad val.	20%	Free	15%	Free)		
3 I (9)	Soya bean cake and meal	Ad val.	20%	Free	15%	Free	1	2
3 GAV	Soya beans	Ad val.	10%	Free	5%	Free	78	302
6	Tobacco, unmanufactured, unstripped: Containing 10 lbs. or more of moisture in every 100 lbs. weight thereof	Lb.	£2 14s.10d.	£2.13s.3½d. 2/		2/	8,173	13,025
3 GAV	Salmon, preserved in airtight containers	Ad val.	10%	Free	5%	Free	1,103	5,073
4	Salmon, chilled or frozen	Lb.	3/4d.	Free	Free	Free	51 3/	610 3/
3 GAV	Pigs' tongues, preserved in airtight containers	ad val.	10%	Free	10% 4/	Free 4/	518	641

1/ Excluding peas

2/ (a) If at any future time the rate of ordinary most-favored-nation customs duty chargeable upon tobacco, unmanufactured, unstripped, containing 10 lb. or more of moisture in every 100 lb. weight thereof, does not exceed £2.5s.2d. per lb., such tobacco shall thereafter be exempt from ordinary most-favoured-nation customs duties which exceed the preferential duties thereon by more than 1s.3d. per lb.

(b) If at any future time the said most-favoured-nation rate chargeable on such tobacco does not exceed £1.15s.6d. per lb., such tobacco shall thereafter be exempt from ordinary most-favoured-nation customs duties which exceed the preferential duties thereon by more than 1s. per lb.

3/ Reported as salmon and migratory trout, fresh or frozen.

4/ The products provided for under this item shall be exempt from ordinary most-favoured-nation customs duties which exceed the preferential duties on such products.

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFN	Before Agreement Pref.	Under Agreement MFN	Under Agreement Pref.	1939 U.K. Imports from U. S. (£1,000)	1939 Total U.K. Imports (£1,000)
3 GAV	Canned ground or chopped meat wholly of pork (incl. ham and bacon)	ad val.	10%	Free	10%1/	Free1/	19 2/	109 2/
3 Exemp.	Hams, not canned	-	Free	Free	Free3/	Free3/	1,923	3,370
3 Exemp.	Lard	-	Free	Free	Free	Free	2,594	3,012
3 GAV	Sausage casings, hog, natural	ad val.	10%	Free	Free	Free	537 4/	1,134 4/
3 V(2)(i)	Blast furnace pig iron smelted with coke	ad val.	33-1/3	Free	25%	Free	358	1,438
3 VII(4)	Aluminum sheets, strip, plates, discs and circles.....not plated, coated, drilled or punched; bars...rods, wire,etc.	ad val.	15%	Free	15%	Free	885	1,623
Ex 3 VIII (4) & Ex 3 X(1)	Tools and parts; machine tool parts & accessories (drills, braces, saws, files, wrenches, vices, threading dies, pipe cutters, pliers & parts, lifting jacks, tire levers, broaches, chucks, cutting tools, jigs, press tools & tool holders	-	Various5/	Free	Various6/	Free	53	70

1/ The products provided for under this item shall be exempt from ordinary most-favored-nation customs duties which exceed the preferential on such products by more than 5% ad valorem. 2/ Pork, tinned, canned,etc. other than bacon hams and tongues. 3/ The quantity of hams permitted to be imported from all sources free of duty shall be no less than 775,000 cwts. a year. On those not permitted to be imported free, the U.K. shall be free to charge duties at most-favored-nation rate not exceeding 5d. per lb. and the mfn rate shall not exceed the preferential rate. 4/ Bladders, casings and sausage skins. 5/ Most at 15% or 20% ad valorem 6/ Most at 15% ad valorem.

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref.	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 Total UK Imports (£1,000)
3 IX(2)(ii)(iii)	Electrical cooking and heating apparatus	ad val.	15%	Free	10%	Free	84	143
Ex 3 X (1)	Power-operated excavating machinery, power-operated lifting machinery & parts	ad val.	20%	Free	15%	Free	441	531
Ex 3 X (1)	Telphers, power operated; Conveyor or transporter installations, power operated, operating on a fixed track	ad val.	20%	Free	15%	Free	13	23
Ex 3 X (1)	Machine tools, other than welding machines & portable power tools	ad val.	20%	Free	20%	Free	5,443	7.707
Ex 3 X (1)	Portable power tools: pneumatic	ad val.	20%	Free	15%	Free	168	204
Ex 3 X (1)	Air and gas compressors & exhausters	ad val.	20%	Free	15%	Free	77	166
Ex 3 X (1)	Internal combustion engines, stationary	ad val.	20%	Free	17½%	Free	n.a.	n.a.
Ex 3 X (1)	Textile machinery (opening, ragtearing, garnetting, fedding, spreading, drying, carding, gilling, carbonising, drawing, beating, etc.)	ad val.	20%	Free	15%	Free	429 1/	1,173 1/

1/ Trade figures cover the textile machinery, including looms for weaving and knitting machines, on page 6.

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref.	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports from U. S. (£1,000)	1939 Total U.K. Imports (£1,000)
Ex 3 X (1)	Textile machinery (pirn, cone creeling, sizing, etc.)	ad val.	20%	Free	20%	Free	See trade figures on page preceding for "textile mach."	
3 X (2) (xxvii)	Warp tying and warp drawing machines	ad val.	15%	Free	15%	Free	"	"
Ex 3 X (1)	Looms for weaving, fitted with box motions	ad val.	20%	Free	20%	Free	"	"
Ex 3 X (1)	Warp knitting machines;	ad val.	20%	Free	15%	Free	"	"
	Flat bar knitting machines;	ad val.	20%	Free	15%	Free	"	"
	other knitting machines	ad val.	20%	Free	20%	Free	"	"
Ex 3 X (1)	Printing machines:							
	Sheet-fed cylinder, flat bed, platen or rotary presses	ad val.	20%	Free	15%	Free	141	454
	Magazine presses	ad val.	20%	Free	15%	Free		
Ex 3 X (1)	Packing and labelling machines:							
	Carton & bread wrappers, labelling machines, filling machines	ad val.	20%	Free	20%	Free	112	230
	Can casing machines	ad val.	20%	Free	15%	Free		
	Capper, sealers & closers	ad val.	15%	Free	15%	Free		
3X (2)(xviii) and (xix)	Office machinery: accounting, calculating, adding, listing, book-keeping, billing, posting, check-writing machines	ad val.	15%	Free	15%	Free	541	751

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref.	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports From U.S. (£1,000)	1939 United Kingdom Total Imports (£1,000)
Ex 3 X (2)(iii)	Typewriters, with or without cases:							
	(a) Up to and including 22 lb. weight	Each	1/	Free	2/	Free)	415	668
	(b) Over 22 lb. weight	Each	3/	Free	4/	Free)		
3 X (2) (xxix)	Rolling mill (metal-working) machinery.....used for the reduction of metal by rolling; working & transporter roller racks & tables, etc.	Ad val.	33 1/3%	Free	25%	Free	900	1,021

1/ (1) three-bank machines: £1.5s. per machine; (2) four-bank machines: £2 per machine
2/ £1.15s. per machine or 20% whichever is the greater, provided in no case shall the duty exceed £3 .per machine
3/ (1) if the value does not exceed £ per machine: £2.10s. per machine; (2) if the value exceeds £6 per machine; £3 10s. per machine
4/ £2 per machine or 20 percent whichever is the greater, provided that in no case shall the duty exceed £3 10s. per machine.

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref.	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 U.K. Total Imports (£1,000)
Ex 3 X (1)	Aircraft and aircraft parts	ad val.	20%	Free	20%	Free	4,327	4,524
3 XI (8)	Wood and timber of coniferous species, other than boxboards, railway sleepers, and sleeper blocks, square sawn, but not further prepared or manufactured:							
	11 inches or more in width throughout its length	per standard*	16s.1/	Free	8s.2/	Free	n.a.	n.a.
	Other, valued at £18 or more per standard	per standard*	16s.	Free	8s.	Free	n.a.	n.a.
	..... valued at £16 12s. or more, but less than £18 per standard	-	10%3/	Free	10%4/	Free	n.a.	n.a.
3 GAV	Hardwood, square sawn	ad val.	10%	Free	10%	Free	1,938	4,250
3 GAV	Plywood (incl. laminboard, blockboard & battenboard) faced with softwood	ad val.	10%	Free	10%	Free	107 5/	973 5/
3 Exemp.	Cotton, raw	-	Free	Free	Free	Free	12,610	32,775
3 Exemp.	Cotton linters, unbleached	-	Free	Free	Free	Free	259	444
3 Exemp.	Cotton waste, unmanufactured	-	Free	Free	Free	Free	338	917

* standard of 165 feet

1/ Subject to an over-riding maximum of 10% ad valorem. 2/ With provisions for possible duty free entry depending on action by the U. S. in regard to treatment accorded Canadian lumber; and with provision for change in value limitations according to average value of U.K. imports of sawn softwoods from all countries. 3/ Less ~~XXXX~~ 1% for each 4s. by which the value exceeds £16 16s. per standard. 4/ Less 1% for each 4s. by which the value exceeds £16 8s. per standard. 5/ Plywood, other than faced with alder and birch

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFTN	Before Agreement Pref.	Under Agreement MFTN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 Total U.K. Imports (£1,000)
Ex 3 XV(1)(iii)	Women's handbags and pochettes	each	1/	Free	2/	Free	n.a.	48
3 XIII (1)	Women's and girls dresses, coats and skirts, wholly of cotton	per garment	3/	Free	4/	Free	47	97
Ex 6	Stockings and socks wholly or mainly of silk	-	5/*	6/*	7/*	8/*	76	361

1/ 20 ad valorem, or 1s. each, whichever is the greater.
2/ 17-1/2 ad valorem, or 1s. 9d. each, whichever is the greater
3/ of a value exceeding 4s. each, 20% ad valorem
4/ 17-1/2% ad valorem, or 1s. 9d. per garment, whichever is the greater.
5/ 43-1/3% ad valorem or 12s. the lb., whichever is the greater, provided that in no case shall the duty exceed 10s. per dozen pairs.
6/ 28-6/7% ad valorem or 8s. the lb., whichever is the greater, provided that in no case shall the duty exceed 8s.4d. per dozen pairs.
7/ 33-1/3% or 12s. the dozen pairs, whichever is the greater.
8/ 27-1/2% or 10s. the dozen pairs, whichever is the greater.

* The Gov. of the United Kingdom shall be free to maintain until 1st Sept., 1948, the rate in force at the date of this Agreement.

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFFN	Before Agreement Pref.	Under Agreement MFFN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 Total U.K. Imports (£1,000)
Ex 6	Stockings and socks wholly of artificial silk - (nylon)	-	1/	2/*	3/	4/*	n.a.	n.a.
3 XIII (2)(iii)	Women's footwear: boots, bootees, shoes, overshoes, slippers & sandals...not rubber	-	5/	Free	6/	Free	231 7/	1,078 7/
3 GAV	Carbon black from natural gas	ad val.	10%	Free	10%	Free	789	792
3 Exemp.	Sulphur	-	Free	Free	Free	Free	562	722
3 GAV	Paraffin wax	ad val.	10%	Free	10%	Free	316	906
3 GAV	Petroleum jelly	" "	10%	Free	10%	Free	179	189
3 Exemp.	Rosin (colophony)	-	Free	Free	Free	Free	589	1,032
3 GAV	Maize starch of a value not exceeding 10s. per cwt.	ad val.	10%	Free	10%	Free	487	1,027
	of a value exceeding 10s. per cwt.	" "	10%	Free	8	Free		

1/ 43-1/3% ad valorem or 5s. the lb., whichever is the greater.
2/ 36-1/9% ad valorem or 4s.2d. the lb., whichever is the greater
3/ 33-1/3% ad valorem or 10s. the dozen pairs, whichever is the greater.
4/ 30% ad valorem or 8s. the dozen pairs, whichever is the greater.
5/ Of a value exceeding 10s. a pair: 8s. per pair or 10 percent, whichever is the greater
(Footnotes continued on following page)

Footnotes continued from preceding page:

6/ 3s. a pair or 10%, whichever is the greater.
7/ Trade figures cover "women's leather boots, bootees and shoes (other than overshoes, slippers, house shoes, and sandals of leather)".
8/ 7-1/2% or 1s. per cwt., whichever is the greater.

* The Gov. of the United Kingdom shall be free to maintain until 1st Sept., 1948, the rate in force at the date of this Agreement.

Tariff Item Number	Tariff Nomenclature	Dutiable Unit	Before Agreement MFTN	Before Agreement Pref.	Under Agreement MFTN	Under Agreement Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 United Kingdom Total Imports (£1,000)
3 Exemptions	Fur skins, raw, dried, salted or pickled	-	Free	Free	Free	Free	1,385	8,068
3 XV (3) (iii) & 3 GAV	Tubing and piping....wholly or partly of rubber, synthetic rubber, etc.	-	1/	Free	10%	Free	405	423
	Motor Vehicles:							
Ex 3 XVII (2) (i) (a)(i)	Motor bicycles & motor tricycles	ad val.	33-1/3%*	22-2/9%*	22-½%*	22½%*	n.a.	5
(ii)	Agricultural tractors (not track-laying)	" "	15%*	10%*	15%*	15%*	594	602
3X (2) (iii) (x) (a)	Track-laying tractors: (a) of a drawbar horsepower not exceeding 50	ad val.	25%	Free	20%	Free)	522	523
	(b) of a drawbar horsepower exceeding 50	ad val.	25%	Free	15%	Free)		
Ex 3 XVII (2) (i)	All other kinds motor vehicles, of 25 h.p. or more	ad val.	33-1/3%	Free	33-1/3%	Free	481	716
3 XVIII(2)(i)	Toilet preparations excl. bath salts, soap, etc.	ad val	20%	Free	20% 2/	Free 2/	62	170

1/ 1½d. per lb. or 15%, whichever is the greater

2/ The products provided for under this item shall be exempt from ordinary most-favored-nation customs duties which exceed the preferential duties on such products by more than 15% ad valorem.

* The Government of the United Kingdom shall be free to maintain until the 1st September, 1948, the rates, and the margin of preference, in force at the date of this Agreement.

Tariff Item Number	Tariff Nomenclature	Dutiable Before Agreement Unit	Mffn.	Pref.	Under Agreement MFFN	Pref.	1939 U.K. Imports from U.S. (£1,000)	1939 Total U.K. Imports (£1,000)
3 XVIII (6)	Artificial teeth, crowns and facings:							
	(i) wholly or partly of metal	-	1/	Free	2/	Free)	243	269
	(ii) all others	-	3/	Free	4/	Free)		
3 XVIII(25) (i)	Gramophones with electrical amplification, incl. radio-gramophones	Ad val	25%	16-2/3%	20%	13-2/3%)	31	46
(ii)	Gramophone records	" "	25%	16-2/3%	20%	13-2/3%)		
5	Cameras, cinematograph:							
	(i) 16 mm.	Ad val.	50%	Free	33-1/3%	Free)	44 5/	163 5/
	(ii) 9.5 mm. or less	" "	50%	Free	40%	Free)		
5	Cinematograph appliances:							
	Cinematograph projectors	Ad val.	50%	Free	33-1/3%	Free)	54 6/	95 6/
	Arc lamps for cinematograph projectors	Ad val.	50%	Free	33-1/3%	Free)		
3 GAV	Celluloid (cellulose nitrate) film base, not sensitized, and celluloid scrap and waste	Ad val.	10%	Free	10%	Free	476	524
3 GAV	Celluloid (cellulose nitrate) not sensitized, in rolls, other than cinematograph film base	" "	10%	Free	10%	Free	269	504

1/ 10s. per hundred or 20% ad val., whichever is the greater
2/ 10s. per hundred or 15% ad val., whichever is the greater
3/ 2s. per hundred or 20% ad val., whichever is the greater
4/ 3s. per hundred or 15% whichever is the greater
5/ Cameras of all kinds.
6/ Cinematograph and projection apparatus (including magic lanterns)

Dependent Territories of the United Kingdom - It was agreed that in each of the territories (except Ceylon) named in Schedule III of the Trade Agreement between the United Kingdom and the United States, signed November 17, 1938, the margin of preference, if any, on any product listed in that Schedule will not exceed three-fourths of the margin existing on April 10, 1947, or 25 percent ad valorem (or a margin of specific or other duties equivalent to 25 percent ad valorem), whichever margin is the smaller. No margin need be reduced to less than 2 percent ad valorem (or a margin of specific or other duties equivalent to 2 percent ad valorem).

These reductions in preference margins will come into effect at the earliest practicable date and in any event not later than December 31, 1949. They may be made inoperative during the whole of any calendar year which immediately follows a calendar year in which the quantity of general purpose synthetic rubber required to be consumed in the United States under internal quantitative regulations exceeds 25 percent of the total consumption in the United States of natural, synthetic and reclaimed rubber.

The territories covered in this concession include the British Caribbean colonies of the Bahamas, Barbados, Bermuda, British Guiana, British Honduras, Jamaica, Leeward Islands, Trinidad and Tobago, Turks and Caicos, Windward Islands, and Cayman Islands; the African and Mediterranean colonies of Cyprus, Gambia, Malta, Mauritius, Northern Rhodesia, Sierra Leone, and British Somaliland; and Fiji Islands, Hong Kong, Malayan Union, and British Solomon Islands. Nigeria and the Gold Coast, which were included in the last agreement, would not be affected since they have no preferential duties. Ceylon, previously included, has a separate schedule in the present agreement.

The products covered by the 1938 Trade Agreement included more than 300 different articles, and, since many of these were articles which were included in the schedules of concessions in more than one colony, the total number of items listed in Schedule III of the 1938 Agreement exceeded eleven hundred. Since the margin of preference accorded the British was eliminated for some 310 items in that agreement, either by reductions in duty or by binding existing parity of treatment, the total number of items covered in the present concessions would be just over 800, excluding Ceylon.

The most important commodities concerned are wheat flour, grains and other grain products; unmanufactured tobacco in those colonies where the preference has not already been eliminated and manufactured tobacco; fresh, dried, and canned fruit, and meat products; motor cars, parts and accessories; lumber and lumber manufactures; textiles and manufactures; lubricating oil; paper and paper manufactures; a wide variety of machinery, such as office machinery, including typewriters and air-conditioning machinery; canned or preserved fish; electrical goods and apparatus, including radios; hardware; moving-picture films and apparatus; and implements and tools.

In the present agreement, the United States obtained a concession from the Malayan Union with regard to the export duties on tin ore and tin concentrates. Tin ores and tin concentrates are to be assessed duty on the basis of their tin content, the rate to be levied on such

tin content being the same as the rate chargeable on smelted tin. It was provided that the rate of duty on this item may exceed the rate chargeable on smelted tin in the event that and so long as the United States subsidizes directly or indirectly the smelting of tin in the United States. Should the Malayan Union avail itself of this right, the United States would be free to withdraw its binding of the duty-free status of tin.

Newfoundland Of the concessions made by Newfoundland those on 51 tariff items or sub-items are of primary interest to the United States. On 22 of these items duties were reduced, on 13 items the existing rates were bound against increase, and on 16 items assurance was obtained that present duty-free treatment would be maintained. These concessions cover about $2,767,000 of trade based on 1938-39 imports from the United States or about 37 percent of Newfoundland's total imports from this country in that year. On the basis of 1945-46 trade the corresponding figures are $6,983,000 and 34 percent.

Items of primary interest to the United States on which concessions were made are food products, certain articles of clothing including shoes for women and children electric motors and machinery.

The total imports from the United States accounted for by items on which concessions were made by Newfoundland were valued at $2,775,000 in 1938-39. The trade benefiting from reduction of rates amounted to $453,000; from binding of rates, $463,000; and from binding of duty-free treatment, $1,859,000.

Food Products

Wheat meal and flour, salted beef and pork in barrels, canned meats, apples, oranges , other fresh fruits, prunes and figs, seedless raisins, and preserved or condensed milk were assured continued duty-free entry. The existing duties were bound on butter, dry-salted or pickled hams and tongues, and certain dried fruits. The duty on canned fruit was reduced from 40% to 25%, the duties on fruit and vegetable juices were eliminated, and the duty on milk foods was reduced from 45% to 10%.

Machinery and Metal Products

The duties were reduced from 40% to 30% on iron and steel pipes and office and certain kinds of domestic machines, from 30% to 20% for several categories of electrical goods such as wires and lamps, and for dry cell batteries, and from 10% to free for machinery used in the processing of fisheries products. For various types of hand tools and implements, builders' tools and hardware, certain types of electric motors and generators, radios and parts, hand and power machinery, elevators, heating equipment such as furnaces, radiators and boilers, wood working and saw mill machinery, and a few other products of that category, existing rates were bound against increase. Continued duty-free treatment was assured power tractors, mining machinery, and paper and pulp-making machinery.

Textiles and Clothing

Duty-free treatment was continued for cotton yarn and twist and rubber boots. Duties were reduced on rayon or

artificial silk piece fabrics from 35% to 20%, on cotton articles including towels, sheets, curtains and quilts from 45% to 35%, on leather clothing from 55% to 40%, on women's and children's boots and shoes from 35% to 30%, on hats and caps from 55% to 45%, on gloves and mitts from 45% to 40%, and on sole leather from 15% to 10%.

Miscellaneous Products

On certain types of paper and stationery products duties were reduced from 60% to 45% and on printing paper the existing duty was bound. Tooth pastes and powder received a reduction from 65% to 50%. Tobacco leaf, when imported by licensed manufacturers in bond, was assured continued duty-free treatment.

British Preference

The margin of preference accorded the United Kingdom was eliminated on electric wires and cables, insulators, electric lamps and similar products, on office and domestic machinery, and on certain types of machinery used in the drying, cleaning, packing, manufacturing or refining of the products of the fisheries. The margin of preference was reduced on rayon and artificial silk piece fabrics, and on sole leather and rough, split or undressed leather.

NEWFOUNDLAND

Summary of Principal Concessions of Interest to the United States

Tariff No.	Brief Description	Before Agreement		Under Agreement		Imports from U.S. ($000)	
		Standard	Preferential	Standard	Preferential	1938-39 1/	1945-46 1/
15	Wheat meal and flour	Free	Free	Free	Free	243	142
38 & 39	Beef and pork, salted, in barrels	Free	Free	Free	Free	814	1,739
44	Canned meats	Free	Free	Free	Free	5	226
76(a) & 77	Apples, oranges, grapes, certain other fresh fruits	Free	Free	Free	Free	197	473
80(b)	Seedless raisins	Free	Free	Free	Free	25	309
94	Milk and cream preserved or condensed	$0.02½ 2/	$0.02½ 2/	Free	Free	82	394
381	Electric motors, etc.	20%	10%	20%	10%	25	221
382	Electric wires, cables, lamps, etc.	30%	20%	20%	20%	99	242
402	Office and domestic machinery	40%	30%	30%	30%	12	28
403(b)	Wood-working, saw-mill machinery	20%	10%	20%	10%	87	346
464	Women's and children's boots and shoes	35%	30%	30%	25%	40	214
1038	Fisheries' machinery	10%	Free	Free	Free	16	256

1/ Fiscal year ending June 30.
2/ Duty temporarily suspended.

CONCESSIONS MADE BY THE UNITED STATES

Summary - The concessions made by the United States at Geneva consisted of bindings of tariff rates or duty-free entry and reductions in tariff rates. The analysis which follows will show the area of United States import trade in terms of 1939 imports covered by each type of concession followed by brief comments on the more important items on which concessions were made in various classes of imports.

Table I shows the value of total dutiable and duty-free imports into the United States in 1939, broken down as between the countries which participated in the Geneva negotiations and those which did not participate. The table also shows the total value of United States imports of products on which no concessions were made and of the products on which concessions were made, analyzed by type and extent of concession. The data are preliminary.

Total United States imports in 1939 of dutiable and duty-free products were 2,247.7 million dollars. Concessions were made on products accounting for 1,766.5 million dollars or 78 percent of total imports.

Of the 1,766.5 million dollars of imports on which concessions were made, 1,336.7 million dollars or 76 percent came from participating countries.

Total dutiable imports in 1939 were 906.5 million dollars. Concessions were made on 636.4 million dollars or 70 percent of total dutiable imports. Of this 636.4 million dollars, 543.1 million dollars or 85 percent came from participating countries.

Existing rates of duty were bound on imports accounting for 128.9 million dollars or 20 percent of total dutiable imports, were reduced less than 25 percent on 60.3 million dollars (10 percent), were reduced 25 to 35 percent on 174.5 million dollars (27 percent) and were reduced 35 to 50 percent on 272.7 million dollars (43 percent).

Total duty-free imports into the United States in 1939 were 1,341.2 million dollars. This duty-free status was bound on products accounting for 1,130.1 million dollars or 85 percent of total duty-free imports. 793.6 million dollars or 70 percent of the products whose duty-free status was thus bound came from participating countries.

Table I - United States Imports in 1939, total and by kind and extent of concession.

	(In millions of dollars)		
	Total from all countries	From countries participating in Geneva negotiations	From countries not participating in Geneva negotiations
Total imports (dutiable and free)	2,247.7	1,437.7	810.0
Imports of non-concession items	481.2	91.0	380.2
Imports of concession items	1,766.5	1,336.7	429.8
Total imports dutiable	906.5	580.6	325.9
Imports of dutiable non-concession items	270.1	37.5	232.6
Imports of dutiable concession items	636.4	543.1	93.3
Bindings	128.9	115.0	13.9
Reductions - Total	507.5	428.1	79.4
Less than 25%	60.3	40.4	19.9
25 to 35%	174.5	154.9	19.6
36 to 50%	272.7	237.8	39.9
Total imports free	1,341.2	857.1	484.1
Imports of non-concession items 1/	211.1	63.5	147.6
Imports of items bound free of duty	1,130.1	793.6	336.5

1/ Includes items on the free list (136.1 million dollars); imports under the dutiable schedules of the Tariff Act of 1930 imported free of duty from the Philippine Islands (72.7 million dollars), and imports of other items entered free of duty under special provisions of the Tariff Act of 1930 (2.3 million dollars).

NOTE: The above table does not include imports free of duty under bond for processing, refining, and manufacture and export, amounting to 59.3 million dollars.

NOTE: The figures given in the above table represent United States imports in 1939 of all products except for a comparatively few items with respect to which imports in that year were abnormal. In such cases statistics of imports in 1937 were substituted for statistics of imports in 1939. The net result of these substitutions is that the total imports shown in the above table as for 1939 are 30.9 million dollars greater than the actual imports in that year.

Eighty-one percent of total imports in 1939 of items on which the United States has made concessions were imported from the United Kingdom and colonies, Canada, the Belgium-Luxemburg-Netherland Customs Union, and its overseas territories, Brazil, Cuba and France.

United Kingdom and Colonies. - Total imports from the United Kingdom in 1939 amounted to 334.0 million dollars. Imports of concession items amounted to 321.2 million dollars, of which 109.9 million dollars were dutiable and 211.3 million dollars were free of duty.

Reductions of 36 to 50 percent were made on imports valued at 60.3 million dollars; reductions of 25 to 35 percent on imports valued at 22.2 million dollars and reductions of less than 25 percent on imports valued at 16.5 million dollars. Existing duties were bound on imports valued at 10.8 million dollars. A concession on whiskey, the largest single dutiable import from the United Kingdom, accounted for over half of the imports in the 36 to 50 percent reduction category. Other important concessions on dutiable items were on woolens and worsteds, countable cotton cloths, linen goods, earthenware and chinaware, and certain types of machinery.

Among the most important free list items which were bound are crude rubber, tin bars, blocks, pigs, etc., and cocoa or cacao beans.

Canada. - Imports from Canada in 1939 amounted to 323.3 million dollars. Imports of concession items amounted to 299.1 million dollars, of which 105.5 million dollars were dutiable and 193.6 million dollars were free of duty. Reductions of 36 to 50 percent were made on imports valued at 64.9 million dollars; reductions of 25 to 35 percent on imports valued at 11.5 million dollars and reductions of less than 25 percent on imports valued at 1.1 million dollars. Existing duties were bound on items accounting for imports valued at 28.0 million dollars.

The principal dutiable items imported from Canada on which concessions were made were whiskey, cattle, fish, cheese, potatoes and other vegetables, blueberries, aluminum, nickel, Christmas trees, and certain kinds of lumber.

Standard newsprint paper accounted for more than half of the duty free imports from Canada which were bound on the free list. Wood pulp was also an important free list concession item.

Benelux. - The total imports in 1939 from Belgium, the Netherlands and Luxembourg (The Customs Union of Benelux) and the overseas territories of

UNITED STATES IMPORTS IN 1939, TOTAL AND BY THE COUNTRIES PARTICIPATING IN THE GENEVA NEGOTIATIONS, SHOWING KIND AND EXTENT OF CONCESSIONS

(In thousands of dollars)

Country	Imports (dutiable and free)			Imports, dutiable	
	Total	Concession items	Non-Concession items	Total	Non-Concession items
Australia	15,475	14,752	723	8,465	396
Belgium and colonies	63,515	61,482	2,033	47,417	334
Brazil	106,305	100,252	6,053	10,618	3,489
Canada	323,267	299,142	24,125	111,419	5,857
Chile	17,505	17,343	162	1,421	56
China (Hong Kong and Kwantung)	65,458	62,091	3,367	26,263	2,016
Cuba	101,079	98,009	3,070	92,664	283
Czechoslovakia	35,729	23,238	12,491	31,831	9,134
France and colonies	79,028	70,977	8,051	47,527	4,881
India	66,332	54,773	11,559	35,806	1,572
Lebanon (Syro-Lebanese Union)	3,097	2,910	187	554	96
Netherlands and colonies	141,252	129,249	12,003	32,692	1,632
New Zealand	11,555	9,635	1,920	3,808	1,651
Norway	21,837	21,026	811	10,675	683
Union of South Africa	24,390	23,496	894	2,856	233
United Kingdom and colonies	334,018	321,151	12,867	114,486	4,587
(Burma	365	74	291	301	285
(Ceylon	21,066	20,788	278	374	212
(Newfoundland	6,453	6,325	128	1,448	85
TOTAL	1,437,726	1,336,713	101,013	580,625	37,482
Non-Participating countries	810,044	429,788	380,256	325,910	232,625
GRAND TOTAL	2,247,770	1,766,501	481,269	906,535	270,107

1/ Includes items on the free list (136,107 thousand dollars); imports under the dutiable schedules of the Tariff Act of 1930 imported free of duty from the Philippine Islands (72,714 thousand dollars); and imports of other items entered free of duty under special provisions of the Tariff Act of 1930 (2,334 thousand dollars).

Note: The above table does not include imports free of duty under bond for processing, refining, and manufacture and export, amounting to 59,278 thousand dollars.

Note: The figures given in the above table represent US imports in 1939 of all products except for a comparatively few items with respect to which imports in that year were abnormal. In such cases statistics of imports in 1937 were substituted for statistics of imports in 1939. The net result of these substitutions is that the total imports shown in the above table as for 1939 are 30,947 thousand dollars greater than the actual imports in that year.

Imports, dutiable, cont.					Imports, free		
Concession Items					Total	Non-Concession items1/	Bound
		Reductions					
Total	Bindings	Less than 25%	25 to 35%	36 to 50%			
8,069	376	83	7,300	310	7,010	327	6,683
47,083	25,397	2,910	3,109	15,667	16,098	1,699	14,399
7,129	4,055	--	11	3,063	95,687	2,564	93,123
105,562	28,048	1,114	11,535	64,865	211,848	18,268	193,580
1,365	101	80	208	976	16,084	106	15,978
24,247	6,920	4,025	3,987	9,315	39,195	1,351	37,844
92,381	16,268	1,418	74,391	304	8,415	2,787	5,628
22,697	3,268	6,170	3,154	10,105	3,898	3,357	541
42,646	5,468	5,341	13,392	18,445	31,501	3,170	28,331
34,234	1,284	180	4,533	28,237	30,526	9,987	20,539
458	2	--	3	453	2,543	91	2,452
31,060	9,759	2,055	6,024	13,222	108,560	10,371	98,189
2,157	578	--	991	588	7,747	269	7,478
9,992	2,263	376	1,218	6,135	11,162	128	11,034
2,623	26	2	2,178	417	21,534	661	20,873
109,899	10,849	16,562	22,168	60,320	219,532	8,280	211,252
16	3	9	--	4	64	6	58
162	119	--	3	40	20,692	66	20,626
1,363	183	143	713	324	5,005	43	4,962
543,143	114,967	40,468	154,918	232,790	857,101	63,531	793,570
93,285	13,901	19,864	19,607	39,913	484,134	147,631	336,503
636,428	128,868	60,332	174,525	272,703	1,341,235	211,162	1,130,073

Belgium and the Netherlands were valued at 204.8 million dollars. Imports of concession items amounted to 190.7 million dollars, of which dutiable imports accounted for 78.1 million dollars and free imports accounted for 112.6 million dollars. Reductions of 36 to 50 percent were made on imports valued at 28.9 million dollars; reductions of 25 to 35 percent on 9.1 million dollars; reductions of less than 25 percent on 5.0 million dollars. Existing duties were bound on imports valued at 35.1 million dollars.

Among the principal imports of dutiable concession items in 1939 from Benelux were diamonds cut but not set, flower bulbs, gelatine, various types of glass, tobacco and bauxite.

Crude rubber, tea, tapioca, and palm oil accounted for more than half of the free list imports on which concessions were made.

Brazil. - Total imports into the United States from Brazil in 1939 were valued at 106.3 million dollars. Concession items accounted for 100.2 million dollars of the total. Of the concession items, dutiable imports were valued at 7.1 million dollars and free imports at 93.1 million dollars. Reductions in duty of 36 to 50 percent were made on imports valued at 3.0 million dollars. Bindings of present duties accounted for virtually the remainder of the dutiable imports on which concessions were made.

The principal dutiable imports on which concessions were made are Brazil nuts and castor beans. Coffee, carnauba wax, cocoa beans, oiticica oil, and babassu nuts accounted for the bulk of imports in 1939 of items which were bound on the free list.

Cuba. - Total imports from Cuba into the United States in 1939 were valued at 101 million dollars. Concession items accounted for 98 million dollars of this amount. Concession items consisted of dutiable imports valued at 92.4 million dollars and free imports valued at 5.6 million dollars. Duty reductions of 36 to 50 percent were made on imports valued at 0.3 million dollars. Reductions of duty of 25 to 35 percent were made on imports valued at 74.4 million dollars. A reduction of 25 percent on sugar accounted for nearly all of this amount. Imports on which reductions of less than 25 percent were made were valued at 1.4 million dollars. Bindings of the present duties were made on imports valued at 16.3 million dollars. Dutiable imports on which concessions were made include tobacco, inedible

molasses and manganese.

France. - Imports from France and its colonies amounted to 79 million dollars in 1939. Imports of concession items were valued at 71 million dollars of which 42.7 million dollars were dutiable imports and 28.3 million dollars were free imports. Duty reductions of 36 to 50 percent were made on imports valued at 18.4 million dollars; reductions of 25 to 35 percent on imports valued at 13.4 million dollars, and reductions of less than 25 percent on imports valued at 5.3 million dollars. Existing duties were bound on imports valued at 5.5 million dollars.

Among the principal dutiable imports from France on which concessions were made were still and sparkling wines, brandy, leather gloves, perfumes and laces.

Crude rubber, coney and rabbit furs were the principal items from France and colonies which were bound on the free list.

Other countries. - Australia - Wool, on which a 25 percent reduction in the duty was made, accounted for most of the imports of dutiable concession items. Wool is also important in imports from New Zealand and the Union of South Africa.

Chile. - Imports of sodium nitrate, which was bound free of duty, accounted for a large part of the 1939 imports from Chile. The concession on copper, of which Chile is a principal supplier, is also of major interest to that country.

China. - Concessions of principal interest to China include those on tungsten, antimony, handkerchiefs, embroideries, some vegetable oils, hat braids and bristles.

Czechoslovakia. - Glassware, chinaware, jewelry, imitation precious stones, and footwear on which concessions were made are important among imports from Czechoslovakia.

Ceylon. - Crude rubber and tea, both bound on the free list, accounted for the bulk of the imports from Ceylon.

India and Pakistan. - Burlap on which a 50 percent reduction in duty was made is by far the largest single item in imports from India and Pakistan. Mica on which the duty was reduced and jute which was bound on the free list were also important in imports from those countries.

New Zealand. - The principal items in 1939 imports from New Zealand on which the United States made concessions were sheep and lamb skins, carpet wool, sausage casings, wool and coney and rabbit skins.

Norway. - Sardines in oil and wood pulp were the principal imports from Norway in 1939 on which concessions have been made.

South Africa - Diamonds, other than cut diamonds, and Persian lamb furs undressed accounted for the bulk of the imports from the Union of South Africa in 1939. Both items were bound on the free list.

Syro-Lebanese Customs Union - Carpet wool, the duty free status of which was bound, was the largest single item of imports in 1939 from Syria and Lebanon. Latakia type tobacco on which a concession was made is also an important import from the area.

In connection with the statistics given in the two preceding tables showing the imports affected by concessions in duties (reductions and bindings), it should be noted that the present agreement provides for the following:

Cattle weighing less than 200 pounds each - The present tariff quota of 100,000 head per year is increased to 200,000 head per year. (A tariff quota is one that limits the quantity of the product that can be imported in a specified period at a reduced rate of duty; imports in excess of such a tariff quota are not limited but are subject to a higher rate of duty.)

Cattle weighing 700 pounds or more each (other than dairy cows) - The present tariff quota of 60,000 head per quarter calendar year or 225,000 head per calendar year is increased to 120,000 head per quarter calendar year or 400,000 head per calendar year.

Seed potatoes, white or Irish - The present quota of $1\frac{1}{2}$ million bushels per year is increased to $2\frac{1}{2}$ million bushels per year.

Potatoes, table stock, white or Irish - The present tariff quota of 1 million bushels per year is continued

Milk and cream - The present tariff quotas on milk of 3 million gallons per year, and on cream of 1.5 million gallons per year, are retained

Fresh or frozen fish fillets - The present tariff quota on fresh or frozen fillets, etc., of cod, haddock, hake, pollock, cusk, and rosefish of the greater of 15 million pounds per year or 15 percent of the average annual domestic consumption in the three preceding years, is continued

Shelled walnuts - A tariff quota of 5 million pounds per year is established on these products

Butter - A tariff quota of 50 million pounds on imports entered during the period November 1 of any year to March 31 of the following year is established on this product.

Woolens and worsteds - The United States reserves the right to increase the duty if imports exceed 5 percent (by weight) of the average annual production in the United States during the three immediately preceding calendar years

Rubber products - The United States reserves the right to withdraw its concessions on rubber and certain manufactures wholly or in part of rubber if such action becomes necessary to safeguard the synthetic rubber program of the United States.

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Animals and Animal Products, Edible

The following commodities in this group are the principal ones on which concessions were made by the United States: Live cattle (other than for breeding), beef and veal fresh, chilled, and frozen, fresh and frozen fillets of fish, sardines packed in oil, butter, condensed and evaporated milk, dried milk and cream, including dried skimmed milk and buttermilk, cheddar cheese, frozen and dried egg products, and edible gelatin valued at less than 40 cents per pound.

Live cattle (other than for breeding) - Par. 701 (Tariff Act of 1930). - Live cattle fall into four classes for duty purposes, i.e., calves, weighing less than 200 pounds per head, "light" cattle weighing 200 pounds but less than 700 pounds each, dairy cows weighing 700 pounds or more per head, and "other" cattle weighing 700 pounds or more each. Prior to the present trade agreements the rates on all four classes were 1-1/2 cents per pound. In addition there was a calendar-year quota of 100,000 head for calves, and of 225,000 head, but not more than 60,000 per quarter-year, for "other" cattle weighing 700 pounds or more each. In 1943 all quotas were removed during the emergency. At that time a calendar-year quota of 400,000 head, but not more than 110,000 head per quarter-year, was provided for "light" cattle to go into effect after the national emergency is ended. At that time the other quotas are also to be restored.

In the new trade agreement the tariff rates of 1-1/2 cents per pound on calves and "other" cattle (700 pounds or more each) were bound. The quota on calves was increased to 200,000 head per year, and on "other" cattle (700 pounds or more each) it was increased to 400,000 head per year, but not more than 120,000 head per quarter-year. The rates of duty on entries of these cattle in excess of the quotas (when re-imposed) was bound at 2-1/2 cents.

United States slaughter of the four classes of live cattle mentioned above averaged nearly 24,375,000 head per year in 1937-39, about 39 percent consisting of calves. In 1946 the total was 32,092,000 head, with about 38 percent consisting of calves.

In 1937-39 total imports of dutiable cattle averaged 558,000 head per year, of which 42 percent in number and 54 percent in liveweight came from Canada. Wartime imports of live cattle declined irregularly, with Mexico the principal supplier after 1942. In 1946 imports totalled nearly 516,000 head, of which Mexico supplied 85 percent in number and 75 percent in liveweight.

Aside from a limited movement of breeding stock in 1945 and 1946, largely to European countries, United States exports of live cattle have been insignificant for many years.

Beef and veal, fresh, chilled, and frozen - Par. 701 (Tariff Act of 1930). - The rate of duty on this product was reduced from 6 cents per pound to 3 cents per pound in the recent trade agreement.

Production from total slaughter in this country increased from an average of 7,937 million pounds in 1937-39 to 11,940 million in 1945. It was 10,818 million pounds in 1946.

Imports of dressed beef have been unimportant for many years, largely because of the sanitary embargo against entries from South America, by far the principal exporting region. In 1937-39 the entries averaged about 3 million pounds per year; slightly more than 3 million pounds were imported in 1946. As long as the sanitary embargo remains in effect imports into the United States are likely to remain comparatively small.

United States exports of dressed beef and veal have been insignificant for many years.

Fresh and frozen fillets of fish - Par. 717(b) (Tariff Act of 1930). - In the new trade agreement the duties on imports of fillets of groundfish (cod, haddock, hake, pollock, cusk, and rosefish) were bound at 1-7/8 cents per pound on imports supplying 15 percent of United States consumption, and 2-1/2 cents per pound on imports in excess of this quota.

Because of the comparatively new development in marketing fresh and frozen fish, consumption of fillets of groundfish increased from 58 million pounds in 1931 to 181 million pounds in 1946. Domestic production increased from 56 million to 132 million pounds and imports increased from 2 million to 49 million pounds. Canada supplied 80 percent of the total imports in 1946, with Newfoundland and Iceland furnishing most of the remainder.

The duty on fillets other than groundfish was reduced from 2-1/2 cents per pound to 1-1/2 cents per pound in the new trade agreement. The consumption of other fillets increased from 18 million pounds in 1931 to 96 million pounds in 1946, with domestic production increasing from 17 million to 84 million pounds and imports from 1 million to 12 million pounds. In 1946 Canada supplied 76 percent of the total imports, Peru 20 percent, and 8 other countries the remainder.

Sardines packed in oil. - Par. 718(a) (Tariff Act of 1930). - The duties on imports of sardines packed in oil were 44 percent if of a value not exceeding 9 cents per pound and 30 percent if of a value exceeding 9 cents per pound. The duties on skinned or boned sardines packed in oil are not affected by the new agreement. The duties on sardines packed in oil, neither skinned nor boned, were bound at 44 percent when valued at not more than 9 cents per pound, were increased from 30 to 44 percent when valued at more than 9 cents but not more than 13 cents per pound, bound at 30 percent when valued at more than 13 but not more than 18 cents per pound, reduced from 30 percent to 20 percent when valued at more than 18 but not more than 23 cents per pound, and from 30 percent to 15 percent when valued at more than 23 cents per pound.

Before the war the annual domestic consumption of sardines packed in oil averaged about 57 million pounds, of which slightly more than half was supplied by imports. Norway supplied 76 percent of the total imports, Portugal 17 percent, and other countries 7 percent. The bulk of the imports from Portugal and relatively small quantities from other sources consisted of sardines which had been skinned or boned or both. Almost all of the imports from Norway, however, and the bulk of the imports from other countries, were neither skinned nor boned.

During the war imports of sardines packed in oil dropped to insignificant quantities. They have increased steadily since 1944, however, but have not yet attained their prewar volume. In 1946 total imports were 20 million pounds, of which 52 percent came from Norway, 32 percent from Portugal, and nearly all of the remaining 16 percent from Venezuela, Spain, and Canada. Domestic production in 1946 was about 56 million pounds. Exports are not separately reported.

Butter - Par. 709 (Tariff Act of 1930). - In the new trade agreement the tariff rate on butter was reduced from 14 cents to 7 cents per pound on imports from November 1 in any one year to March 31 of the following year on a quantity not to exceed 50 million pounds. Butter imports in excess of 50 million pounds during the quota period and any butter entering the United States from April 1 to October 31 will be dutiable at the 14 cent rate which has been bound.

Domestic production in general keeps pace with increases in population. However, during the war the demand for milk for other purposes resulted in a sharp decrease in total butter production and in 1946 only 1.5 billion pounds were produced, a decrease of 32 percent from 1939 production.

Imports of butter have been irregular and usually around a million pounds a year except during periods when there has been a wide spread between wholesale prices in New York and London. This occurred in the years 1935-37 when, as a result of droughts in the United States prices were strong in New York while unusually low in London, and imports averaged 14 million pounds a year. Dutiable imports amounted to 19 million pounds in 1942, but declined sharply thereafter and in 1946 amounted to 99,000 pounds.

Normal exports are relatively unimportant and about the volume of normal imports.

Condensed and evaporated milk (including skimmed milk) - Par. 708(a) (Tariff Act of 1930). - Under the new trade agreement the tariff rate on unsweetened condensed milk (evaporated) in airtight containers (case goods) was reduced from 1.8 cents per pound to 1 cent per pound, from 2.75 cents per pound on sweetened condensed milk in airtight containers (case goods) to 1.75 cents per pound, and from 2.53 cents per pound on all other condensed and evaporated milk, i.e., in bulk, to 1.5 cents per pound.

The domestic production of all unsweetened condensed milk, whether whole or skimmed, amounted to 2.5 billion pounds in 1939, of which 2.2 billion pounds were unskimmed case goods. By 1945 this total production amounted to 4.4 billion pounds but declined in 1946 to 3.6 billion pounds, of which 3 billion were unskimmed case goods. The total production of sweetened condensed milk in 1939 amounted to 244 million pounds, of which 35 million pounds were unskimmed case goods. This total increased to 740 million pounds in 1945 and to 1,004 million pounds in 1946. The major part of this production was sweetened condensed skimmed milk which amounted to 815 million pounds in 1946, a sharp increase over 1945.

Imports in all three categories combined amounted to about 2 million pounds a year from 1936 to 1947. In 1946 imports of all three classes combined totalled only 2,300 pounds. Since 1938 there have been no imports in the bulk.

Exports, which amounted to about 30 million pounds for both sweetened and unsweetened in the immediate prewar period, increased very sharply during the war, and have continued to increase, amounting to about 1,017 million pounds in 1946, of which about nine-tenths was evaporated milk.

Dried milk and cream, including dried skimmed milk and buttermilk - Par. 708(b) (Tariff Act of 1930). - In the new trade agreement the tariff rate for dried whole milk was reduced from 6-1/2 cents per pound to 3.1 cents per pound, that for dried cream from 12-1/3 cents per pound to 6.2 cents, and that for dried skimmed milk from 3 cents to 1.5 cents per pound. The rate of 1.5 cents per pound for dried buttermilk was bound in the present agreement.

Domestic production of dried whole milk increased from about 20 million pounds a year before the war to 218 million pounds in 1945, but declined to 188 million pounds in 1946. Imports have always been small and in 1946 amounted to 297 pounds. Exports ranged from 2 to 6 million pounds a year immediately before the war and amounted to 146 million pounds in 1946.

Domestic production of dried skimmed milk increased from about 300 million pounds a year before the war to 653 million pounds in 1946. Imports have been small and irregular. Exports were small before the war but amounted to 237 million pounds in 1943 and to 168 million pounds in 1946.

The production of dried buttermilk amounted to 62 million pounds in 1939 but declined during the war and postwar period to 38 million pounds. Exports are not separately reported. Imports have been nil for several years except for entries amounting to about 50,000 in December 1945.

Domestic production of dried cream amounted to 49,000 pounds in 1939, but increased sharply to a record production of 567,000 pounds in 1946. Exports are not separately reported and imports are nil.

Cheddar cheese - Par. 710 (Tariff Act of 1930). - In the new agreement the duty is reduced from 4 cents per pound but not less than 25 percent ad valorem to 3-1/2 cents per pound but not less than 17-1/2 percent ad valorem on Cheddar not further processed than by division into pieces.

The domestic production of Cheddar cheese has been increasing for many years and reached a peak in 1945 of 878 million pounds; production in 1946 amounted to 806 million pounds.

Imports were not in significant volume before the war and became even smaller during the emergency. In 1946 dutiable imports amounted to only 20,000 pounds.

Exports, which are normally less than 2 million pounds a year, increased to 158 million pounds in 1943 due to wartime demands; in 1946 exports amounted to 82 million pounds.

Frozen and dried egg products - Par. 713 (Tariff Act of 1930). - Under the new trade agreement the rate on dried egg products will be reduced from 27 to 17 cents per pound and on frozen egg products from 11 to 7 cents per pound.

The United States production of dried egg products increased from about 0.5 million pounds in 1927 to more than 10 million pounds in 1939. During the war, largely for lend-lease and military uses, the output in this country increased to a peak of 321 million pounds in 1944. In 1946 it was 125.5 million pounds, of which nearly 75 percent was exported. In 1925-30 imports averaged more than 9.8 million pounds per year and supplied about 99 percent of United States consumption. In 1931-39 imports averaged nearly 5 million pounds per year and supplied about one-half the United States consumption. In the war years imports practically disappeared, and in 1946 entries amounted to less than 7,000 pounds.

The United States production of frozen egg products rose irregularly from 46 million pounds in 1921 to 225 million pounds in 1937. During the war the output increased greatly, in part to extend the operating season for domestic egg driers. The peak was reached in 1944 with 512 million pounds of frozen eggs, of which 179 million pounds were subsequently dried. In 1946 the output of frozen eggs was 392 million pounds, of which 84 million pounds were later dried. In 1923-29 imports of frozen egg products averaged about 13 million pounds per year, compared with less than 1 million pounds in 1931-39. In 1946 entries were less than 2,000 pounds.

Edible gelatin valued at less than 40 cents per pound - Par. 41 (Tariff Act of 1930). - In the new trade agreement the compound duty on edible gelatin has been reduced from 12 percent plus 2-1/2 cents per pound to 10 percent plus 2-1/2 cents per pound. Edible gelatin is graded on the basis of jelly strength, and sold as jelly powders, for the manufacture of ice cream, candy and cookies, and for use in meat packing, dairy products, and other miscellaneous uses. Imports, principally from Belgium, averaged 3 million pounds per year just prior to the war, compared to United States production of 22 million pounds. Some 3,436 pounds were imported in 1946, and none in the first 5 months of 1947. Exports, in millions of pounds, were 0.4 in 1939; 1.7 in 1943; 1.9 in 1946; and 1.1 in the first 5 months of 1947.

Production of edible (food) gelatin amounted to 25.6 million pounds in 1946 and to 20.9 million pounds during the first 8 months of 1947.

Animals and Animal Products, Inedible

The principal concessions made by the United States on the items imported under this general classification are indicated under individual headings below.

Leather - Par. 1530 (Tariff Act of 1930). - In the new trade agreement the 10 percent rate of duty on most of the different kinds of leather used for shoes (except fancy leathers) was bound, the exceptions being calf and kip upper and calf lining leathers. The rate on calf and kip upper leather was reduced from 15 percent to 12½ percent, and the rate on calf and kip lining leather was reduced from 12½ to 10 percent. On most kinds of leather used for purposes other than for shoes (except fancy leather) the existing rates, ranging from 15 to 25 percent, were reduced by 5 percent ad valorem. On all fancy leather (except bovine) the rates were reduced from 30 percent to 15 percent; on bovine fancy leathers the reduction in rate was from 20 percent to 15 percent.

In 1939, United States production of leather amounted to 322 million dollars, imports to 9.6 million dollars, and exports to 13 million dollars. In 1946, production was substantially larger than in 1939; imports and exports amounted to 37 million dollars and 24 million dollars, respectively.

Boots, shoes, and other footwear (except rubber) - Par. 1530 (Tariff Act of 1930). - In the new trade agreement the rate of duty on McKay sewed leather footwear was reduced from 30 percent to 20 percent, the 20 percent rate on leather footwear made by the cement process was bound, and the rate on footwear with uppers in chief value of fabric with soles of leather was reduced from 35 percent to 20 percent. The rates on welt leather footwear were reduced from 50 cents per pair but not less than 10 percent nor more than 20 percent ad valorem to 40 cents per pair but not less than 5 percent nor more than 20 percent ad valorem. Under the reduced duty on welt leather footwear the 20 percent rate applies to leather footwear valued at $2.00 or less per pair, the 40 cents per pair rate applies on imports valued over $2.00 but not over $8.00 per pair, and the 5 percent rate on imports valued over $8.00 per pair.

In 1939, U.S. production amounted to 733 million dollars, imports amounted to 2.7 million dollars, and exports to 5.8 million dollars. In 1946, the value of production was substantially larger than in 1939, imports increased to 17 million dollars, and exports to 41 million dollars.

Women's and children's leather gloves - Par. 1532 (Tariff Act of 1930). - In the new trade agreement the base rate of duty on imports of women's and children's leather gloves was reduced from $5.50 to $5.00 per dozen pairs. In addition to the base rate, additional cumulative rates were reduced as follows: For each inch or fraction thereof in excess of 12 inches in length, from 50 cents to 25 cents per dozen pairs; when seamed by hand, from $3.50 to $2.00 per dozen pairs; when lined with fabric, from $2.00 to $1.50 per dozen pairs; when trimmed with fur, from $2.00 to $1.50 per dozen pairs; and when lined with leather or fur, from $2.50 to $2.00 per dozen pairs. The cumulative rate ($1.00 per dozen pairs) on machine-seamed gloves otherwise than overseamed was bound. The minimum

ad valorem rate on unlined and untrimmed machine-seamed gloves was reduced from 50 percent to 40 percent and that on all lined or fur trimmed gloves from 35 percent to 25 percent. The minimum ad valorem rate on unlined or untrimmed hand-seamed gloves over 12 inches in length was reduced from 35 percent to 30 percent and the minimum rate (35 percent) on unlined or untrimmed hand-seamed gloves not over 12 inches in length was bound .

In 1939, United States production of women's and children's leather gloves amounted to 726,000 dozen pairs, imports to 265,000 dozen pairs and exports to 11,000 dozen pairs. In 1946, production was substantially larger than in 1939, imports amounted to 147,000 dozen pairs, and exports to 15,000 dozen pairs.

Men's leather gloves - Par. 1532 (Tariff Act of 1930). - In the new trade agreement the base rate on men's leather gloves of $4.50 per dozen pairs, when machine-seamed, otherwise than overseamed, was bound; on other men's leather gloves the base rate was reduced from $4.50 to $4.00 per dozen pairs. The cumulative rate of 50 cents per dozen pairs, on gloves which are machine-seamed, otherwise than overseamed, and the additional rate of 25 cents per dozen pairs for each inch or fraction thereof in excess of 12 inches in length were bound. All other cumulative rates were reduced as follows: When seamed by hand, from $2.50 to $2.00 per dozen pairs; when lined with cotton, wool, silk, or other fabric, from $1.75 to $1.50 per dozen pairs; when trimmed with fur, from $2.00 to $1.50 per dozen pairs; when lined with leather or fur, from $2.50 to $2.00 per dozen pairs. The minimum ad valorem rate on all men's gloves was reduced from 30 percent to 25 percent.

In 1939 United States production of men's leather dress gloves amounted to about 800,000 dozen pairs and imports amounted to 1,719 dozen pairs. In 1946 domestic production amounted to about 900,000 dozen pairs and imports to 7,877 dozen pairs. United States exports, which include all types of leather gloves for men, women, and children amounted to 11,000 dozen pairs in 1936 and to 14,790 dozen pairs in 1946.

Luggage, handbags, billfolds, and related articles and other manufactures of leather not specially provided for - Par. 1531 (Tariff Act of 1930). - In the new trade agreement no reductions were made in the rates of duty on articles made of reptile leathers. Reductions in existing rates on articles made of other leathers were as follows: Leather bags, luggage, etc., from 25 percent to 20 percent ad valorem; leather coin purses, change purses, and other flat leather goods, from 35 percent to 25 percent ad valorem; women's and children's leather handbags, from 25 percent to 20 percent ad valorem; dog equipment, straps and strops, wearing apparel, and manufactures of leather not specially provided for, from rates ranging from 20 to 25 percent to 17½ percent ad valorem. On any of the foregoing articles if permanently fitted and furnished with traveling, bottle, drinking, dining or luncheon, sewing, manicure, or similar sets the rate was reduced from 35 to 25 percent ad valorem.

The value of domestic production of leather goods in 1939 is estimated at about 67 million dollars. In that year the value of imports was $898,000 and the value of exports was $1,870,000. In 1946 the value of production was larger than in 1939. Imports and exports amounted to 10.5 million dollars and 6 million dollars, respectively.

Glue of animal origin, n.s.p.f., valued at less than 40 cents per pound - Par. 41 (Tariff Act of 1930). - This type of glue comprises hide, extracted bone, and green bone glue, and is, for the most part, derived from animals of the bovine species. The first two kinds are used principally in the manufacturing of furniture, surface-coated abrasives, printers' rollers, gummed tape, and paper products. High glue is the best in quality and is higher in price than extracted bone glue. Green bone glue, which is not as strong as hide or extracted bone glue, is used for gummed tape and some kinds of paper containers, and is not manufactured abroad. The duty has been reduced from 20 percent ad valorem plus 2½ cents per pound to 10 percent ad valorem plus 2½ cents per pound. Prior to the war, Yugoslavia, Rumania, and Germany were the principal sources of imports. Since 1941, however, Brazil, which was never an important source until that time, has been the chief supplier. In 1939, 1946, and in the first half of 1947 imports were 1,547,000 pounds. 2.860.000 pounds, and 986,000 pounds, respectively.

Production of hide and extracted bone glue (but not including green bone glue which is not produced abroad) amounted to 64.0 million pounds in 1939, 77.6 million pounds in 1946, and to 56.8 million pounds during the first 8 months of 1947.

Silver or black fox furs - Par. 1519 (Tariff Act of 1930). - Silver or black fox furs are imported into the United States almost entirely in the form of dressed or undressed furs. In the new trade agreement the existing 37½ percent rate of duty on these furs was bound.

United States production declined from 350,000 pelts in 1939 to about 200,000 pelts in 1946. Imports declined from 133,000 pelts in 1939 to 60,000 pelts in 1946. Exports amounted to 5,000 pelts in 1939 and to 10,000 pelts in 1946.

Furs (Except silver, black, platinum, or platina fox furs) dressed or dressed and dyed - Par. 1519 (Tariff Act of 1930). - Raw or undressed fur skins or pelts that have been cleaned, cut, cured, or otherwise prepared are known as dressed fur skins. Most dressed skins are dyed to provide uniformity of color, to improve their appearance or to simulate other kinds of furs. Dressed or dressed and dyed furs are used principally in making fur coats, capes, or neckpieces and as trimmings on cloth or fur coats. The rate of duty on higher priced furs, when dressed, has been reduced from 15 percent to 7½ percent ad valorem, and when dressed and dyed, from 20 percent to 10 percent. The rate of duty on lower priced furs (except coney or rabbit), when dressed, has been reduced from 15 percent to 12½ percent ad valorem, and when dressed and dyed, from 20 percent to 15 percent. Coney or rabbit furs, when dressed, were reduced from 25 percent to 17½ percent, and when dressed and dyed, from 30 percent to 20 percent.

United States imports of dressed and dressed and dyed furs amounted to one-half million dollars in 1939 and to 24 million dollars in 1946. Exports were valued at one-half million dollars in 1939 and at 14 million dollars in 1946. The value of domestic production approximated 100 million dollars in 1939 and 300 million dollars in 1946.

Crude feathers - Par. 1518 (Tariff Act of 1930). - Crude feathers may be classified in two general categories: Common feathers and down, which are used as filling material in pillows, comforts, sleeping bags, and similar articles; and fancy or ornamental feathers, which are used in the production of trimming for millinery, artificial flies for fishing, and numerous novelty items. The principal kinds of feathers in the first category are goose, duck, and chicken, and those in the second category include ostrich, marabou, pheasant, pigeon, and others.

In the new trade agreement the rate of duty on all crude feathers was reduced from 20 percent to 10 percent ad valorem.

Statistics of the value of United States production of crude feathers are not available. Virtually all of the ostrich feathers, and a fairly large part of the waterfowl feathers used in this country, are imported. The domestic production of goose and duck feathers is estimated at about 1-1/4 million pounds a year, and of chicken feathers at 100 million pounds.

In 1939 United States imports of crude feathers amounted to 6.8 million pounds and exports amounted to 6.9 million pounds. In 1946, imports amounted to 6.2 million pounds and exports to 2.6 million pounds.

Bristles, sorted, bunched or prepared - Par. 1507 (Tariff Act of 1930). Bristles, the coarse, stiff hairs of the hog, are used primarily in the manufacture of paint and varnish brushes. The rate of duty of 3 cents per pound has been bound.

There is no commercial production of hog bristles in the United States. Imports amounted to $7,337,000 in 1939 and to $19,151,000 in 1946.

Hatters' fur - Par. 1520 (Tariff Act of 1930). - Hatters' fur is made principally from the fur of rabbits and hares and is used in the production of fur felt hats. In the present trade agreement the rate of duty was reduced from 27½ percent to 15 percent ad valorem. United States production of Hatters' fur is estimated to have been 6 million pounds in 1939 and more than 6 million pounds in 1946. Imports amounted to 40,000 pounds in 1939 and to 45,000 pounds in 1946. Statistics of exports are not available.

Vegetable Food Products and Beverages

Wheat and wheat flour, sugar, fresh tomatoes, potatoes, whisky, brandy, table and sparkling wines, cottonseed oil, walnuts, and blueberries are the principal items under this classification on which the United States has made concessions in the trade agreement.

Wheat and wheat flour - Par. 729 (Tariff Act of 1930). - In the new trade agreement the duty on wheat was reduced from 42 cents to 21 cents per bushel and that on wheat flour from $1.04 to $0.52 per 100 pounds.

Since 1933 the wheat crop has been subject to various control programs administered under the Agricultural Adjustment Administration. Under section 22 of that Act, as amended, quotas for wheat and wheat flour were established by Presidential proclamation, effective May 29, 1941, which limited annual imports of wheat, other than feed, to 800,000 bushels and of wheat flour to 4 million pounds.

In 1937-39, annual production of wheat averaged 845 million bushels. Production increased during the war, reaching 1,072 million bushels in 1944. It has exceeded 1 billion bushels annually in 1945-47.

Normally the United States exports of wheat exceed imports. In 1938 and 1939, annual exports averaged 75 million bushels and imports 22,000 bushels. In 1946, exports amounted to 187 million bushels and imports, 36 thousand bushels.

During the war the Government's purchases of foreign wheat (largely under Executive Order 9177), which entered duty-free and exempt from the quota, amounted to a peak of 110 million bushels in 1944. Practically all of such wheat was used for livestock feed.

In 1937-39 the annual production of wheat flour averaged about 204 million 100-pound sacks, and exports about 10 million sacks, and imports only about 31,000 sacks. In 1946, exports of wheat flour amounted to 45 million sacks and imports to 3,000 sacks.

Tomatoes, Fresh - Par. 772 (Tariff Act of 1930). - In the new trade agreement several changes were made in the rate of duty on fresh tomatoes. The new rates provide seasonal reductions as compared with those which would become effective when present emergency rates are terminated. However, the new rates represent certain seasonal increases as compared with the present temporary emergency rates. The emergency rates will be discontinued after termination by the President of the unlimited national emergency and the abnormal situation in respect of tomatoes. The following table shows the emergency, post-emergency, and new rates which will become effective in lieu of the post-emergency rates:

United States Tariffs on Tomatoes, Natural State

(cents per pound)

	Emergency rates	Post-emergency rates	New rates
General	1.5	2.25	Nov. 15-Feb. 28 — 1.65
			March 1-July 14 — 2.25
			July 15-Aug. 31 — 1.50
			Sept. 1-Nov. 14 — 2.25
Cuban	1.2	1.8	Nov. 15-Feb. 28 — 1.20
			Mar. 1-July 14 — 1.80
			July 15-Aug. 31 — 1.50
			Sept. 1-Nov. 14 — 1.80

Tomatoes entering during the February-May period are principally from Cuba and Mexico. In past years the bulk of Cuban shipments arrived during Dec.-Feb., but imports from Mexico usually reached a peak in April. During the period July 15-August 31 imports are chiefly from Canada and consist principally of border shipments by market gardeners.

United States production of field tomatoes for marketing during the principal import season of December-May averaged 222 million pounds annually, 1931-35, 305 million pounds, 1936-40, and rose in succeeding years to a peak of 552 million pounds in 1946.

During the same 5-month import period imports averaged 81 million pounds annually, 1931-35, dropped to 76 million pounds, 1936-40, and then rose steadily to a peak of 203 million pounds in 1946.

Potatoes - Par. 771 (Tariff Act of 1930). - In the new trade agreement the quota on table stock potatoes was bound at one million bushels. Within this quota the rate of duty was reduced from 60 cents per 100 pounds on imports during the months December-February to 37½ cents per 100 pounds and bound at 37½ cents per 100 pounds on imports during other months. Imports in excess of 1 million bushels were bound at 75 cents per 100 pounds. In the case of certified seed potatoes the rate of duty of imports within quota was bound at 37½ cents per 100 pounds and the quota increased from 1½ million bushels to 2½ million bushels a year. Imports in excess of the quota were bound at 75 cents per 100 pounds.

Domestic production of potatoes in 1939 amounted to 342 million bushels (including 14 million bushels of certified seed potatoes) and in 1946 to 475 million bushels (including 42 million bushels of certified seed). Imports, chiefly certified seed potatoes, amounted to 1.5 million bushels and to 2.3 million bushels in 1939 and 1946, respectively. Exports, principally table stock, amounted to 1.6 million bushels in 1939 and to 10.1 million bushels in 1946.

Whisky - Par. 802 (Tariff Act of 1930). - The duty on whisky was reduced from $2.50 to $1.50 per proof gallon.

Whisky imports, virtually all of which come from the United Kingdom and Canada, are important in import trade. Imports amounted to 9.8 million gallons valued at $42 million in 1939 and to 10.5 million gallons valued at $44 million in 1946. Most whisky is imported as case goods. Imports of whisky in bottles in 1946 accounted for 9.9 million gallons of the total. In the fiscal year ending June 30, 1941, 120 million gallons of domestic whisky were bottled in the United States. One hundred sixty-five million gallons were bottled in the fiscal year ending June 30, 1947. Exports of whisky amounted to 221,000 gallons valued at $610,000 in 1939 and to 1.2 million gallons valued at $6.3 million in 1946.

Brandy - Par. 802 (Tariff Act of 1930). - The duty on brandy was reduced from $2.50 to $1.25 per proof gallon.

High quality brandy, especially cognac, is normally one of the leading items in imports from France. In 1939 imports of brandy amounted to 770 thousand gallons valued at $3.4 million. In 1946 they amounted to 1.4 million gallons valued at $10.6 million. Approximately 2.0 million gallons and 2.5 million gallons of domestic brandy were bottled in the fiscal years ending June 30, 1941 and 1947, respectively. Exports of domestic brandy are negligible.

Wines - Pars. 803 and 804 (Tariff Act of 1930). - The concessions on wine were as follows: The duty on champagne and other sparkling wines was reduced from $3 per gallon to $2 if valued at not more than $6 per gallon and from $3 to $1.50 per gallon if valued at more than $6 per gallon; that on vermouth in small containers from 62½ to 50 cents per gallon; and that on table wine in small containers from 75 to 40 cents per gallon.

France has been a prominent supplier of wines which are among the most important items of United States imports from France. In 1939 imports of sparkling wine were 560 thousand gallons valued at $2,526,000; imports of vermouth were 1.4 million gallons valued at $1,922,000; and imports of table wine were 1,028 thousand gallons valued at $2,171,000. The corresponding figures for 1946 were for sparkling wines 546 thousand gallons, $5,245,000; vermouth 1,159 thousand gallons, $2,807,000; table wines 936 thousand gallons, $4,660,000.

In 1940 the total apparent consumption of wine in the United States was 90 million gallons of which 4 million gallons were imported. Of this total 60 million gallons were dessert wine, 27 million table wine, 2 million vermouth and 1 million sparkling wine. In 1946, apparent consumption was 140 million gallons of which 5 million gallons were imported. Of the total 96 million gallons were dessert wine, 37 million, table wine, 4 million vermouth, and 3 million sparkling wine. The duty on dessert wine has not been reduced.

Exports of domestic wine are small.

Cottonseed oil - Par. 54 (Tariff Act of 1930). - The duty on cottonseed oil has been bound at 3 cents per pound in the new trade agreement. This oil is used mainly in food products; some, mostly off-grade oil and foots, has also been used in soap and other nonfood uses.

Imports have been relatively small except when the United States has a shortage of the fats and oils for use in edible products; they were substantial during 1935-38 following the drought period of 1934-36. Domestic production of crude cottonseed oil in 1939 totaled 1.38 billion pounds; imports in the same year were 29.4 million pounds. Domestic production in 1946 was 966 million pounds. There were no imports. Exports in 1939 and 1946 were 13.0 and 6.1 million pounds, respectively.

Walnuts, shelled - Par. 760 (Tariff Act of 1930). - Under the new trade agreement the duty on shelled walnuts was reduced from 15 cents to 7½ cents per pound, the reduced rate, however, being applicable only to imports not in excess of 5,000,000 pounds in any one year. Imports in excess of this quantity will be subject to the pre-agreement rate of 15 cents per pound which was bound.

Nearly one-half of the United States consumption of walnuts is marketed as shelled nuts to bakers, confectioners, and direct to the householder and the balance is marketed chiefly as in-shell walnuts through grocery and similar trade channels direct to consumer.

In the years 1938-40, about 40 percent of the United States production of walnuts was shelled, averaging 25½ million pounds of shelled nuts. Annual imports during this period, chiefly from China, averaged 5½ million pounds of shelled walnuts. Exports were small.

The domestic crops of walnuts in 1946 and 1947 were about 25 percent greater than in 1938-40. Imports of shelled walnuts in 1946 amounted to 622,000 pounds and came principally from Turkey and Italy, none having come from China. The domestic exports of shelled walnuts in 1946 amounted to 400,000 pounds, the outstanding market for which was Canada.

Blueberries - Par. 736 (Tariff Act of 1930). - The duty on frozen and prepared or preserved blueberries was reduced from 17½ to 10 percent. The duty of 1 cent per pound on natural or fresh blueberries was bound at that rate.

In 1939, United States production of blueberries amounted to 15.5 million pounds and imports, chiefly from Canada and Newfoundland, to 11 million pounds. Of the total consumed about 40 percent were frozen, 35 percent preserved, and 25 percent fresh or natural. United States production in 1946 is estimated at 11.4 million pounds. Imports, chiefly fresh blueberries from Canada, amounted to 17.6 million pounds in that year. There are no statistics of United States exports.

Sugar, Cane and Beet - Par. 501 (Tariff Act of 1930). - The rate of duty on Cuban sugar was reduced from 0.75-cent to 0.50-cent per pound on 96 degree sugar. The general rate on 96 degree sugar will be reduced from 0.9375-cent per pound to 0.6875-cent per pound in accordance with the provisions of Article 1, paragraph 3 of the agreement although such a reduction is not specifically provided for in Part I of Schedule XX. Reductions in duty on other grades of sugar are in proportion. The pre-agreement preferential margins on Cuban sugar, 0.1875-cent per pound on 96 degree sugar, remain the same.

The Jones-Costigan Act of 1934 initiated the establishment of quantitative restrictions on imports and on marketings of domestic sugar in the United States in the form of quotas assigning to each supplying area, foreign and domestic, a definite allocation of the total continental United States requirements of sugar. Quota legislation has been continuously in effect since then, quotas having been temporarily suspended under executive order during the latter part of 1939 and since April 1942 due to emergencies created by the Second World War, when supplies of sugar were encouraged rather than restricted.

Under the United States sugar quota legislation, the Secretary of Agriculture is required to determine annually the year's sugar requirements of the United States and this quantity is allocated to the different supplying areas according to a formula provided in the statute. It is this stipulated quantity available for consumption which determines the United States price of sugar and the tariff under this system thus loses much of its importance.

During a typical prewar period (average 1936-38), under the quota system, 54 percent of the United States consumption of sugar was of domestic production and 46 percent consisted of imported sugar. The supply of domestic origin was about evenly divided between continental production, and that shipped from Hawaii and Puerto Rico. Cuba was the principal foreign supplier accounting for 30.5 percent of the United States consumption, Philippine Islands were second with 14.5 percent, and all other foreign countries combined contributed only 1 percent. The average annual United States consumption for this period was 6,771,237 tons.

The Sugar Act of 1937, which expires December 31, 1947, has been replaced by the enactment of the Sugar Act of 1948 which will become effective January 1, 1948, and extends for 5 years. The new law puts domestic producers' and Philippine quotas on a tonnage basis rather than on a percentage basis as in the Act of 1937 and assigns to Cuba 98.64 percent of the remainder of consumption requirements and 1.36 percent to other countries. The tonnage quota for the Philippine Islands, same as that provided for in the Philippine Trade Act, is entered free of duty during the first 8 years of Philippine independence. Until the Philippine sugar industry recovers from the effects of the war, Cuba is allowed to make up most of the deficit. The new Sugar Act also provides that Cuba's share of the United States market for sugar shall be no less than if figured

under the Sugar Act of 1937. The new sugar act, thus is no more restrictive of imports than it is of domestic production for the United States market.

The new act also provides for the continuation of the excise tax on sugar consumed in the United States at the rate of 0.5-cent per pound on 96-degree sugar and also of conditional benefit payments to domestic producers.

Vegetable Products Inedible, Except Fibers

The principal items or groups of items under this classification on which concessions were made in the new trade agreement were as follows: tobacco, filler and scrap, cigars, coconut oil, flower bulbs, crude natural rubber, synthetic rubber and essential oils.

Tobacco, filler and scrap - Par. 601 (Tariff Act of 1930). - In the new trade agreement the duty on over-quota imports of unstemmed cigar filler and scrap tobacco from Cuba was reduced from 28 to 14 cents per pound and that on stemmed filler tobacco from 40 cents to 20 cents. These reductions resulted in eliminating the tariff quota of 22,000,000 pounds which had applied to imports of these tobaccos. This had the effect of reducing the general rates to the same extent.

Cuban cigar leaf tobacco is used mostly in blends with domestic tobaccos. In 1945, for example, when imports of cigar filler and scrap tobacco from Cuba totaled about 24 million pounds, production of filler types in continental United States and Puerto Rico totaled 71 million pounds. Only 1,585,000 pounds of Cuban tobacco were used in customs bonded manufacturing warehouses in the manufacture of Clear Havana cigars.

In 1939, when production totaled 76,880,000 pounds, imports amounted to 27,285,000 pounds and exports of all cigar tobaccos (including wrapper leaf) amounted to 1,497,000 pounds.

In 1946, total imports of cigar filler and scrap tobacco amounted to 25,137,000 pounds valued at $31,929,000. This included small imports free of duty from the Philippine Republic. Nearly all of the dutiable imports were from Cuba.

Exports of all cigar leaf tobacco in 1946 totaled 4,975,000 pounds valued at $5,243,000.

Cigars - Par. 603 (Tariff Act of 1930). - In the new trade agreement the duty on cigars from Cuba was reduced from $1.80 per pound and 10 percent ad valorem to $1.50 per pound and 10 percent; that on imports from other countries was reduced from $4.50 per pound and 25 percent to $4.20 per pound and 25 percent.

Cuba's exports of cigars to the United States increased sharply during the war when her trade with other countries, especially with the United Kingdom, was curtailed. In 1945, imports of cigars into the United States from Cuba were valued at nearly 7 million dollars. In 1946, imports declined to 20 million cigars valued at $3,239,000.

In 1939, when production of cigars in the United States totaled 5.3 billion, imports of cigars from all sources amounted to 202 million of which 199 million were duty-free from the Philippines. In that year, 5 million cigars were exported. In the calendar year 1945 a total of 4,856 million cigars made in the United States were tax-paid. Of these, 82 million were "Clear Havana" cigars made in customs bonded warehouses. Of this latter category about 33 million were in Class G, i.e., made to retail at over 20 cents each. There were also 78 million in Class G from other factories.

About 3 million cigars were exported from the United States in 1946.

Coconut oil - Par. 54 (Tariff Act of 1930). - The duty has been reduced from 2 cents per pound to 1 cent per pound in the new trade agreement. A processing tax, which is not subject to reduction in a trade agreement, is also levied on coconut oil consumed in the United States. Before the war this tax was 3 cents per pound on oil imported from the Philippines and 5 cents on other imported oil. The preferential treatment of Philippine oil was suspended during the war but will again be in effect when ample supplies from the Philippines are once more available. All coconut oil consumed in the United States is either imported or expressed from imported copra (the dried meat of the coconut). It is used chiefly in soap, but has specialized uses in confectionery, bakery products, and certain industrial products. The Philippines were almost the sole source of prewar imports of coconut oil, which averaged about 350 million pounds per year in 1937-39. Imports in 1946 were 2.4 million pounds and in the first six months of 1947 were about 15 million pounds. Exports were 48 million pounds in 1946 and 24 million pounds in the first five months of 1947. In 1939 production of coconut oil in the United States totaled about 273 million pounds, and in 1946, 349 million pounds.

Flower bulbs - Par. 753 (Tariff Act of 1930). - In the new trade agreement the rates of duty have been reduced on some of the flower bulbs--namely hyacinth, crocus, and narcissus--and bulbs, etc., not specially provided for. The rate on tulip bulbs has been bound.

The rate on hyacinth bulbs was reduced from $4 to $2 per thousand.

The prewar consumption of hyacinth bulbs in the United States was less than 20 millions annually, practically all of which were imported from the Netherlands. These bulbs have never been produced in the United States except experimentally or on a small scale, and those produced here have been used almost entirely for growing noncommercial flowers.

The rate on crocus corms was reduced from $1 per thousand to 50 cents per thousand. Crocus corms are used in this country mostly for garden plantings for the production of non-commercial flowers. They are of minor importance, the prewar consumption being only 10 to 15 millions annually. United States production of the corms amounts to approximately a million annually.

The rate on narcissus bulbs was reduced in this agreement from $6 per thousand to $5 per thousand.

In the United States the narcissus (the term includes daffodils and jonquils) is one of the most important of the bulbous flowers. The present consumption of narcissus bulbs in this country is approximately 100 million annually. United States production of the bulbs is important, being exceeded only by that of gladiolus bulbs. Imports have in the past not been large (the 32 million bulbs imported in 1946 represented the largest imports in many years), and they have been used largely by United States bulbgrowers in the production of bulbs.

The rate on tulip bulbs was bound at $3.00 per thousand.

The tulip is one of the most important bulbs. The present consumption of these bulbs in the United States is about 125 or 130 millions annually, of which about 100 millions are imported from the Netherlands. The United States production has been increasing.

The rate of duty on "all other bulbs, roots, rootstocks, clumps, corms, tubers, and herbaceous perennials, imported for horticultural purposes" was reduced from 15 percent ad valorem to 10 percent.

In domestic production, and probably also in imports, gladiolus corms and iris bulbs make up the bulk of this group. The consumption of gladiolus corms in this country is large, greatly exceeding that of any other kind of bulb; the consumption of iris bulbs is also large. Nearly all of the United States gladiolus and iris requirement are supplied from domestic sources. Imports have consisted mostly of propagating stock, such as new or improved varieties or strains, for use by United States bulbgrowers in the production of commercial bulbs for florists. On the other hand the United States requirements for several kinds of miscellaneous bulbs, which are consumed here in insignificant quantities, are almost entirely imported.

There are no statistics of exports which, if any, are small.

Natural rubber, crude - Par. 1697 (Tariff Act of 1930). - On the basis of value, natural rubber was the most important commodity imported into the United States in prewar years. In the present trade agreement the duty-free status of natural rubber has been bound.

United States production of natural rubber is negligible. Imports of natural rubber in 1939 amounted to about 500,000 long tons valued at 181 million dollars, and in 1946 to about 380,000 long tons valued at 231 million dollars.

Synthetic rubbers - Par. 1558 (Tariff Act of 1930). - In the present trade agreement, the rate of duty on synthetic rubbers has been reduced from 20 percent to 10 percent ad valorem.

Before the war, United States production and trade in synthetic rubbers were small. As the result of wartime developments, however, this country now has a large synthetic rubber industry with a capacity greatly exceeding the prewar rate of consumption of natural rubber. In 1946, United States production of synthetic rubber amounted to about 740,000 long tons, exports to about 73,000 long tons and imports to about 8,000 long tons.

Essential oils - Par. 58 (Tariff Act of 1930)

Orange oil.- The duty on orange oil was reduced in the new trade-agreement negotiations from 25 percent to 12½ percent. United States production is large, and exports are probably substantial. Imports were valued at $193,000 in 1939, principally from French West Africa and Italy, and at $286,000 in 1946, principally from Brazil and Italy. Italian oil is generally considered of better quality than that from other sources. Orange oil is an important food flavor, and is also used in soaps and cosmetics.

Eucalyptus oil. - The duty on eucalyptus oil was reduced from 15 percent to 7½ percent. In 1939 imports were valued at $135,000, almost wholly from Australia; in 1946 they amounted to $718,000, of which Australia furnished $542,000, and Spain $102,000. There is probably no oil produced in the United States. One group of eucalyptus oils, containing eucalyptol, is used in medicinals. Another group, containing phellandrene is used in disinfectants and cleaning preparations. The two groups are not distinguished in import statistics.

Clove oil. - The duty on clove oil was reduced from 12½ percent to 7½ percent. In 1939 total imports were valued at $72,000, of which $65,000 worth entered from Madagascar. Imports in 1946 amounted to $251,000—$201,000 from Madagascar and $50,000 from British East Africa. During the first half of 1947 all imports, valued at $107,000, originated in Madagascar. United States production from imported cloves, is probably substantial, but the quantity is unknown. Clove bud oil is superior in flavor and is the only variety acceptable in medicinals. Leaf and stem oils are used mainly as a source of eugenol, which, in turn, is one of the sources of vanillin.

Peppermint oil. - The duty on menthol-type peppermint oil (obtained from *mentha arvesis*) was reduced from 25 percent to 12½ percent. The duty on flavor-type peppermint oil (obtained from *mentha piperita*) has been bound at 25 percent. The latter is largely produced in and exported from the United States, but the former is not a United States product. Before the war imports consisted of flavor-type oil, principally from the Soviet Union. In 1946 imports of menthol-type oil amounted to about $37,000, of which Brazil furnished $30,000. This oil is the source of natural menthol.

Patchouli oil. - The duty on patchouli oil was bound at 12½ percent. In 1939 imports were valued at $60,000, principally from the Netherlands West Indies and British Malaya. In 1946, however, they amounted to $728,000--$469,000 from the Seychelles Islands, $134,000 from British Malaya, and $72,000 from Netherlands Indies. There is some production from imported leaves in the United States. Patchouli oil is used in soaps and perfumes.

Camphor oil fractions. - The duty on fractions of natural camphor oil was reduced from 12½ percent to 7½ percent. These oils are described in import statistics as camphor oil (specific gravity 1.07), ho oil, and artificial sassafras oil. In 1939 total imports of the three kinds were valued at $303,000, all from Japan. In 1946 imports were negligible, but in the first half of 1947 they amounted to $81,000, from China and Japan. There was no United States production before the war. Production, if any, at present is small.

Sandalwood oil. - The duty on sandalwood oil was reduced from 12½ percent to 10 percent. In 1939 imports were valued at $30,000, principally from India and Australia. They amounted to $226,000 in 1946, of which $201,000 came from India. United States production, from

imported wood, was considerably larger than imports before the war. Sandalwood oil is used in perfumes, cosmetics, and soaps, and as an antiseptic.

Pine needle-oil. - The duty on pine needle oil (as well as on a large number of other essential oils) was reduced from 12½ percent to 7½ percent. Imports of pine needle oil were valued at $93,000 in 1939, at $207,000 in 1946, and $75,000 in the first half of 1947. There is no United States production. Pine needle oil is used in medicinals, soaps, perfumes, and insecticides.

Textile fibers and manufactures

The most important items or groups of items in this classification on which the United States made concessions in the new trade agreement are discussed under specific headings below.

Raw wool, finer than 44s - Par. 1102(b) (Tariff Act of 1930). - The basic rate of 34 cents per pound of clean content on wools finer than 44s was lowered to 25.5 cents.

Wools finer than 44s constitute about 98.5 percent of the United States production. The output in this country averaged about 421 million pounds (pulled and shorn) in 1937-39, rose to a peak of 459 million pounds in 1942 and declined to about 315 million pounds in 1947.

In 1937-39 imports averaged about 67 million pounds, actual weight, per year. They increased many-fold during the war years, and in 1946 the entries for consumption reached a peak of 703 million pounds out of total imports of all dutiable wools of 807 million pounds.

Exports of domestic wools normally are insignificant relative to production. In the 21-year period 1922-42 they averaged about 281,000 pounds per year. In 1943-46, however, they averaged about 21 million pounds annually.

Woolens and worsteds - Pars. 1108 and 1109 (Tariff Act of 1930). - Woolens and worsteds dutiable under these paragraphs are used principally in the manufacture of wearing apparel for men and women. Worsted fabrics account for a larger part of domestic production than woolens; woolens predominate in imports. The United States and the United Kingdom are the largest producers. Before the war Italy ranked third.

United States duties on woolens and worsteds consist of a specific duty and an ad valorem duty. In the new trade agreement the specific duties of 40 or 50 cents per pound are, with one minor exception, reduced 25 percent, corresponding to the reduction in the raw wool duty. The ad valorem rates ranging from 35 to 45 percent are lowered to 25 percent. The United States has reserved the right to increase the ad valorem part of the compound duty to 45 percent on imports in any year in excess of 5 percent of average annual United States production in the 3 preceding years.

In the years 1930-1946, imports, mainly from the United Kingdom, averaged annually 3.6 million pounds, valued at 6.3 million dollars. United States production of woolens and worsteds amounted to 314 million pounds valued at 461 million dollars in 1937 and to 308 million pounds valued at 409 million dollars in 1939. Production reached an all-time high in 1946 of 518 million pounds with an estimated value of 990 million dollars. Exports amounted to $867,000 in 1940, which was the high point for exports in the prewar decade. They amounted to an all time high of 99 million dollars in 1944 and to 52 million dollars in 1946.

Wool carpets and rugs - Pars. 1116 and 1117 (Tariff Act of 1930). - The specific duty of 25 cents per square foot on oriental and similar hand-made rugs (paragraph 1116) has been reduced to 15 cents: the minimum ad valorem rate of 22½ percent has not been changed. The duty of 40 percent ad valorem levied on most machine-made carpets and rugs (paragraph 1117) has been reduced to 30 percent; the duty of 30 or 40 percent ad valorem (depending on value) on mohair rugs is changed to 25 percent; and the duty of 30 or 60 percent ad valorem (depending on value) on druggets, Numdah, and similar rugs is reduced to 15 or 40 percent ad valorem respectively.

There is no production in the United States of hand-knotted wool rugs or of wool druggets or Numdah rugs. Production consists principally of machine-made Axminster, velvet, and Wilton rugs. Total production in 1939 amounted to 62 million square yards valued at 99 million dollars. (Data for later years are not available).

Total imports of wool carpets and rugs in 1939 amounted to 1,946,000 square yards valued at $4,547,000 and in 1946 to 2,222,000 square yards valued at $17,904,000. The imports are chiefly oriental and other hand-made rugs, followed by wool druggets, and Numdah rugs.

If the new rates had been applied to total imports in 1946 the reduction would have amounted to 14 percent.

Exports of wool carpets and rugs are negligible.

Handkerchiefs - Various paragraphs (Tariff Act of 1930). - The Rates of duty on imports of most classes (of which there are many) of handkerchiefs are reduced.

Handkerchiefs of cotton or of linen, either ornamented or not ornamented have usually constituted the bulk of imports. In 1945 and 1946, however, substantial quantities of ornamented rayon handkerchiefs were imported.

The reductions in the rates of duty on unornamented cotton handkerchiefs (Par. 918) are the same as the reductions applicable to imports of the cotton cloths of which the imported cotton handkerchiefs are made (see paragraphs 904, 905, 906, and 923).

The rates of duty on unornamented linen handkerchiefs, hemmed or hemstitched (Par. 1016), comprising the bulk of imports of unornamented handkerchiefs, are reduced from 35 percent ad valorem to 25 percent ad valorem.

The rates on cotton or linen handkerchiefs containing handmade lace or embroidered by hand (Par. 1529b) valued at less than 70 cents per dozen are reduced from 3 cents each and 40 percent to 2 cents each and 30 percent ad valorem, and on cotton handkerchiefs valued at more than 70 cents per dozen from 4 cents each and 40 percent to 3 cents each and 30 percent. The rates on hand ornamented linen handkerchiefs valued at more than 70 cents per dozen (which comprise a considerable proportion of imports of ornamented handkerchiefs) are reduced from 4 cents each and 40 percent ad valorem to 3 cents each and 20 percent ad valorem.

The total production of handkerchiefs in continental United States and in Puerto Rico amounted to approximately 48,612,000 dozen valued at $35,397,000 in 1939, as compared with an estimated production of 46,253,000 dozen valued at $61,499,000 in 1946. Production in continental United States consists chiefly of unornamented handkerchiefs mostly of cotton. Production in Puerto Rico consists mainly of handkerchiefs ornamented by hand or made with hand-rolled hems. Few, if any, silk handkerchiefs are produced either by the domestic handkerchief industry or the needlework industry in Puerto Rico.

The total imports of handkerchiefs amounted in 1939 to 7,081,742 dozen valued at $4,408,819. With the exception of those from Switzerland, which are machine-ornamented, imports are mainly ornamented by hand. China and the United Kingdom have been the chief sources of supply for ornamented and unornamented linen handkerchiefs, and Japan has been the chief supplier of unornamented cotton handkerchiefs.

Imports in 1946 totaled 3,484,814 dozen valued at $13,790,348. Domestic exports of handkerchiefs amounted in 1939 to 387,709 dozen valued at $246,625 and were mainly to the Philippine Islands, Cuba, and Canada. These exports consisted largely of cotton handkerchiefs of the bandana type.

In 1946 domestic exports totaled 1,147,249 dozen valued at $1,781,092 and were mainly to the Philippine Islands, Italy, Canada, Egypt, Netherlands Indies, Sweden, and Cuba.

Cotton yarn - Par. 901 (Tariff Act of 1930). - The ad valorem rates of duty on imported cotton yarns are progressive, obtained by adding to 5 percent ad valorem for single unbleached carded yarns, or to 10 percent for bleached, colored, combed, or plied yarns, a certain increment up to a certain yarn number above which the rate remains the same. At the present time the increment for each successive increase in the yarn number is 0.3 percent ad valorem up to number 60s, and then 0.1 percent ad valorem up to number 80s, beyond which there is no further increase. In the new trade agreement the increment is 0.25 percent ad valorem up to number 60s, beyond which there is no further increase. The maximum decrease in duty applies to number 80s and above, the rate being reduced from 25 percent ad valorem to 20 percent ad valorem on single yarn, and from 30 percent ad valorem to 25 percent ad valorem on plied yarn.

About four-fifths of the cotton yarn spun in the United States is used by the producing mills for further manufacture into cloth or other end products. Of the one-fifth that is made for sale the largest users are the knitgoods mills followed by separate weaving mills; smaller but substantial amounts are required by mills making narrow fabrics, lace, braid, sewing thread, and cordage, and for industrial purposes such as insulation for electrical wires.

United States production of cotton yarn for sale amounted to 535 million pounds in 1939 and 820 million pounds in 1946. Domestic exports approximated 10 million pounds in 1939 and 17 million pounds in 1946. Imports were 1,616,000 pounds in 1939 and 578,000 pounds in 1946. The United Kingdom is the main source of the imports.

Countable cotton cloth - Pars. 904 and 905 (Tariff Act of 1930). -"Countable cotton cloths" is a term used to designate cotton cloths dutiable at progressive rates of duty based on the average yarn number, in the ascertainment of which the threads have to be counted. For duty purposes countable cotton cloths are divided into three classes according to color : 1. unbleached, 2. bleached, and 3. printed, dyed, or colored. For each class there are now two sets of progressive ad valorem rates, of which one is for the cheaper cloths and the other for the higher-priced cloths. In the case of unbleached cloths there is also a set of minimum specific rates.

The new trade agreement makes no change in the duties now applicable to the cheaper cloths, and makes no change in the duties applicable to the higher-priced cloths made of yarns averaging under number 81s.

On unbleached cloths valued over 70 cents per pound the progressive duties now in effect reach 27½ percent at 80s, and 33 percent at 102s, beyond which there is no increase. In the new trade agreement there is no change up to number 80s, but the rate of 27½ percent there reached remains the same for all finer cloths. There is no change in the minimum specific duties now applicable to unbleached cloths.

On bleached cloths above certain values per pound (80 cents up to 60s and $1.20 for 61s to 90s) the duty now in effect reaches 30 percent at 80s, 32½ percent at 90s, and is 36 percent on all finer cloths. In the new trade agreement there is no change up to number 80s, but the rate of 30 percent there reached remains the same for all finer cloths.

On printed, dyed, and colored cloths above certain values per pound (90 cents up to 60s and $1.40 for 61s to 90s) the duty reaches 32 percent at 80s, 34½ percent at 90s, and is 39 percent on all finer cloths. In the new trade agreement on such cloths there is no change up to number 80s, but the rate of 32 percent there reached remains the same for all finer cloth.

In the new trade agreement the additional duty on countable cotton cloths woven with 8 or more harnesses or with Jacquard, lappet, or swivel attachments has been reduced from 5 to 2½ percent ad valorem.

The additional duty on similar cloths in chief value of cotton but containing silk or rayon or other synthetic textile has also been reduced from 5 to 2½ percent ad valorem.

The United States is the world's largest producer of cotton cloth, and is now followed by India, the Soviet Union, the United Kingdom, and Brazil. United States production of cotton cloths of all kinds (mostly countable cotton cloths) recorded as 9,045,000,000 square yards in 1939, attained an all-time record of 11,266,705,000 linear yards in 1942, and was 9,111,002,000 linear yards in 1946. Domestic exports amounted to 367 million square yards in 1939 and 775 million square yards in 1946. Imports, which reached an all-time peak of 206 million square yards in 1923, amounted to 110 million square yards in 1939 and 44 million square yards in 1946.

Nottingham lace-curtain machine products - Par. 920 (Tariff Act of 1930). - The duty on Nottingham lace-curtain machine products has been reduced from 50 percent to 40 percent in the new trade agreement. These products are principally lace curtains and curtain nets, but include articles such as lace bedspreads, pillow shams, and table covers. The United Kingdom and the United States are the principal producers; prior to the war Germany ranked third.

In both quantity and value of production the Nottingham lace-curtain industry is the largest branch of the American lace-making industry, with products valued at 15.8 million dollars in 1937 and 13.3 million dollars in 1939. Production data for 1946 are not available.

Imports, recorded by value only, are mainly from the United Kingdom. They attained a peak with $725,237 in 1937. They were valued at $222,492 in 1939 and at $7,026 in 1946.

Exports are negligible.

Broadsilks - Par. 1205 (Tariff Act of 1930). - The duties on fabrics wholly of silk, other than grey-woven goods, if valued over $5.50 per pound, were reduced from 45 to 25 percent. This reduction affects all-silk woven goods of any width, bleached, printed, piece-dyed, or yarn-dyed, whether or not Jacquard-figured.

Total United States production of all-silk fabrics (except pile) amounted to over 41 million linear yards (6 million pounds) in 1939. Separate data for the production of fabrics corresponding to the import classifications on which duties were reduced were not recorded. The manufacture of silk fabrics ceased during the war except for military use. With the revival of raw silk imports from Japan and Italy after the end of the war, silk fabric-weaving for civilian consumption again commenced and reached a total in 1946 of 9,300,000 linear yards (estimated equivalent to about 1,350,000 pounds).

Imports of all-silk fabrics (except grey-woven goods) valued over $5.50 per pound amounted to about 183,000 pounds in 1939. The United Kingdom and France were the leading suppliers. Imports of these fabrics in 1946 were largely from Italy and amounted to 127,582 pounds averaging in value about $18.80 per pound. In that year, exports of silk fabrics (other than military goods such as powder bag cloth and parachute fabrics) totaled 230,650 square yards valued at $2,47 per yard. This compares with exports in 1939 of about 580,000 yards valued at 74 cents per yard.

Rayon yarn - Par. 1301 (Tariff Act of 1930). - The duties on rayon yarns of medium and coarse size (150 deniers and over) were reduced from 45 to 22½ percent, if singles, and from 50 to 25 percent, if ply.

Fine-sized rayon yarns of less than 150 deniers continue to take a differential of 5 percent ad valorem over the basic rate on the heavier yarn. The duty on fine singles was reduced from 50 to 27½ percent and on fine ply yarns from 55 to 30 percent.

The alternative minimum specific rate of 45 cents per pound, which applies to all types of continuous filament rayon yarn, irrespective of size or construction, is reduced to 22½ cents per pound for yarns of 150 deniers and over in the condition of singles. Fine yarns less than 150 deniers are provided with a differential of 10 cents a pound or a total minimum specific duty of 32½ cents per pound. Ply yarns are provided with a differential of 5 cents per pound over the rate for singles in the corresponding size category, or 27½ cents per pound, if 150 deniers or more, and 37½ cents per pound, if less than 150 deniers.

The domestic production of single yarns of 150 deniers and over amounted to 214 million pounds in 1939 and 441 million pounds in 1946. In the latter year more than half of this output was high tenacity tire-cord yarn in heavy deniers of 1100 or more. Imports of yarns of 150 deniers or more amounted to 131,800 pounds in 1939 and to 67,500 pounds in 1946. Imports were mainly from the Netherlands in 1939 and from Italy in 1946.

Production of fine single yarns less than 150 deniers aggregated 115 million pounds in 1939 and 236 million pounds in 1946. Imports of rayon yarns in this size category totaled 39,000 pounds in 1939 and 38,000 pounds in 1946. Italy was the chief supplier in both years. Exports of rayon yarn of all sizes increased from 1,694,000 pounds in 1939 to 15,261,000 pounds in 1946.

Rayon staple fiber - Par. 1302 (Tariff Act of 1930). - The duty on rayon staple fiber was reduced from 25 to 20 percent ad valorem. In 1939, the United States produced 51,315,000 pounds or less than 5 percent of the total world output. In 1946 it had risen from fifth to first place, with a production of 176,375,000 pounds or 31 percent of the world total.

Imports amounted to 47,400,000 pounds in 1939 and were mainly from the United Kingdom. In 1946, they amounted to 33,694,000 pounds and were supplied principally by Belgium and Sweden. Exports are not separately recorded.

Rayon woven fabrics, except pile - Par. 1306 (Tariff Act of 1930). - The ad valorem portion of the compound duty on rayon woven fabrics (except pile) was reduced from 45 to 22½ percent on imports valued over $4 a pound, but remained unchanged on imports valued at $4 or less a pound. The specific (compensatory) element of the duty was reduced from 45 cents to 27½ cents a pound.

United States production of rayon woven fabrics amounted in 1939 to 1,330 million linear yards (330 million pounds) and expanded in 1946 to 1,700 million linear yards (estimated equivalent to 430 million pounds). In 1939, imports, largely low-valued goods from Japan, amounted to 420,000 pounds. In 1946 they rose to 597,000 pounds, the largest volume recorded in any year except 1937. The rayon fabrics imported in 1946 averaged $4.57 a pound and consisted mainly of prestige goods from Switzerland.

Exports of rayon woven fabrics (exclusive of remnants and pile fabrics) in 1939 totaled over 24 million square yards, or almost 6 million pounds. In 1946, they attained a record volume of 92 million square yards, estimated equivalent to 23 million pounds.

Levers laces - Par. 1529 (Tariff Act of 1930). - Fine laces (except veils and veilings) made on a Levers lace machine of 12 points or more are subject in the new trade agreement to the following reductions from existing ad valorem duties: If of cotton, from 60 percent to 40 percent; if of silk, from 65 percent to 40 percent; if of other materials, from 90 percent to 45 percent.

Coarse and medium laces (except veils and veilings) made on a Levers lace machine of less than 12 points are subject to the following reductions from existing ad valorem duties: If of cotton, rayon or other synthetic textile from 90 percent to 75 percent and if of materials other than cotton, rayon, other synthetic textile or silk, from 90 percent to 45 percent; the duty on those of silk is bound at 65 percent ad valorem.

Veils and veilings made on a Levers lace machine are now dutiable as follows: If cotton, 12 point or finer, 60 percent ad valorem; if cotton, less than 12 point, 90 percent; if silk or rayon, 65 percent; if of other materials, 90 percent ad valorem; under the new trade agreement all veils and veilings, of any material, made on any lace or net machine will be dutiable at 45 percent ad valorem.

The Levers lace machine produces a wide variety of fancy laces ranging from narrow edgings less than one-half inch in width to "all-overs" sometimes more than seven yards in width. All-overs usually predominate in domestic production whereas imports are largely narrow laces, particularly fine Valenciennes (commonly called "Vals") in ½-inch to 4-inch widths. France, the United Kingdom, and the United States are the principal producers of Levers laces.

The bulk of the Levers laces produced in the United States are of coarse or medium gages; whereas, the bulk of the imports are of fine gages. United States output of Levers lace-machine products had a recorded value of $9,766,000 in 1937 and $8,631,000 in 1939. Data for 1946 are not available. Imports of Levers laces other than veils and veilings amounted to $3,411,000 in 1939 and $1,798,000 in 1946. In each year the bulk of the imports were of cotton. Imports of veils and veilings (mostly made on the Levers lace machine and mostly of rayon or silk were valued at $355,000 in 1939 and $189,000 in 1946.

Nets and nettings - Par. 1529(a) (Tariff Act of 1930). - These nets and nettings are almost exclusively products of the bobbinet and Mechlin machines. Imports are mainly from the United Kingdom and France.

Rayon nets and nettings made on the bobbinet machine are at present dutiable at 65 percent ad valorem, those of silk at 60 percent, and those of cotton having 225 or more holes per square inch at 45 percent. Other nets and nettings are dutiable at 90 percent. In the new trade agreement, the rates of duty on nets and nettings of any material other than cotton are reduced to 45 percent ad valorem; and nets and nettings made on a bobbinet machine and of cotton will be dutiable, if having 225 or more holes per square inch, at 30 percent ad valorem, and if having less than 225 holes per square inch at 70 percent ad valorem.

United States production of bobbinets was recorded at $595,000 in 1937 and $842,000 in 1939. Later data are not available. Imports in 1939 and 1946 had almost identically the same value, $1,929,922 in 1939 and $1,942,442 in 1946, but there was a considerable decrease in quantity in the later year.

United States production of bobbinets is predominantly of cotton, principally of the coarser qualities used for mosquito netting and of elastic nets used in making women's undergarments; there is no domestic production of cotton bobbinets having 225 or more holes per square inch. Imports are mainly fine nets used in making or ornamenting women's wearing apparel, and as foundation fabrics in making embroidered laces; they are largely of cotton but include substantial amounts made of rayon and silk.

Gloves and mittens of textile materials - Various Paragraphs (Tariff Act of 1930). - The rates of duty have been changed on all classifications specifying textile gloves and mittens except cotton woven fabric gloves and mittens. For the five categories covering most of the imports in 1939 and also in 1946 the following changes occur (the rates apply to mittens as well as gloves):

1. On knit cotton fabric gloves, from 60 percent and 50 percent ad valorem to $1.50 per dozen pairs, but not less than 30 percent nor more than 60 percent of the value.

2. On cotton gloves knit or crocheted direct from yarn ("seamless fingered"), from 45 percent to 30 percent.

3. On wool gloves (not embroidered) valued at more than $4 per dozen pairs, from 50 cents per pound and 40 percent ad valorem to 37½ cents per pound and 25 percent.

4. On embroidered wool gloves, from 90 percent to 70 percent.

5. On rayon gloves valued at $1.50 or more per dozen pairs, from 45 cents per pound and 65 percent ad valorem to 27½ cents per pound and 32½ percent.

Imports under all textile glove classifications except woven cotton gloves amounted to about 1,128,000 dozen pairs valued at $1,857,000 in 1939 and 121,000 dozen pairs valued at $971,000 in 1946. Cotton gloves which are included in these import figures constituted about three-fourths of the total quantity and value in 1939 and about one-half in 1946. Imports of wool gloves in 1946, compared with 1939, declined greatly in quantity but less than 15 percent in value. In 1946 imports of cotton gloves came chiefly from Brazil, the United Kingdom, and Italy and wool gloves from the United Kingdom, Argentina, Mexico, and Italy. Czechoslovakia supplied almost the full quantity and value of rayon gloves imported during that year. With few if any exceptions, all of the imports are dress gloves and mittens.

Manufacturers in the United States produced more than 4 million dozen pairs of dress gloves and mittens made of textile materials in 1939 and nearly 7 million dozen pairs in 1946. Production of work gloves and mittens made from knit fabric amounted to an additional 3 million dozen pairs in 1939 and about 2½ million dozen pairs in 1946.

Exports of cotton dress gloves and mittens amounted to 6,781 dozen pairs valued at $20,008 in 1939 and to 15,601 dozen pairs valued at $94,915 in 1946.

Cotton table damask - Par. 910 (Tariff Act of 1930). - The import duty on cotton damask and all articles finished or unfinished made or cut from such damask if valued at 75 cents or more per pound (foreign value) has been changed from 30 percent ad valorem to a rate of 22½ cents per pound with a maximum of 30 percent and a minimum of 17½ percent ad valorem.

United States imports of cotton table damask having a foreign value of 75 cents or more per pound amounted to 422,000 pounds, valued at $525,000 in 1939, and 282,000 pounds, valued at $737,000 in 1946.

United States production of cotton table damask and manufactures thereof is not recorded by value brackets but total production for 1939 was 4,909,000 pounds. Exports were 1,624,000 linear yards (weight not recorded), valued at $480,000, in 1939. Comparable data for 1946 are not available.

Linen table damask - Par. 1013 (Tariff Act of 1930). - The import duties on linen table damask and all articles, finished or unfinished, made or cut from such damask have been reduced to 15 percent. The reduction is from 30 percent on the damask and articles not exceeding 130 threads to the square inch and from 25 percent on the damask and articles exceeding 130 threads to the square inch.

United States imports of linen table damask and articles made or cut therefrom were 1.9 million pounds, valued at 2.1 million dollars in 1939, and 643,000 pounds, valued at 2.2 million dollars, in 1946.

Linen table damask is not manufactured in the United States.

Hard-fiber cordage products - Par. 1005 (Tariff Act of 1930). - The rate of duty on manila (abaca) rope smaller than 3/4 inch in diameter has been reduced from 2 cents per pound plus 15 percent to 2 cents per pound plus 10 percent. The rate of duty on cords and twines of hard fiber has been reduced from 20 percent to 15 percent.

United States imports of manila (abaca) rope were not separately recorded before 1943 and in that and later years such imports have been small primarily because of a world shortage of manila fiber.

United States production of manila (abaca) rope of all sizes amounted to 77 million pounds in 1939 but was much smaller in the war period and in 1946 for the same reason that imports were small.

United States imports of hard-fiber cords and twines (not including binding twine) in 1939 were 8 million pounds, valued at $400,000, and in 1946 approximately 29 million pounds, valued at 4.4 million dollars.

United States production of hard-fiber cords and twines amounted to 54 million pounds, valued at 5 million dollars, in 1939 and was very small (probably around 2 million pounds) in 1946 because of a continuation of wartime restrictions which practically prohibited production but which did not restrict imports.

United States exports of hard-fiber rope and twine (not including binding twine) have not been large in relation to either imports or production.

Jute burlap and jute bags or sacks - Pars. 1008 and 1018 (Tariff Act of 1930). - The import duties on jute burlap and jute bags or sacks have been reduced as follows:

(1) Nonprocessed jute burlap from 1 cent per pound to ½ cent per pound.
(2) Processed jute burlap from 1 cent per pound and 10 percent ad valorem to ½ cent per pound and 5 percent ad valorem.
(3) Nonprocessed jute bags or sacks from 1 cent per pound and 10 percent ad valorem to ½ cent per pound and 5 percent ad valorem.
(4) Processed jute bags or sacks from 1 cent per pound and 15 percent ad valorem to ½ cent per pound and 7½ percent ad valorem.

Production of jute burlap in the United States is negligible. Imports constitute from 1.5 to 2.0 percent of the total value of all United States imports and are much larger than imports of bags or sacks. The imported burlap is used in the United States principally in the manufacture of bags or sacks, production of which was valued at 51 million dollars in 1939. Information as to United States production of jute bags or sacks in 1946 is not available.

United States exports of jute bags or sacks were 24 million pounds, valued at 2.1 million dollars in 1939, and 31.5 million pounds, valued at 5.2 million dollars, in 1946.

Linen fabrics - Pars. 1009, 1010, and 1011 (Tariff Act of 1930). - The rate of duty has been reduced from 50 percent to 40 percent on linen fabrics exceeding 30 and not exceeding 100 threads to the square inch, weighing not less than 4 and not more than 12 ounces per square yard, and exceeding 12 but not exceeding thirty-six inches in width (paragraph 1009-a).

The rate of duty has also been reduced from 20 percent to 10 percent on linen fabrics not specially provided for (Paragraph 1010). These fabrics include those which fall within the thread-count and weight per square yard range of paragraph 1009(a) but which are more than 36 inches in width; also fabrics of any width in excess of 12 inches, and which weigh more than 12 ounces per square yard.

The rate of duty has also been reduced from 20 percent to 10 percent on plain woven fabrics weighing less than 4 ounces per square yard (Paragraph 1011). If not plain woven, linen fabrics weighing less than 4 ounces per square yard are dutiable under paragraph 1010.

United States production of linen fabrics is largely confined to those similar to most of the imports under paragraph 1009(a), although there is a relatively small production more or less similar to some of the imports under paragraph 1010. There is no known United States production of linen fabrics weighing less than 4 ounces per square yard.

United States imports of the fabrics under consideration were as follows in 1939 and 1946: Under paragraph 1009(a) 582 thousand pounds, valued at 288 thousand dollars, in 1939, and 266 thousand pounds, valued at 471 thousand dollars in 1946; under paragraph 1010 approximately 9.4 million pounds, valued at 5.4 million dollars, in 1939, and 4.5 million pounds, valued at 9.0 million dollars, in 1946; under paragraph 1011 approximately 2.4 million pounds, valued at 3.2 million dollars, in 1939, and 1.6 million pounds, valued at 6.9 million dollars, in 1946.

United States production of linen fabrics similar to imports under paragraph 1009(a) was valued at 2.6 million dollars (quantity not reported) in 1939, but information as to 1946 production is not available.

United States exports of linen fabrics are not separately classified but are known to be practically nil.

Pile mats and floor coverings of cocoa fiber - Par. 1022 (Tariff Act of 1930). - The import duty on cocoa-fiber pile mats and floor coverings has been reduced from 12 cents to 10 cents per square foot.

United States imports of pile mats and floor coverings of cocoa fiber amounted to 592 thousand square feet, valued at 50 thousand dollars in 1939 and to 9,926 thousand square feet, valued at 1,999 thousand dollars in 1946.

United States production of pile mats and floor coverings of cocoa fiber has been estimated at about 2 million square feet, valued at about 400 thousand dollars, in 1937 but data are not available for a similar estimate as to 1946 production.

United States exports of pile mats and floor coverings of cocoa fiber are not separately recorded, but are known to be negligible.

Wood and Paper

The items or groups of items discussed under specific headings below are the principal ones in respect of which tariff changes have been made in the new trade agreement.

Softwood lumber - Pars. 401 - 1803 (Tariff Act of 1930). - The several rates of duty and excise tax on the different species of softwood lumber were reduced by 50 percent in the present trade agreement. The duty on northern white and Norway pine and Western white spruce lumber, which species are not subject to excise tax, was changed from 50 cents to 25 cents per 1,000 board feet; on other pine and spruce, and hemlock, fir, and larch, which species are subject to both duty and tax, the combined rate was changed from $2.00 to $1.00 per 1,000 board feet; and on other softwood lumber (principally cedar), which is subject to the excise tax only, the rate was changed from $1.50 to 75 cents per 1,000 board feet.

Production of softwood lumber in the United States in the last two decades has ranged between 9 billion feet (1933) and 30 billion feet (1929 and 1942); in 1946 it amounted to 25 billion feet. Imports amounted to 1.4 billion feet in 1929; in the period 1930-39 they averaged about 500 million feet annually. In 1946 slightly more than a billion feet were imported. Canada is the source of about 95 percent of softwood imports. Exports of softwood lumber amounted to 2.6 billion feet, or 9 percent of domestic production in 1929, to 800,000 feet, or less than 4 percent of production in 1939, and to 500,000 feet, or 2 percent of production in 1946.

Mahogany lumber - Pars. 404 - 1803 (Tariff Act of 1930). - Mahogany lumber if rough or in the form of flooring is subject to an ad valorem duty under paragraph 404 of the Tariff Act of 1930 and also to an import excise tax; if planed or dressed and not in the form of flooring it is subject only to the excise tax, being duty-free under the provisions of paragraph 1803 of the tariff. Most of the mahogany lumber imported into the United States is in the latter category. In the present trade agreement the duty and tax on rough lumber are reduced from 7½ percent ad valorem and $1.50 per 1,000 board feet to 5 percent and 75 cents, respectively. The tax of $1.50 per 1,000 board feet and the duty-free status of planed lumber are provisionally continued, the United States reserving the right to impose a tariff duty equal to the duty on rough lumber. If such duty is imposed, the excise tax of $1.50 is to be reduced to 75 cents, the same as the tax on rough lumber.

Mahogany lumber produced in the United States from imported logs amounted to 27 million feet in 1939, and output was probably larger during and since the war. Imports amounted to 9.3 million board feet in 1939 and to 6 million board feet in 1946. Brazil, Peru, and Cuba are the principal sources. Exports of mahogany lumber sawed in the United States amounted to 5 million feet in 1937, 2.9 million feet in 1939 and 358,000 feet in 1946.

Wood furniture and parts, not specially provided for - Par. 412 (Tariff Act of 1930). - Most furniture of wood is covered by the provision for wood furniture, not specially provided for, the important exceptions being bentwood furniture, rattan, reed, willow and similar furniture, and metal furniture. In the present trade agreement the duty on furniture other than chairs and parts is reduced from 25 to 12½ percent ad valorem, and on chairs and parts of furniture from 40 to 20 percent.

The domestic furniture industry is large and widely distributed. Production of wood furniture was valued at 500 million dollars in 1939, and, although complete data are not available, the value of output appears to have been considerably greater in 1943 and 1946.

Imported furniture consists chiefly of distinctive or noncommercial articles which are comparable with only a small part of the domestic output. Imports amounted to $500,000 in 1939 and to more than 1.5 million dollars in 1946. Domestic exports are more typical of the general character of domestic furniture than imports. In 1939 exports were valued at 1.6 million dollars, and in 1946 at 6.3 million dollars. These values include upholstered furniture which if imported in the same condition as exported might not be dutiable as wood furniture.

Book and printing paper, not coated, n.s.p.f. - Par. 1401 (Tariff Act of 1930). - Uncoated book and printing papers include most uncoated papers except newsprint used in the production of various kinds of printed matter In the present trade agreement the rate of duty was bound at 1/5 cent a pound and 5 percent ad valorem.

The total domestic output of uncoated printing paper during the 5 years before the war averaged about 1.8 million tons, imports about 13,000 tons and exports about 14,000 tons. Since the beginning of the war through 1946 production has averaged about 2 million tons, imports 30,000 tons, and exports 35,000 tons. Imports in 1946 were 81,000 tons.

The sources of imports before the war were principally Canada, Norway, and Finland, but have been almost exclusively Canada since 1940. Exports before the war went largely to Cuba, the Philippines, Canada, and China, but since 1940 have gone largely to Latin America and the British Dominions.

Pulpboard in rolls processed and unprocessed for wallboard - Pars. 1402 - 1413 (Tariff Act of 1930). - Pulpboard in rolls may be used for laminating with an adhesive substance to produce fiber wallboard or may be used as a liner for gypsum and plaster wallboard. In the present trade agreement the duty on unprocessed pulpboard in rolls for use in the manufacture of wallboard is bound at 5 percent ad valorem; on the processed board the rate is reduced from 15 to 10 percent.

United States production of pulpboard for conversion into fiber wallboard has increased from about 25 thousand tons in 1939 to 45 thousand tons in 1946; production of liner for gypsum and plaster wallboard has increased from 125 to 250 thousand tons during the same period. All of the pulpboard under consideration comes from Canada. Imports have increased from 10,000 tons in 1939 to more than 25,000 tons in 1946. Imported pulpboard in rolls is principally used in the production of fiber wallboard, representing about 20 percent of the amount domestically consumed for this purpose before the war and about 25 percent of domestic consumption in 1946. The volume of imported pulpboard used as a liner for gypsum wallboard is small, amounting to only a fraction of 1 percent of domestic consumption. There are no exports.

Carbon tissue, coated or uncoated, weighing less than 10 pounds per ream - Par. 1404 (Tariff Act of 1930).- Carbon tissue is a high quality of thin paper made generally of rag pulp and used for making carbon paper. Although both uncoated and coated carbon paper are included in this classification, imports are entirely of uncoated paper for carbonizing in the United States. Prior to the present trade agreement the rate of duty on carbon tissue weighing not over 6 pounds per ream and valued at not more than 15 cents a pound was 3 cents a pound and 10 percent; carbon tissue weighing not over 6 pounds per ream and valued at more than 15 cents a pound was dutiable at 4 cents a pound and 15 percent. The rates on both value brackets is now 3 cents a pound and 10 percent. Carbon tissue weighing over 6 pounds but less than 10 pounds per ream was previously dutiable at 2½ cents a pound and 7½ percent when valued at not more than

15 cents a pound and at 4 cents a pound and 10 percent when valued at more than 15 cents a pound. The rates on both value brackets are now 2½ cents a pound and 7½ percent.

Total output of carbonizing tissue in the United States during the 6 years before the war is estimated to have averaged about 4 million pounds a year. Production in 1946 amounted to about 48 million pounds. In the 6 years before the war imports averaged about 500,000 pounds a year for that weighing not over 6 pounds and 370,000 pounds a year for that weighing over 6 and less than 10 pounds. The corresponding imports in 1946 were 280,000 pounds and 330,000 pounds. These imports were entirely of uncoated tissue for the manufacture of carbon paper in the United States, no coated carbon paper being imported. The most important sources were the United Kingdom, Finland, France, and Italy.

Exports are almost entirely of coated carbon paper, data for which are not available. Only negligible quantities of uncoated carbonizing tissue have been exported.

Paper and paper board, and pulpboard, embossed, cut, etc., not specially provided for - Par 1413 (Tariff Act of 1930). - This classification includes a wide variety of paper, paper board, and pulpboard embossed, cut, die-cut, or stamped into designs, shapes, or articles for a particular use. Among these specialties and novelties are some which are protected by patents. Since 1940 filter paper in the form of circles or discs has been classified under this provision. In the present trade agreement the duty of 30 percent is reduced to 15 percent ad valorem.

Products of the type here considered are manufactured by several hundred converters located throughout the United States, with a marked concentration in the Northeastern States. Production data are not strictly comparable with data for imports and exports. However, in 1939, the last year for which data are available, the value of "die-cut paper and paper board and converted paper board products" produced in the United States was in excess of 25 million dollars. Before the war the annual value of imports was about $25,000. In 1946, imports were valued at $330,000, the increase being due in substantial measure to the inclusion of filter paper under this classification. Statistics of exports are not wholly comparable with statistics of imports. In 1939, the value of exports of "filing cards, index cards, and other office forms, plain or printed" amounted to approximately $400,000; in 1946 the value of such exports was 1.2 million dollars.

Cigarette paper - Par. 1552 (Tariff Act of 1930). - In the present trade agreement the rate of duty on cigarette books, cigarette-book covers, and cigarette paper in all forms, except cork paper, was reduced from 45 percent to 30 percent.

From 1931 to 1935 the average annual output of cigarette paper in the United States was about 4.6 million pounds. Imports averaged 15.6 million pounds a year, and exports are estimated to have averaged 3.1 million pounds. From 1936 to 1939, domestic production averaged 8.4 million pounds a year, imports 16.8 million pounds a year and exports 4.2 million pounds a year. From 1939 to 1946 production increased to 61.7 million pounds, imports decreased to 42,000 pounds, and exports grew to over 30 million pounds.

France supplied 95 percent or more of the prewar imports of cigarette paper. Since the war the greatly expanded volume of exports has gone largely to China, India, the Middle East, and Cuba.

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Wood pulp - Par. 1716 (Tariff Act of 1930). - Wood pulp comprises both mechanically ground wood and pulp produced by chemical means. It is used primarily as a material for making paper and board, only about 5 percent of the total being used for other purposes, including the manufacture of rayon, plastics, explosives, and chemical products. In the present trade agreement the duty-free status is bound. Production of pulp in the United States reached a total of 7 million tons in 1939, but this has been surpassed in all years since. In 1946 production amounted to 10.6 million tons. Imports reached a peak of 2.4 million tons in 1937. During the war imports from Europe were cut off, and since the war imports have been limited by reason of the world pulp shortage. However, in both 1945 and 1946 the quantity imported exceeded 1.7 million tons. Sweden, Canada, Finland, and Norway were the principal prewar sources. Since the beginning of the war Canada has been by far the most important source. Imports were resumed from Sweden in 1945 and from Finland in 1946. Exports are very small.

Standard newsprint - Par. 1772 (Tariff Act of 1930). - Standard newsprint paper is a kind of printing paper customarily used for the printing of newspapers. In order to be so classed, it must conform to the specifications set forth by the Treasury Department. In this trade agreement it is bound duty-free.

United States production of newsprint gradually decreased from 1.6 million tons in 1925 to 721,000 tons in 1944. After that year output increased to 773,000 tons in 1946. Imports increased from 628,000 tons in 1919 to 3.5 million tons in 1946, and exports dropped from 22,000 tons in 1925 to 6,000 tons in 1938. In 1941 exports were 70,000 tons after which they again receded to 28,000 tons in 1946. Total United States consumption had risen irregularly from 2 million tons in 1921 to over 4 million tons in 1937. It amounted to 4.3 million tons in 1946.

Canada supplied from 85 to 90 percent of the prewar imports.

Red cedar shingles - Par. 1760 (Tariff Act of 1930). - Red cedar shingles heretofore an item in the trade agreement with Canada is not included in the new agreement. This results in discontinuing the present duty of 25 cents per square on annual imports in excess of 30 percent of the average, for the preceding 3 years, of the combined total of domestic shipments and imports. Red cedar shingles revert therefore to the status prior to the 1936 trade agreement with Canada i.e. free of duty and without provision for duty free entry of specified quantities. Domestic production of red cedar shingles amounted to 6.2 million squares in 1939, to 3.5 million squares in 1943, and to 3.2 million squares in 1946. Imports in the same years amounted to 2.7 million squares, 1.4 million squares, and 1.5 million squares. Canada is the source of all imports. Exports are very small.

Nonmetallic Minerals

The items or groups of items discussed under specific headings below are some of the principal ones in the nonmetallic minerals classification on which concessions were made in the recent trade agreement negotiations.

Gasoline and naphtha - Par. 1733 (Tariff Act of 1930). - The excise tax on imports of gasoline and other motor fuel, which has been 2½ cents a gallon since 1932, was reduced to 1¼ cents a gallon in the recent trade-agreement negotiations. Taxable imports in 1939 were valued at only $12,000, practically all from the Netherlands West Indies. In 1946 they amounted to $23,000, of which $15,000 entered from Netherlands West Indies and $8,000 from Canada. United States production is enormous. Exports are large amounting to $106,386,000 in 1939, and $113,944,000 in 1946.

The excise tax on imports of naphtha was reduced from ½ cent to ¼ cent a gallon. In 1939 imports were valued at $154,000, practically all from the Netherlands West Indies. In 1946 they amounted to $8,000, principally from Canada. During the period January-August 1947, about $450,000 worth was imported, mostly from Mexico. Data on United States production are not available, but exports in 1939 were valued at $4,339,000, and in 1946 at $2,332,000.

Exports of gasoline and naphtha go to all parts of the world. The most important markets in 1946 were the United Kingdom, France, Canada, China, and Mexico.

Paraffin and paraffin wax - Par. 1733 (Tariff Act of 1930). - The excise tax on imports of paraffin wax was reduced from 1 cent to ½ cent per pound in the recent trade-agreement negotiations. Imports in 1939 were valued at $1,001,000, nearly all from the Netherlands Indies. In 1946 they amounted to only $7,000, of which $6,000 came from Canada; in the first 8 months of 1947, to $17,000, also almost wholly from Canada. United States production had an estimated value of 15 million dollars in 1939, and at least 30 million dollars in 1946. Exports amounted to $7,861,000 in 1939 and $12,507,000 in 1946. American paraffin is used all over the world. The leading markets in 1946 were the United Kingdom, Canada, Colombia, Sweden, China, and Chile.

Unfinished petroleum oils - Par. 1733 (Tariff Act of 1930). - The excise tax on imports of unfinished oils was reduced in the recent trade agreement negotiations from ½ cent to ¼ cent a gallon. In 1939 taxable imports of unfinished oils, including topped crude, were valued at $4,541,000, nearly all from the Netherlands West Indies. However, more than half of the reported imports consisted of topped crude, on which the excise tax was reduced in December 1939. In 1946 taxable imports amounted to $30,000, nearly all from Canada; during the first 8 months of 1947 to $365,000, nearly all from Canada. Since unfinished oils are products not ready for use, most of the shipments which appear in published statistics are intracompany transfers or transactions between affiliated companies.

Earthenware table and kitchen articles, decorated - Par. 211 (Tariff Act of 1930). - In the present trade agreement the duty on decorated earthenware plates, cups and saucers, valued above certain minimums was reduced from 10 cents per dozen pieces plus 30 percent ad valorem to

10 cents per dozen plus 20 percent. The minimum values are about 25 percent above the minimum values to which reduced rates previously applied. The duty on other decorated earthenware table and kitchen articles valued at not less than $2 per dozen pieces was reduced from 10 cents per dozen plus 50 percent to 10 cents per dozen plus 25 percent.

Production of earthen tableware in the United States amounted to about 27 million dozen pieces in 1939 and to about 40 million dozen pieces in 1946. Imports amounted to 2.9 million dozen pieces in 1939 and to about 1 million dozen pieces in 1946. Exports have been a very small proportion of production.

China table and kitchen articles - Par. 212 (Tariff Act of 1930). - The rate of duty on undecorated bone china tableware was reduced from 40 percent to 30 percent ad valorem but not less than 5 cents per dozen and 25 percent ad valorem. The rate on decorated bone china tableware was reduced from 45 percent to 35 percent ad valorem, but not less than 5 cents per dozen and 30 percent ad valorem. The rate of duty on decorated household china tableware (other than bone) was reduced from 10 cents per dozen pieces plus 70 percent ad valorem to 10 cents per dozen pieces plus 45 percent on medium-priced ware and to 10 cents per dozen plus 35 percent on higher-priced ware.

Production of household china tableware in the United States in 1939 amounted to about 200,000 dozen pieces and in 1946 to over one-half million dozen pieces. Imports of all china tableware were 3½ million dozen pieces in 1939 and about 200,000 dozen pieces in 1946. Exports of china tableware have always been an unimportant part of domestic output.

Chinaware (except table, chemical, electrical, and sanitary wares), chiefly art ware - Par. 212 (Tariff Act of 1930). - In the new trade agreement the rates of duty on this class of bone chinaware have been reduced from 45 percent to 25 percent ad valorem on decorated ware and from 40 percent to 25 percent on undecorated ware.

In the new agreement the rates of duty on this class of chinaware, other than bone china, have been reduced as follows: On decorated ware, from 70 percent to 50 cents per dozen pieces, but not less than 45 percent nor more than 70 percent ad valorem; and on undecorated ware from 60 percent to 40 cents per dozen pieces, but not less than 40 percent nor more than 60 percent ad valorem.

Production of art pottery, chinaware and earthenware in the United States increased from about 7½ million dollars in 1939 to about 60 million dollars in each of the years 1945 and 1946. Chinaware may have accounted for 20 to 30 percent of this output.

Imports of art pottery in 1937 supplied about 50 percent of the United States consumption. In 1946 they supplied less than 10 percent. Exports have always been negligible.

Table and art glassware, blown or decorated - Par. 218(f) (Tariff Act of 1930). - In the new trade agreement the rates of duty (with minor exception) on blown or decorated table and art glassware were reduced approximately 20 percent. The new rate of duty is 50 cents per article, but not more than 50 percent nor less than 30 percent ad valorem. The rate of duty on such glassware was previously 45 percent if cut or engraved and valued at $1 or more each and 60% otherwise.

United States production of blown or decorated table and art glassware amounted to about 8 million dollars in 1939 and to 23 million dollars in 1946. Imports of such ware in 1939 were $1\frac{1}{2}$ million dollars and in 1946 almost $2\frac{1}{2}$ million dollars. Czechoslovakia, Sweden, and the United Kingdom are currently the chief suppliers, whereas before the war Germany, Czechoslovakia, and Japan were the leading sources of imports. Exports in 1939 were negligible, but in 1946 they exceeded a million dollars.

Sheet (window) glass - Par. 219 (Tariff Act of 1930). - In the present trade agreement the rates of duty on sheet glass, commonly called window glass, were reduced 30 percent. The new rates range from 63/64 cents per pound to 1-62/64 cents per pound, depending on the size (superficial area) of the glass. The rates established in the Tariff Act of 1930 ranged from 1-7/8 cents per pound to 3-3/4 cents per pound. These rates were reduced 25 percent by Presidential proclamation, effective in 1932.

United States production of sheet glass amounted to over 700 million pounds in 1937 and to over 800 million pounds in 1946. Imports in 1937, principally from Belgium and Czechoslovakia, amounted to about 46 million pounds in 1937 and to less than 75,000 pounds in 1946. United States exports in 1937, mainly to Canada and Latin American countries, amounted to about 375,000 pounds in 1937 and to over 40 million pounds in 1946.

Plate glass - Par. 222 (Tariff Act of 1930). - In the present trade agreement, the rates of duty on plate glass have been reduced 50 percent. The new agreement rates are 4-3/20, 5-13/20, 5-17/20, and 6-3/5 cents per square foot depending on the superficial area.

United States production of plate glass in 1937 amounted to about 192 million square feet, and in 1946 to 210 million square feet. Imports in 1937 amounted to about 2 million square feet and in 1946 to 137,000 square feet. Belgium has been the chief source of imports. United States exports of plate glass have steadily increased, from slightly over 3 million square feet in 1937 to over $7\frac{1}{2}$ million square feet in 1946. Canada and Latin America have been the principal markets.

Mica, unmanufactured (sheet mica)- Par. 208 (Tariff Act of 1930). - Sheet mica is used largely in the electrical industry for insulating purposes. In the present trade agreement the rate of duty on unmanufactured mica valued at not above 15 cents per pound was bound at 4 cents per pound. On mica valued at above 15 cents per pound the rate was reduced from 4 cents per pound and 25 percent ad valorem to 2 cents per pound and 15 percent ad valorem.

United States production of sheet mica amounted to $139,000 in 1939 and to an estimated value of over $500,000 in 1946. Imports were valued at $266,000 in 1939 and at $2,048,000 in 1946.

Talc, ground or pulverized - Par. 209 (Tariff Act of 1930). - Ground talc is used chiefly in the manufacture of paint, rubber, roofing, ceramics, paper, insecticides and toilet preparations. In the present trade agreement the rate of duty on this material, when valued at not more than $14 per long ton, was reduced from $17\frac{1}{2}$ percent to 10 percent ad valorem. (The rate of duty on imports valued at more then $14 per ton (35 percent) was not changed.)

The United States is the world's largest producer and consumer of ground talc. Production amounted in 1939 to 236,000 tons and in 1946 to more than 400,000 tons. Imports of all ground talc in 1939 supplied about 10 percent of the total United States consumption and about half of such imports consisted of the lower valued material, largely from Canada. Imports of this quality of talc declined from 13,800 tons in 1939 to 6,400 tons in 1946. United States exports are relatively small, but may have approximated imports in recent years.

Graphite, crystalline flake - Par. 213 (Tariff Act of 1930). - Crystalline flake graphite is used in the manufacture of metallurgical crucibles and other refractory products. In the present trade agreement the rate of duty on flake graphite was reduced from 30 percent with a specific minimum of 0.825 cents per pound and a specific maximum of 1.65 cents per pound to 15 percent ad valorem with a specific minimum of 0.4125 of a cent per pound and a specific maximum of 0.825 of a cent per pound.

United States production of crystalline flake graphite suitable for the manufacture of crucibles is negligible. Domestic requirements are supplied almost wholly by imports from Madagascar, either directly or by transshipment through France. In 1939 imports of flake graphite were 2,260 short tons; in 1944 they amounted to over 6,000 tons, but decreased in 1946 to 3,337 tons.

Caustic calcined magnesite - Par. 204 (Tariff Act of 1930). - Caustic calcined magnesite is used chiefly for the production of magnesium metal and certain types of flooring and stucco. In the present trade agreement the rate of duty on both lump and ground caustic calcined magnesite was reduced from 15/16 of a cent per pound to 15/32 of a cent per pound ($9.375 per short ton).

Production of caustic calcined magnesite in the United States amounted to 10,000 short tons in 1939 and to 45,000 tons in 1946. Imports amounted to 2,200 tons in 1939 and 442 tons in 1946. British India is the principal foreign source for caustic calcined magnesite in lump form and the Netherlands furnishes the bulk of the imported ground material.

China clay or kaolin - Par. 207 (Tariff Act of 1930). - China clay or kaolin is a white or nearly white clay used largely in the manufacture of certain kinds of paper and pottery. In the present trade agreement the rate of duty on imports of this clay has been reduced from $1.75 per ton to $1.25 per ton.

Production of china clay in the United States amounted to 781,000 tons in 1939 and to 1,322,000 tons in 1946. Imports, practically all from England, declined from 115,000 tons in 1939 to 89,000 tons in 1946. Exports have been negligible.

Perfume bottles and jars--hand-made - Par. 218(e) (Tariff Act of 1930). - In the present trade agreement the rates of duty on unfilled hand-made perfume bottles and jars were reduced from 75 percent to 50 percent ad valorem on bottles and from 75 percent to 37½ percent on jars.

United States production of hand-made bottles, used largely for perfumes, amounted to a half million dollars in 1939 and to about a million and a half dollars in 1946. Imports of hand-made bottles and jars, chiefly from France and Czechoslovakia, exceeded 1/4 million dollars in 1939; in 1946 they declined to 160 thousand dollars. Exports are negligible.

Portland cement - Par. 205 (Tariff Act of 1930). - Portland cement is used almost entirely in concrete construction. In the present trade agreement, the duty was reduced from 4.5 cents to 2.25 cents per 100 pounds (including the weight of the container).

United States is the world's largest producer of cement. The domestic industry consists of about 150 plants located in 34 states. Production in 1939 amounted to 122,000,000 barrels and in 1946 to 164,000,000 barrels. During the years 1937-39 annual imports, largely from Belgium, averaged 1,720,000 barrels. Imports amounted to 3,600 barrels and exports exceeded 5,000,000 barrels in 1946.

Lime, n.s.p.f. (quicklime) - Par. 203 (Tariff Act of 1930). - Quicklime is used principally in building construction, soil treatment and industrial processes. The duty of 5 cents per 100 pounds (including container) was reduced to 2½ cents per 100 pounds in the present trade agreement.

Quicklime is produced in all sections of the United States. Production was about 3 million short tons in 1939 compared with 4.3 million tons in 1946. Imports in 1939 amounted to 6,500 tons and in 1946 to 24,700 tons.

Exports of lime generally are somewhat larger than imports and are confined to Western Hemisphere countries, particularly Canada. The foreign trade is largely over-the-border movement.

Optical glass lenses - Par. 226 (Tariff Act of 1930). - Lenses used in optical instruments are produced from glass having high optical properties and relatively free from impurities and imperfections. In the present trade agreement the duty on such lenses, with edges ground or beveled, was reduced from 10 cents per dozen pairs plus 35 percent ad valorem to 10 cents per dozen pairs plus 25 percent ad valorem.

Before the war one company in the United States produced most of the glass from which optical lenses were made; it also consumed the major portion of its output in the manufacture of optical instruments. Imports supplied most of the requirements of other optical instrument manufacturers. In 1939 imports of these lenses amounted to about 6,000 dozen pairs, valued at $31,170; in 1946 they amounted to 533 dozen pairs, valued at $5,597.

Diamonds, cut but not set - Par. 1528 (Tariff Act of 1930). - The cut diamonds here under consideration are used as gem stones in the manufacture of jewelry. By far the greater part of United States consumption of cut diamonds is supplied by imports. It is estimated that about 80 percent of the world's output of cut diamonds is sold in the United States.

In the present trade agreement, the rate applicable to imports from Cuba remains at 8 percent ad valorem, and the rate applicable to imports from other countries is bound against increase at 10 percent ad valorem.

The value of United States imports increased from 27 million dollars in 1939 to 118 million dollars in 1946.

Diamond dies - Par. 214 (Tariff Act of 1930). - A diamond die is a pierced diamond designed for use in the drawing of wire. The wire drawn from small diamond dies is essential for precision instruments in airplanes, and for motors, communication equipment, and electronic devices for both military and civilian use. The rate of duty on diamond dies has been reduced in the present trade agreement from 30 percent to 20 percent ad valorem.

Although large diamond dies have been produced in this country for a number of years, small diamond dies were all imported before the war. During the war, imports were severely curtailed, and, with direct Government technical and financial aid, the production of small-sized diamond dies was developed in this country. Statistics reporting the value of domestic production are not available. Imports were valued at $34,600 in 1939 and at $63,700 in 1946. Exports of diamond dies--not available for 1939--amounted to $213,000 in 1946.

Natural pearls, emeralds, and semiprecious stones, cut but not set - Par. 1528 (Tariff Act of 1930). - Natural pearls, emeralds, and semiprecious stones are used in the manufacture of jewelry and related articles. In the present trade agreement, the rate of duty on turquoise was bound at 5 percent ad valorem, and the rate on natural pearls and the other gem stones under consideration was reduced from 10 percent to 5 percent ad valorem.

Domestic production, although substantial, is believed to amount to less than imports in value. Imports of natural pearls increased from $249,400 in 1939 to $619,500 in 1946. Imports of emeralds amounted to $361,300 in 1939 and to $210,300 in 1946. Imports of semiprecious stones increased from less than a million dollars in 1939 to $6,185,000 in 1946.

Imitation gem stones - Par. 1528 (Tariff Act of 1930). - Imitation gem stones are manufactured principally from glass, although plastics also are used. They are used mainly in the manufacture of low- and medium-priced jewelry and related articles, and for the ornamentation of wearing apparel. In the present trade agreement the rate of duty on imitation precious stones, cut or faceted, and imitation semiprecious stones, faceted, was reduced from 20 percent to 10 percent ad valorem, and the rate on other types of imitation gem stones was reduced from 60 percent to 30 percent ad valorem. No reduction was made on synthetic precious or semiprecious stones.

Statistics of production and exports are not available. In 1939 imports amounted to $1,930,000, and in 1946 to $8,310,000. A large part of the imports of imitation gem stones consists of rhinestones, which are not produced in the United States.

Metals and Manufactures, except Machinery and Vehicles

Several concessions were granted by the United States on items in this group. The principal ones are discussed under specific headings below.

Zinc ores, concentrates and metal - Pars. 393 and 394 (Tariff Act of 1930). - Zinc is a metal used mainly for the galvanizing of steel, for alloying with copper in the manufacture of brass, for die castings, paint pigments, rolled zinc and other products.

In the new trade agreement the rate of duty on ores and concentrates has been reduced from 1-1/5¢ to 3/4¢ per pound of zinc content; the rate of duty on slab zinc has been reduced from 1-2/5¢ to 7/8¢ per pound.

Zinc mining in the United States is widespread, substantial quantities of zinc ore being produced in 19 of the 48 states. Mine production of zinc in ore averaged about 564,000 tons in the 1935-39 period and was 566,000 tons in 1946. Smelter capacity in prewar years was sufficient to provide for all domestic needs as well as for the smelting of foreign ores for re-export. Because of wartime plant expansion, smelting capacity is now in excess of normal requirements. Imports of zinc in ore and metal, mainly from Canada, Mexico, Peru, Bolivia, Newfoundland, and Argentina, rose from small prewar tonnages to about 271,000 tons in 1946, equivalent to about 33 percent of domestic consumption. Exports of slab zinc were very small in the prewar period and were 35,046 tons in 1946.

Bauxite - Par. 207 (Tariff Act of 1930). - Bauxite is a term applied to naturally occurring soils and rocks containing high percentages of the hydrated oxides of aluminum and is used principally in the manufacture of aluminum. In the new trade agreement the rate of duty on imports of bauxite has been reduced from $1.00 per ton to $0.50 per ton.

Production of bauxite in the United States, principally in Arkansas, increased from an average of about 368,000 long tons in the early 1920's to 6,233,000 tons in 1943. Domestic production of bauxite in 1946 was 1,117,227 long tons. Imports, principally from Surinam, increased from 24,000 tons in 1922 to a record high of 1,548,000 long tons in 1943. In 1946 they amounted to 852,000 long tons. Exports of bauxite increased from 5,900 tons in 1921 to 529,000 long tons in 1943. Exports in 1946 were 91,000 tons and were almost entirely to Canada.

Aluminum, crude - Par. 374 (Tariff Act of 1930). - Aluminum is a metal obtained chiefly from bauxite by roasting and reducing. It is employed as a light metal for airplane and automotive construction, for moving parts of machinery, for ornamental architectural work, for cooking utensils, and for some 3,000 other applications. In the new trade agreement the rate of duty on imports of crude metal has been reduced from 3 cents per pound to 2 cents per pound. The tariff rate on aluminum metal in pigs, ingots, and other forms was 4 cents per pound under the act of 1930 and was reduced to 3 cents in January 1939.

Production of primary aluminum in the United States increased from 27,500 short tons in 1922 to a high of 920,000 tons in 1943. Imports increased from a low of 4,100 short tons in 1932 to 334,100 tons in 1943. Exports during the last 25 years ranged from a low in 1936 of 803 tons to 188,000 tons in 1944. Production of primary aluminum in 1946 amounted to 410,000 short tons. Imports of metal and alloys in 1946 amounted to 30,500 short tons and exports 1,110 tons.

Metals and Manufactures, except Machinery and Vehicles - continued

Copper ore, concentrate, matte, blister, refined, and old scrap - Par. 1658 (Tariff Act of 1930). - Copper is perhaps the most important of the nonferrous metals. Under the Tariff Act of 1930 copper was admitted duty free. During 1932 an import excise tax of 4 cents per pound was imposed on the copper content of all imports (now Section 3425, Internal Revenue Code). The excise tax has been suspended from April 30, 1947 through March 31, 1949 by Public Law 42, 80th Congress. Products of Cuba and the Philippine Islands enter duty free. Materials for smelting or refining in bond and export are also admitted (tax) free (Tariff Act of 1930, Sec. 312). In the new trade agreement the import excise tax has been reduced from 4 cents per pound of contained copper to 2 cents per pound.

Production in the past has varied but reached a peak of over 1 million short tons during 1943. Prior to the war domestic production supplied the needs of the United States. Imports were mostly under bond for smelting, refining, and export. Some taxable copper has entered the United States and a large share of it was re-exported as manufactured articles with benefit of drawback. Practically all copper exported has been of foreign origin, processed under bond or under drawback privileges, and re-exported.

In 1946 United States smelter production was 594,000 short tons, imports 354,498 short tons, and exports were only 53,512 short tons due to low mine production and extraordinarily high domestic demand. World production usually follows the level of economic activity rather closely.

Manganese ore containing 35 percent or more metallic manganese - Par. 302(a) (Tariff Act of 1930). - Nearly all of this manganese ore is of the so-called metallurgical grade and carries about 50 percent metallic manganese. It is converted into the alloy form and used as a deoxodizer in the manufacture of steel for which it is essential. The small remainder is known as battery or chemical grade ore and goes into dry batteries and various chemicals.

In the new trade agreement the duty has been reduced from 1/2 cent per pound of manganese content to 1/4 cent per pound of manganese content.

In 1939 the United States produced 26,000 tons of manganese ore valued at $731,000. In that same year imports were 1,282,000 long tons with a value of over 18 million dollars. In 1946 production had increased to 127,410 long tons and imports were 876,000 long tons. Exports have always been negligible and have consisted of specially prepared battery or chemical grade ores.

Tungsten ore and concentrates - Par. 302(c) (Tariff Act of 1930). - Tungsten ore, usually of low grade, is concentrated at or near the mines and the higher grade concentrate, usually containing about 60 percent tungstic acid, is shipped to industry. A major portion of this material is consumed in the production of tungsten alloys, used in high speed cutting tools, armor-piercing projectiles, and magnet steel. In the new trade agreement the rate of duty on tungsten contained in ores and concentrates has been reduced from 50 cents per pound to 38 cents.

Domestic production of tungsten, principally from Idaho, California, and Nevada, increased from 1,140 short tons of contained tungsten in 1935 to 5,679 tons in 1943. Imports, principally from China, averaged 1,492 short tons from 1935 to 1939. During the war Bolivia became an important source of concentrates. Exports are negligible.

Domestic production during 1946 was 2,336 short tons of contained tungsten, imports 4,257 short tons, and no ore or concentrates were exported.

Metals and Manufactures, except Machinery and Vehicles - continued

Pig iron containing more than 0.04 percent phosphorus - Par. 301 (Tariff Act of 1930). - By weight, this grade of pig iron represents about 99 percent of the total domestic output and 90 percent of the imports in 1939. In the new trade agreement the base rate of duty on this grade was reduced from $1.125 per long ton to $0.75 per long ton.

The United States is the world's largest producer and consumer of pig iron. During the 1930 decade, imports of all grades supplied less than 1 percent of total consumption, and ranged from about 1 to 7 percent from year to year of the smaller consumption of merchant pig iron (for sale). Domestic production of pig iron of all grades increased from about 35 million short tons in 1939 to 45 million in 1946. Meanwhile imports of pig iron containing more than 0.04 percent phosphorus decreased from 39,000 short tons to 14,000. Before the war British India and the Netherlands were the principal sources of imports. The United States is normally a net importer of pig iron but during the period 1937-46 it was a net exporter.

Steel ingots, blooms, billets, bars and all other steel products valued at not above 3½ cents per pound - Par. 304 (Tariff Act of 1930). - Paragraph 304 covers tonnage grades of ingots, semifinished, and certain finished and miscellaneous products. The lower-priced products under consideration here are covered by three value brackets, two with one rate of duty each, and another with two rates. The base rates in each bracket apply to all products classified in this paragraph.

In the new trade agreement the base rate on products valued at not over 1½ cents per pound was reduced from 1/4 cent per pound to 1/8 cent per pound.

In the new trade agreement, the base rates on products valued above 1½ and not above 2½ cents per pound were reduced from 3/8 or 2/5 cent per pound to 3/16 or 1/5 cent per pound, respectively. The base rate on products valued above 2½ and not above 3½ cents per pound was reduced from 20 to 10 percent ad valorem.

The United States is the leading producer and consumer of steel and since 1940 it has been the leading exporter. The production of crude steel in the United States increased from 53 million short tons in 1939 to nearly 67 million in 1946. It may amount to 85 millions in 1947. Meanwhile imports, never large in relation to total consumption, have declined to very low levels. Total imports of all products valued at not over 3½ cents per pound declined from about 16,000 short tons in 1939 to 1,000 in 1946. Before the war Belgium-Luxemburg, France, and Germany were the principal sources of imports. Bars are the principal products in import trade.

Unfabricated structural shapes of iron or steel - Par. 312 (Tariff Act of 1930). -Structural shapes are produced by rolling and are often fabricated before use in construction projects. Heavy rolled shapes, the type under consideration here, include beams, girders, channels, joists and many others. More than 99 percent of the imports are unfabricated, and these are the only kinds discussed herein. Under normal conditions the tonnage of rolled shapes imported exceeds that for any other product.

In the new trade agreement the base rate (additional duties are seldom imposed) was reduced from 1/5 to 1/8 cent per pound. The new base rate is the same as the new minimum base rates on iron bars (paragraph 303), and steel bars and all other products in paragraph 304, thus tending to minimize tariff litigation.

The United States is the leading producer and consumer and has long been on an export basis for this product. Domestic production of heavy shapes increased from about 2.7 million short tons in 1939 to 3.5 million in 1946. Imports declined from nearly 43,000 tons to less than 500 tons in the same period. Before the war Belgium-Luxemburg, France, and Germany were the principal sources of imports.

Metals and Manufactures, except Machinery and Vehicles - continued

Iron and steel hoop, band, and scroll valued at 3 cents per pound or less - Par. 313 (Tariff Act of 1930). - The products included consist chiefly of hoops and bands (except those used for baling which are dutiable under paragraph 314). They are dutiable in three brackets depending upon gage, each with a different rate of duty. All of the brackets cover products valued at 3 cents per pound or less and eight inches or less in width.

Under the new trade agreement the base rate on hoop, band, and scroll 0.375-0.109 inch thick was reduced from 0.25 to 0.15 cent per pound. The base rate on products 0.109-0.038 inch thick was reduced from 0.35 to 0.20 cent per pound The base rate on products thinner than 0.038 inch thick was reduced from 0.55 to 0.30 cent per pound. Imports of these products have seldon been subject to additional duties for alloying or advanced processing.

The United States is a very large producer and is normally on an export basis. Data for the production of hoops and bands not used for baling are unavailable. Total imports in all three brackets amounted to 17,000 tons in 1939 and were nil in 1946. Before the war Belgium-Luxemburg, France, and Germany were the principal sources of imports.

Iron and steel baling hoops and bands - Par. 314 (Tariff Act of 1930). - These products are used chiefly for baling cotton (known as cotton ties), but they are also used for baling paper, shingles, excelsior, and many other materials.

Under the new trade agreement the rate of duty was reduced from 0.2 cent to 0.15 cent per pound. Before the war Belgium, Germany, and France were the principal foreign sources. Domestic production amounted to 70,000 short tons in 1939. Data for 1946 are not available. Imports amounted to about 8,600 tons in 1939 and were nil in 1946. Data regarding exports are not available.

Steel ingots, blooms, billets, and bars, and all other steel products valued above 16 cents per pound - Par. 304 (Tariff Act of 1930. - This duty bracket covers ingots, semifinished, and certain finished and miscellaneous steel products with a foreign value above 16 cents per pound. High-priced high-alloy steels such as high speed grades (typical composition 18 percent tungsten, 4 percent chromium, and 1 percent vanadium) and stainless grades (for example, 18 percent chromium and 8 percent nickel), lower-alloy and non-alloy grades are included. These are known in the trade as tool and fine steels, and represent less than 1 percent of the total crude steel production in the United States.

In the new trade agreement, the base rate on products valued above 16 cents per pound was reduced from 20 percent to 15 percent ad valorem. Total imports of the products valued at over 16 cents per pound amounted in 1939 to $106,000 and to about $70,000 in 1946. Separate statistics of production and exports of steel in this classification are not available.

Metals and Manufactures, except Machinery and Vehicles - continued

Alloy steel or iron - Par. 305 (Tariff Act of 1930). - This paragraph imposes ad valorem duties for alloy content above certain minimum percentages. In the case of vanadium, tungsten, molybdenum, and chromium content above specified percentages, it also imposes additional cumulative specific duties.

In the new trade agreement, the additional ad valorem rate of 8 percent on products valued at not above 3½ dents per pound and on those valued above 8 cents per pound was reduced to 4 percent.

The specific rates on the dutiable content of vanadium, tungsten, and chromium were also reduced to compensate for corresponding reductions in the rates on the raw materials.

Imports amounted to $1,065,000 in 1939 and to $446,000 in 1946.

Comparable production and export statistics are not available. Production is substantial and exports characteristically larger than imports.

Silverware, sterling and plated - Pars. 339 and 397 (Tariff Act of 1930). - In the present trade agreement the rate of duty on imports of tableware (paragraph 339) plated with silver on nickel silver or copper, which comprise the bulk of imports of dutiable silverware, has been reduced from 35 to 25 percent ad valorem, and the duty on similar articles plated on other materials has been reduced from 50 to 35 percent ad valorem.

The duty on other articles plated with silver on nickel silver or copper (paragraph 397) has been reduced in the new trade agreement from 35 to 25 percent ad valorem and on similar articles plated with silver on other materials from 50 percent to 35 percent. In the present trade agreement the rate of 32½ percent ad valorem on sterling silver tableware and miscellaneous silver manufactures has been bound.

Production of silverware in the United States, principally in the New England States and New York, was valued at approximately 15 million dollars in 1939. Imports, chiefly from the United Kingdom and Denmark, were valued at 767 thousand dollars in that year. Exports were valued at 233 thousand dollars. Trade in silver-plated products because of the limitation which price imposes on consumption of sterling silver is greater than in products of solid or sterling silver. During the war production of silverware by the leading industrial nations and trade in silverware was greatly curtailed. Since the war both United States production and imports for consumption have increased substantially. Imports were valued at 2,715 thousand dollars in 1946, the United Kingdom supplying imports valued at 1,997 thousand dollars, Mexico, imports valued at 283 thousand dollars, and Denmark, imports valued at 62 thousand dollars.

Jewelry and related articles - Par. 1527 (Tariff Act of 1930). - In general, jewelry may be divided into two major classifications -- precious metal jewelry and low-priced jewelry.

In the new trade agreement, the rate on jewelry and related articles of gold or platinum has been reduced from 60 percent to 40 percent ad valorem.

The rate on jewelry not of gold and platinum for items valued at not over $5 per dozen pieces was 110 percent on the Tariff Act of 1930, and for items valued at over $5 per dozen pieces was 65 percent under the 1936 Trade Agreement with France. In the 1942 trade agreement with Mexico, the rates on both of these classifications

of medium and low-priced jewelry were reduced to 55 percent, the United States reserving the right to withdraw this concession at the termination of the war emergency. In the new trade agreement, the rate on both categories of medium and low-priced jewelry has been fixed at 55 percent ad valorem, but the United States has reserved the right to increase the rate on items valued not over $5 per dozen pieces to 85 percent at the expiration of the emergency. With respect to related metal articles not of gold or platinum, valued not over $5 per dozen, the rate on cigarette cases and vanity cases has been reduced from 110 percent to 65 percent ad valorem, and on buckles, rhinestone bags, and collar, cuff, and dress buttons from 110 percent to 55 percent ad valorem; the rate on most articles not of gold or platinum valued above $5 per dozen pieces has been reduced from 65 percent to 45 percent ad valorem.

In 1939, domestic production of jewelry and related articles amounted to more than $105,000,000, and in 1946 it was over $200,000,000. United States exports were valued at $3,091,000 in 1939 and at $27,775,000 in 1946. The foreign value of imports in 1939 was $632,000 and in 1946, $3,481,000.

Machinery and Vehicles

The principal concessions granted by the United States on machinery were on the following items or classes of items: Electrical apparatus, metal-working machinery, and textile machinery.

Electrical apparatus - Principally Par. 353 (Tariff Act of 1930). - Most electrical apparatus is dutiable under paragraph 353 of the Tariff Act of 1930, though storage batteries, insulated wire, lamps, fixtures, and some other electrical goods are under other paragraphs.

In the agreement just concluded the rate of 25 percent which applied on a large part of all electrical goods has been reduced to 15 percent. Rates on telephone, diagnostic, and therapeutic apparatus (except X-ray), switchgear, fans and blowers were reduced from 35 percent to 17½ percent. The rate on washing machines and telegraph apparatus was bound at 17½ percent; the duty on X-ray apparatus and electric ranges was reduced from 17½ to 10 percent. The rate on a large class of machines which are dutiable in paragraph 353 only because they contain some more or less minor electrical feature was reduced from 27½ to 15 percent, to conform to a like reduction on the basic machines provided for elsewhere.

In 1939 United States production of electrical apparatus dutiable under this paragraph amounted to about 1-1/3 billion dollars. The demands of the war temporarily changed completely the patterns of production within the industry, but total production increased immensely. Present demands for some types are greater than productive capacity. Prewar exports amounted to about 100 million dollars annually, and were large in all the important classes.

In 1939 imports of all electrical goods dutiable in paragraph 353 amounted to 1-1/4 million dollars. Nearly half of this consisted, as it usually does, of a wide variety of miscellaneous small goods, in which no one class or type is outstanding. Imports of this class, most of the engineering and industrial type of equipment, and radio apparatus, totaled about $750,000 in 1939. This is the large group, the duty on which was reduced to 15 percent. United States production of this group in 1939 was valued at more than 850 million dollars. Machines with electrical elements were imported to the extent of nearly $300,000; they were mostly of special designs developed abroad. Domestic production and exports of machinery are very large. The remaining $180,000 consisted of telephone and telegraph apparatus, wiring devices, primary cells, flashlights, ranges, and medical apparatus.

Metal-working machinery - Par. 372 (Tariff Act of 1930). - This group covers practically all machinery used in producing any semifinished materials, articles, or machines made of metal.

All of these machines, with three exceptions, were dutiable at 30 percent under the act of 1930. This rate was reduced in the new agreement to 15 percent. The exceptions are (1) Gear-cutting or hobbing machines; (2) punches, shear, or bar cutters, the duty on both of which has now been reduced from 40 to 20 percent; and (3) jig borers, the duty on which remains at the 15 percent rate established in the agreement with Switzerland in 1936.

The United States is the largest producer of metalworking machinery, and its machines are generally of superior design and quality. Prewar United States production amounted to about $400 million annually; in some of the war years this output was increased nearly five-fold. Partial reports of production indicate a somewhat larger dollar value of output in 1946 than in 1937 or 1939.

Prewar imports were under a million dollars annually and came principally from Germany. In 1946 they slightly exceeded one million dollars, a large part of which consisted of special tools from Switzerland.

Exports in 1937 amounted to over $60 million and went to all parts of the world. In 1946 they had risen to $160 million.

Machinery and Vehicles - continued

Textile machinery - Par. 372 (Tariff Act of 1930). - Textile machinery consists of a wide variety of equipment used in the production of textile yarns and fabrics.

The rates of duty applicable to this group of equipment have been reduced in most instances in the new trade agreement. The new rates range from 10 percent to 40 percent ad valorem, compared with the previous rates of 20 to 40 percent.

In 1946 imports of all types of textile machinery amounted to over 3 million dollars. In 1939 imports amounted to 2.3 million dollars, which was less than 3 percent of domestic production in that year, and about one-fourth of domestic exports.

Of the total imports in 1946, nearly 60 percent represented imports of carding and other preparatory machinery (cotton, jute, wool, etc.). In 1939 this group ranked second. It leads in domestic production and exports. The rate of duty on cotton, jute, flax, hemp, and ramie machinery, which represents nearly half of the imports of preparatory machinery, was reduced from 20 percent to 10 percent. The rate of duty on Bradford worsted combs was bound at 40 percent, while the rate on other worsted combs was reduced from 40 percent to 20 percent. All other preparatory machinery, principally wool machinery other than worsted combs, was bound at 20 percent.

The second most important group of textile equipment imported in 1946 was circular knitting machines and flat knitting machines. In this group the rate of duty on circular machines was reduced from 20 percent to 15 percent.

Imports of cordage machinery ranked third in 1946, amounting to over $180,000. The rate of duty on this machinery was reduced from 20 percent to 15 percent. Only a few types of this equipment are produced in the United States.

Lace machines are not made in the United States and imports have been comparatively small. The rate of duty on Levers machines was reduced from 30 percent to 15 percent, and on other lace machines from 15 percent to 10 percent.

Imports of embroidery machines, usually comparatively small, amounted to nearly $150,000 in 1946, placing them fourth in importance in that year. Except for certain sewing-machine types, all are imported. The new trade-agreement rate is 15 percent, a reduction of 50 percent from the previous rate.

The rate of duty on braiding and insulating machines was bound at 20 percent, while the rate on winders, beaming, warping, and slashing machines was reduced from 20 percent to 15 percent. The rate on bleaching, printing, dyeing, and other finishing machinery was reduced from 40 percent to 20 percent; that on miscellaneous textile machinery from 25 percent to 15 percent.

A uniform rate of 20 percent has been established for all textile pins previously dutiable at various rates.

Machinery and Vehicles - continued

Bicycles - Par. 371 (Tariff Act of 1930). - The rates of duty on bicycles having wheels not over 19 inches in diameter were bound at $1.25 each but not less than 15 percent nor more than 30 percent ad valorem. On bicycles having wheels over 19 but not over 25 incles, the rate of $2 each but not less than 15 percent nor more than 30 percent was bound. The rate on bicycles having wheels over 25 inches in diameter was bound at $2.50 each but not less than 15 percent nor more than 30 percent except in the case of those weighing less than 36 pounds complete without accessories and not designed for use with tires having a cross sectional diameter exceeding 1-5/8 inches on which the rate was reduced to $1.25 each but not less than 7-1/2 percent nor more than 15 percent.

Domestic production of complete bicycles numbered 1,260,000 in 1939. In that year imports numbered 12,214 chiefly from the United Kingdom. Domestic production was estimated at 325,000 bicycles during the first six months of 1946. Imports during the full year 1946 numbered 47 thousand. Exports in both years were negligible.

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Chemicals and Related Products

The principal items or groups of items in this classification on which concessions were made are discussed under specified headings below.

Natural or synthetic odoriferous or aromatic chemicals, n.s.p.f. - Par. 60 (Tariff Act of 1930). - The duty on hydroxycitronellal was reduced from 22½ to 15 percent ad valorem and the duty on the other items of this class (except linalyl acetate) has been reduced from 45 to 30 percent ad valorem. These chemicals are made by separation and synthesis from essential oils or by synthesis from other non-coal tar chemicals. (Aromatic chemicals produced from coal tar are classified under paragraph 28.) They are used in perfumes and in many other aromatic products. United States production of hydroxycitronellal declined during the war due to shortage of raw materials; however, production of this entire group of perfume chemicals increased greatly. In 1943 it was about 4½ times the quantity and about 10 times the value of the 1939 production. Imports averaged about 60,000 pounds annually valued at approximately $165,000 in 1937-39 and were chiefly from France, Switzerland, and Germany. Switzerland was the only source in 1946 and the first half of 1947. Imports therefrom were small and exceptionally high valued.

Mixtures of perfume materials - Par. 60 (Tariff Act of 1930). - The duty on mixtures of perfume materials has been reduced from 40 cents per pound plus 30 percent ad valorem to 30 cents a pound plus 20 percent ad valorem. Mixtures of perfume materials are semi-finished concentrated products which are diluted with alcohol to produce perfumes and toilet waters or are used to perfume cosmetics, soaps, and household preparations. In the United States, mixtures of perfume materials are prepared by essential-oil houses and sold to cosmetic companies. In 1939 imports of mixtures of perfume materials were valued at $750,000 and in 1946 at $1,242,416. Exports of mixed perfumes and flavor oils probably exceed 1 million dollars in value. The value of mixed perfumes produced in the United States is substantially larger than that of imports.

Perfumery, including cologne - Par. 61 (Tariff Act of 1930). - In the new trade agreement the duty on perfumery containing alcohol was reduced from 40 cents per pound plus 37½ percent ad valorem to 30 cents per pound plus 20 percent ad valorem. Perfumery not containing alcohol was reduced from 37½ to 20 percent ad valorem. In addition to the duty, imported perfumes containing alcohol, whether or not denatured, are subject to an Internal Revenue tax of $9.00 per gallon. Perfumes usually contain 85 to 93 percent of alcohol.

Part of the United States production of perfumes is made from imported mixtures of perfume materials. France has been the chief source of imports of perfume, and the United Kingdom and Cuba were fairly important sources during the war years. Cuban production consists largely of the repackaging of imported bulk perfumery materials by branch houses of United States, French, and Spanish firms in Cuba. United States imports in 1946 and in the first 6 months of 1947 were 60,917 and 34,975 pounds, respectively. Production of perfumery in the United States was valued at 8.6 million dollars in 1939 and was probably considerably greater in 1946. Exports are not separately reported but are small.

Toilet preparations - Par. 61 (Tariff Act of 1930). - The compound duty on toilet preparations containing alcohol was reduced from 40 cents per pound plus 37½ percent ad valorem to 30 cents per pound plus 20 percent ad valorem in the new trade agreement. On those not containing alcohol, the simple duty has been reduced from 37½ percent to 20 percent ad valorem. The toilet preparations considered here include all cosmetics and toilet preparations except liquid perfumes, toilet waters, and bath salts. The most important items are creams, lotions, powders, dentifrices, and sachets. Only a small part of domestic requirements is imported. In 1946 imports were valued at $61,000 and in the first 6 months of 1947, $47,000. Exports in 1946 were several times the prewar average in value, amounting to $21,732,000. Production in 1946 also probably greatly exceeded the output in 1939 which was valued at 146 million dollars.

Glycerin, crude and refined - Par. 42 (Tariff Act of 1930). - In the new trade agreement the duty on crude glycerin was reduced from 8/10 to 4/10 cent per pound and the duty on refined glycerin has been reduced from 1-7/15 to 1 cent per pound. Glycerin is a byproduct of the manufacture of soap and fatty acids. Low-priced or byproduct oils (such as inedible tallow and greases), coconut oil, and caustic soda are the raw materials used. The crude is refined for use in the production of explosives, synthetic resins and ester gums, tobacco, cellophane, drugs and pharmaceuticals, foods, paper, cosmetics, and a large number of other products. The United States has usually been on an import basis with respect to crude and refined glycerin combined, but net imports in most years have been small. In 1939, 8.2 million pounds were imported and 7.1 million pounds exported. Imports in 1946 and the first half of 1947 were 9.4 and 1.6 million pounds, respectively. Exports in 1946 were 654,000 pounds, and in the first 5 months of 1947, 844,000 pounds. In 1939 United States production of glycerin was estimated at 139 million pounds and totaled 149 million pounds.

Caffeine and related products - Par. 15 (Tariff Act of 1930). - In the new trade agreement the duty on caffeine has been reduced from 90 cents to 60 cents per pound; on caffeine citrate from 75 cents to 50 cents per pound; on other compounds of caffeine from 25 percent to 17 percent ad valorem; and on theobromine from 65 cents to 40 cents per pound. Theobromine is produced by extraction from cacao cake, a waste product of the cacao and chocolate industry; except for minor quantities used medicinally, it is used as a source of caffeine. Caffeine is also obtained from tea waste, as a byproduct of decaffeinized coffee. Eighty percent is consumed in "cola" drinks; the remainder and the compounds of caffeine are used medicinally. Before the war imports of caffeine and compounds were virtually nil, and imports of theobromine were small. Imports of the latter ceased in 1942 but amounted to 189,000 pounds in 1946 and to 29,000 pounds in the first half of 1947. Imports of caffeine increased greatly during the war. In 1946 and in the first half of 1947, 247,000 pounds and 41,000 pounds, respectively, were imported, chiefly from Brazil. United States production of caffeine and caffeine products (principally caffeine) was nearly 1-1/4 million pounds in 1939 and about 700,000 pounds in 1946. Exports were negligible before the war but increased considerably during the war.

Menthol - Par. 51 (Tariff Act of 1930). - The duties on natural and on synthetic menthol have been reduced from 50 to 40 cents per pound. Natural menthol is usually produced from the Japanese peppermint plant; synthetic is made principally from imported citronella oil or from cresols derived from coal tar. Both kinds are used in pharmaceuticals and medicines, tobacco products, dental preparations, liqueurs, and confectionery. Before the war Japan was the principal source of imports of natural menthol; Brazil is now the principal source. Synthetic menthol came chiefly from France and Germany. In 1939, 407,000 pounds of menthol were imported; 559,000 and 222,000 pounds were imported in 1946 and in the first 6 months of 1947, respectively. Exports in 1946 were 52,000 pounds and in the first 6 months of 1947 were 31,000 pounds. No figures are available for 1939 exports. Menthol production in the United States totaled about 190,000 pounds in 1939 but declined sharply in 1945 and 1946.

Liquid anhydrous ammonia - Par. 6 (Tariff Act of 1930). - The duty on liquid anhydrous ammonia was reduced from 2½ cents to 1-1/4 cents per pound in the new trade agreement. Anhydrous ammonia is used in the production of a large number of fertilizer materials and industrial chemicals. Practically all of the domestic output, which approximated 725,000 short tons in 1946, is made by high-pressure synthesis from hydrogen and atmospheric nitrogen. The United States imported practically no anhydrous ammonia before 1941 and little since 1943. During the period 1941-43 nearly 63 million pounds were imported exclusively from Canada, about two-thirds of which were entered free of duty for Government use. Exports, principally to South American countries, increased steadily from 1.6 million pounds in 1935 to 12.1 million pounds in 1941, and were 12.3 million pounds and 4.9 million pounds in 1946 and in the first 5 months of 1947, respectively.

Antimony oxide - Par. 8 (Tariff Act of 1930). - The rate of duty on antimony oxide was reduced from 2 cents to 1 cent a pound in the new trade agreement. Prior to the war, imports consisted almost entirely of the ordinary or opacifying grade used principally in the manufacture of enamelware. In 1937 imports from China, the United Kingdom, Belgium, and France amounted to 2,235,000 pounds, valued at $242,131. There were no imports recorded during 1946 and the first 6 months of 1947. Domestic production of antimony oxide amounted to several million pounds annually before the war; data on postwar production are not available. Prewar exports were small. In 1943 exports amounting to 256,000 pounds and valued at $41,693 went principally to Canada. There were no exports reported in 1946.

Barytes ore, crude - Par. 67 (Tariff Act of 1930). - Barytes (barite) ore consists of a very pure form of barium sulfate. Its principal end uses are as an ingredient of rotary oil-well drilling muds and as pigments for paint, glass, and rubber. In the new trade agreement the rate of duty has been reduced from $4 to $3.50 a ton. In 1939 domestic production of crude barytes amounted to 326,670 long tons. Imports, almost entirely from Cuba amounted to 10,346 long tons. Imports in 1946 amounted to 39,877 long tons, chiefly from Canada. Domestic consumption and production has been increasing in recent years. Export data are not available.

Miscellaneous

The following miscellaneous items are the principal ones in the group on which concessions were made: Photographic film, sensitized photographic paper, fish hooks, beads (except imitation pearl beads) and beaded articles, and books and pamphlets n.s.p.f.

Photographic film - Par. 1551 (Tariff Act of 1930). - In the new agreement the rate of duty on unexposed 35 mm. motion-picture film was reduced from 2/10 to 1/10 cent per linear foot. On 16 mm. and 8 mm. unexposed motion-picture film and all unexposed film other than motion-picture film the rate was reduced from 12½ percent to 6¼ percent ad valorem.

In 1939, United States production of photographic film amounted to $65,000,000, imports to $1,600,000 and exports to $7,000,000. In 1946, production is believed to have been substantially larger than in 1939; imports amounted to $86,000 and exports to $11,965,000.

Photographic paper, sensitized - Par. 1405 (Tariff Act of 1930). - In the new trade agreement the rate of duty on sensitized photographic paper was reduced from 22½ percent to 12 percent.

The production of sensitized photographic paper in the United States before the war is estimated to have been valued at 12 to 15 million dollars annually. Imports averaged less than 400 tons a year valued at about $400,000 and exports were between 600 and 800 tons a year at an average total value of about 1.1 million dollars a year. Production data for 1946 are not available but output is estimated to be considerably in excess of prewar production. Imports in that year had decreased to 18 tons valued at $51,000, while exports were valued at 4.1 million dollars.

Fish hooks, except snelled hooks - Par. 1535 (Tariff Act of 1930). - In the new trade agreement the rate of duty on fish hooks (except snelled hooks) was reduced from 45 percent to 35 percent.

In the prewar years the annual value of domestic production, which included the value of snelled and other hooks, was about $800,000. Annual imports were valued at approximately $325,000 and exports were small. During the war, when imports were greatly curtailed, United States production expanded considerably and domestic producers were able to supply substantial quantities to Newfoundland and other nearby fishing centers. In 1946 the value of imports was $779,000 with Norway, also the principal prewar source, supplying over 90 percent of the total. Many of the imported hooks are used in the United States for further manufacture into flies and snelled hooks. No data are available for United States exports in 1946.

Beads (except imitation pearl), bugles, and spangles, and articles thereof - Par. 1502 (Tariff Act of 1930). - In the new trade agreement the rate on beads in imitation of precious or semiprecious stones has been reduced from 45 percent to 22½ percent ad valorem; on beads of synthetic resin, from 75 percent to 37½ percent; on other beads (including bugles), from 35 percent to 17½ percent; on spangles, from 35 percent to 27½ percent; and on ladies' beaded handbags (including plates for beaded handbags), from 60 percent to 30 percent.

Annual imports of beads and beaded articles in 1937-39 averaged 1½ million dollars; in 1946 imports were valued at about 2½ million dollars. Exports of these products have been small.

Domestic production of plastic beads is believed to be fairly large and that of other beads is small. Production of spangles, small before the war, has increased substantially in recent years.

Miscellaneous - continued

Books and pamphlets, n.s.p.f. - Par. 1410 (Tariff Act of 1930). - The books, pamphlets, and music here considered are exclusive of Bibles, and must be printed in English, be not more than 20 years old, and be imported under conditions of general trade (i.e., exclusive of those which are specially imported for the Government or for educational and similar institutions, and not for sale); otherwise they are duty free. **In the new trade agreement the** rate of duty on prayer books of foreign authorship is reduced from 7½ to 4 percent ad valorem, and on those not of foreign authorship from 12½ to 7½ percent. On other books and pamphlets the duty is reduced from 7½ to 5 percent ad valorem if of foreign authorship and from 20 to 10 percent ad valorem if not of foreign authorship. On books for children's use, the rate is lowered from 15 to 7½ percent, and on book bindings wholly or in part of leather, the rate is changed from 15 to 7½ percent.

United States production of books and pamphlets was valued at 165 million dollars in 1939. The value of books and pamphlets sold in 1943 was 305 million dollars and in 1945 was 370 million dollars. The latter figures are on a different basis and not comparable with the 1939 data, but the value of books and pamphlets produced has undoubtedly increased greatly since 1939. Before the war the annual value of exports and imports were about 6 and 2 million dollars, respectively. In 1946, imports amounted to [illegible]600,000. Under the provisions of the copyright law, books (whether by American or foreign authors) which are protected by United States copyright must be printed in the United States from plates made or type set in the United States. Under this law imports are virtually limited to books in English which have never been copyrighted in the United States and those on which copyrights have expired.

GENERAL PROVISIONS

The general provisions of the Agreement are divided into three parts.

Part I gives legal effect to the tariff concessions set out in the Schedules of the Agreement and, in addition, lays down the basic rule of nondiscrimination in tariff and customs matters generally.

Part II deals with barriers to trade other than tariffs, such as quotas, protective excise taxes, restrictive customs formalities and the like. The provisions of Part II are intended to prevent the value of the tariff concessions from being impaired by the use of other devices, and also to bring about the general relaxation of non-tariff trade barriers, thus assuring a further *quid pro quo* for the action taken with respect to tariffs.

Part III deals with procedural matters, and with other questions relevant to the Agreement as a whole. Included in Part III are

provisions setting out the relationship between the Agreement and the proposed Charter for an International Trade Organization; provisions establishing a mechanism for the administration of the Agreement; and provisions for its entry into force, amendment and termination.

A summary of the detailed provisions within each of the three broad parts of the Agreement follows.

Part I - Tariffs and Preferences

Article I - The Most-Favored-Nation Clause. Article I incorporates the most-favored-nation clause in its unconditional and unlimited form.

This clause is the cornerstone of nondiscrimination in international commercial relations. Its purpose is to make certain that the tariffs applied by each party to the Agreement to products imported from the other parties will not be higher than the tariffs applied to the same products when imported from any other country. Thus, the clause provides a guarantee that when American exports arrive in a foreign country which is a party to the Agreement they will not be faced with a tariff higher than the tariff applicable to competing exports from some other country.

The most-favored-nation clause as included in bilateral trade agreements entered into in the past by the United States and other countries has always been subject to exceptions which permitted the establishment, maintenance and increase of preferences between certain areas, such as, for example, between the areas comprising the British Empire, between France and its colonies, and between the United States and Cuba.

The General Agreement is unique in that it contains a blanket limitation on all such preferences so that they cannot be increased above the levels in effect on a date prior to the Agreement. This general binding of preferences extends not only to products on which concessions have been granted in the Schedules of the Agreement, but to all products entering into international trade, and represents a commitment above and beyond the reductions and eliminations of preferences on particular products provided for in the Schedules. The limitation at existing levels of every preference on all products is an effective bar to new preferential arrangements in the future and is an essential and far-reaching step towards the agreed goal of eliminating all forms of discriminatory treatment in international commerce.

The most-favored-nation provisions of the General Agreement also extend to export taxes. Export taxes have in the past largely served as a means of

restricting or diverting exports of raw materials. Agreement to observe the rule of nondiscrimination in applying such taxes is an important step in carrying out point 4 of the Atlantic Charter looking toward "access, on equal terms, to the.....raw materials of the world". From the point of view of the immediate interests of the United States, a significant result will be the elimination of the discriminatory tax on exports of tin ore and concentrates from the Malayan Union. Prior to the Agreement, Malayan exports of tin ore and concentrates destined for smelters in the United States were subject to a higher tax than the tax payable on exports to smelters within the British Empire, thus tending to favor the maintenance of smelting facilities in the Empire and to discourage the development of such facilities in the United States and elsewhere. When Malaya puts the Agreement into force, any tax thereafter maintained on exports of tin ore and concentrates must be the same for all countries, irrespective of destination, and the United States smelting industry will be in as favorable a position as the smelting industry of any other country in obtaining access to tin supplies in Malaya.

There are no exceptions to the provisions for most-favored-nation treatment on export taxes.

Article II - Tariff Concessions. Article II incorporates, as a legal and integral part of the Agreement, the tariff concessions set forth in the Schedules. It provides, in general, that the products listed in the Schedules will not be subject to any ordinary customs duties higher than those specified in the Schedules and, in addition, will not be subject to any supplementary charges on importation higher than those in force on October 30, 1947.

Article II also safeguards the tariff concessions against adverse changes in methods of tariff valuation or currency conversion; against changes in tariff classifications; and against unwarranted increases in rates of specific duties in the event of currency depreciation.

Part II - Non-Tariff Trade Barriers

Article III - National Treatment on Internal Taxes and Regulations. Tariff concessions can easily be nullified by internal excise taxes or other internal regulations which operate to protect home industries by laying greater burdens on the imported than on the domestic product. Such discriminatory taxes and regulations also introduce confusion into international trade transactions in general because they confront the foreign trader with hidden trade barriers in addition to the direct barriers raised at the customs border.

Article III is designed to do away as far as possible with such internal trade barriers and to require that any protection given be in the form of measures applied openly against imports at the time of importation.

To this end the Article provides that all internal commodity taxes which apply to imported products must apply equally to the like domestic products; that internal regulations in general may not treat imported products less favorably than domestic products; and that any internal quotas or "mixing" regulations (which require the consumption of foreign or domestic products in specified amounts or proportions) must not restrict imports to an extent greater than they did on April 10, 1947 and must be subject to negotiation for their further limitation or elimination.

The rule limiting the use of internal "mixing" regulations is an important one. "Mixing" regulations are as effective as absolute import quotas and prohibitions as a device for restricting trade. While their use is not widespread at the moment (they are probably not used today in more than a score of instances throughout the world), they would, if left unchecked, undoubtedly have become serious obstacles to world commerce.

Article IV - Cinematograph Films. Article IV, relating to motion-picture films, recognizes that the economic peculiarities of the film trade make import duties an unsuitable device for affording legitimate protection to national film industries. As a counterpart of import duties, therefore, Article IV establishes for the film trade alone an approved protective device in the form of screen quotas which reserve a portion of screen time for domestic films, and screen quotas are of course made negotiable in the same manner as tariffs. A most important feature of Article IV is the further provision that no screen time other than that reserved for domestic films may be allocated in any manner. A few existing preferential film quotas are permitted to continue, but their incidence may not be increased, and no new quotas of this type may be introduced. In general, therefore, this provision means a guarantee of free competition in the film markets of the parties to the agreement, except to the extent that nations may produce their own films for domestic exhibition. As a consequence of providing nations with a legitimate means of protecting their domestic film trade, all other discriminatory devices of all kinds would be outlawed. Under the terms of the Article there can be no renter or distributor quotas, no discriminatory taxes, no trading of special privileges between nations, and none of the other discriminatory measures which might be devised.

Article V - Freedom of Transit. Article V provides for the free movement of goods and vehicles across national territories on routes convenient for international transit. It prohibits the imposition of special transit duties or other restrictions and requires that all regulations dealing with transit shall be reasonable. One result of the application of the Article on freedom of transit will be the elimination of the requirement prohibiting the transportation by truck, in bonded transit, of United States goods across Canadian territory between Detroit and Buffalo.

Article VI - Antidumping and Countervailing Duties. Antidumping and countervailing duties, the proper purpose of which is to offset export dumping and subsidization, have frequently been misused for the purpose of hampering normal competition in international trade. Article VI lays down rules confining the use of these special duties to the circumstances in which they are justified and limiting them to the amounts necessary to accomplish their proper purpose.

Article VII - Valuation for Customs Purposes. When goods are subject to ad valorem duties, based upon the value of the goods, the methods followed at the custom house in determing the value of the goods is as important to the foreign trader as is the rate of duty itself. If these methods are arbitrary, or result in fictitious valuations, a much greater burden on trade can result than would appear from the height of the duty. Article VII is designed to assure that fair valuation systems will be used in assessing ad valorem duties. It provides that the values to be used shall be "actual" values and not arbitrary or fictitious values, and sets out a suitable definition of "actual" value for customs purposes. Provision is made that internal taxes shall not be included in the value of a shipment of goods if they have not in fact been paid on that shipment. In converting foreign currencies for the purpose of arriving at the value of imported products, a general requirement is made that the par value of the currency involved, as established by the International Monetary Fund, shall be used. This requirement, however, can be set aside in cases where trade transactions are not in practice carried on in terms of the par value. Whatever the detailed method of valuation followed, the general principle is established that valuation methods should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value of goods for customs purposes.

Article VIII - Formalities connected with Importation and Exportation. Many of the difficulties facing foreign traders lie in unnecessary or needlessly elaborate customs requirements and formalities. Article VIII looks toward the removal of these obstacles at the earliest practicable date. Recognition

is given to the principle that supplementary customs fees and charges should be limited to the cost of services rendered and should not represent a means of indirect protection to domestic industries, and to the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements. Provision is made that the parties to the Agreement shall not impose substantial penalties for minor breaches of customs regulations.

Article IX - Marks of Origin. Article IX provides for nondiscriminatory treatment in the application of requirements for the marking of imported products to indicate their origin; for the liberalization of marking regulations so as to permit importers to mark their goods at the time of importation rather than at the time of manufacture or export; for the elimination of marking requirements which may have the effect of damaging imported goods or materially reducing their value or unreasonably increasing their cost; and for limiting the use of marking penalties or fines to cases where the importer has unreasonably delayed his compliance with marking regulations, has applied deceptive marks, or has intentionally omitted to apply the required marks. A related paragraph looks toward international cooperation to prevent the "pirating" of geographical trade names which are distinctive of the produce of a particular country or region.

Article X - Publication and Administration of Trade Regulations. Article X is designed to assure full publicity and fair administration in the matter of laws and regulations affecting foreign trade. It provides for the publication of all such laws and regulations in such a manner as to enable both governments and traders to become acquainted with them; for the official publication of any increased duties simultaneously with or prior to their application; and for the establishment or maintenance of customs courts or similar independent procedures to assure justice and fair dealing in the administration of trade regulations.

Articles XI through XV - Quantitative Restrictions and Exchange Controls. Quantitative restrictions, or quotas, rigidly limit to an absolute amount or value the quantity of goods which may be imported or exported.

The use of quotas for protective purposes took place on an increasing scale during the inter-war years, so that today quotas are one of the most serious obstacles to an expansion of international trade. Action for the reduction of tariffs such as is provided for in the Schedules of the General Agreement would be meaningless without comprehensive measures to deal with the problem of quotas.

The Articles of the General Agreement relating to quotas (and to exchange control techniques) represent the establishment of an agreed policy among the contracting parties to avoid the use of quotas for normal protective purposes and to eliminate their use for other, extraordinary purposes (such as to safeguard the balance-of-payments) when the conditions making them necessary have ceased to exist. In substance, therefore, these Articles may be briefly described as constituting a general prohibition against the use of quotas, this prohibition then being made subject to carefully defined and closely controlled exceptions permitting their use in justifiable or necessary circumstances.

Article XI contains the general prohibition against quotas and sets forth certain "permanent" exceptions. The main permanent exception would permit the imposition of an import quota on a foreign agricultural product if the production or consumption of the like domestic product is also subject to restriction in equal degree. The purpose of this exception is to allow the continuation or establishment of governmental controls over agricultural production which are necessary to prevent heavy surpluses of farm products and drastic price declines. An example is the United States Sugar Act of 1937

under which all sugar consumed in the United States, whether of foreign or domestic origin, is subject to limitation with a view to maintaining prices at reasonable levels.

The other permanent exceptions set out in Article XI are of a relatively minor nature. They would permit quantitative restrictions which are necessary, for example, to enforce standards and grades (e.g. a prohibition on the importation of substandard tea); to relieve critical shortages of foodstuffs, such as are caused by famine; and to assist in surplus disposal programs having a relief character (e.g. the distribution of surplus apples free of charge through school lunch programs).

Article XII relates to the use of quantitative restrictions necessary to safeguard a country's balance of international payments and the value of its currency. It takes account of the situation of a country which does not possess enough foreign exchange to pay for all of the imported goods that its population would normally purchase and consume and recognizes that such a country may have to limit the overall volume of imports by means of quantitative restrictions, thus conserving foreign exchange for the purchase of those imported goods which are most essential to the economy.

Rules are laid down to assure that quantitative restrictions permissible for balance-of-payments reasons will not be used for other purposes or under other circumstances. The basic rule is that restrictions may not be resorted to unless necessary "to forestall the imminent threat of, or to stop, a serious decline in...Monetary reserves", or (if the country has dangerously low monetary reserves) "to achieve a reasonable rate of increase in...reserves."

Balance-of-payments restrictions maintained at the time the General Agreement comes into force must be gradually relaxed as the country's reserve position improves and must be completely eliminated when the reserve position would no longer justify their maintenance.

Other rules governing the use of balance-of-payments restrictions are:

(a) The country applying the restrictions must pay due regard to the need for restoring equilibrium in its balance-of-payments, and for assuring an economic employment of productive resources, thus making possible the eventual elimination of the restrictions.

(b) The restrictions may not be applied so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities, or prevent the importation of commercial samples, or prevent compliance with patent, trademark, or copyright procedures.

(c) The country concerned must apply the restrictions in such a way as to avoid unnecessary damage to the commercial or economic interests of any other party to the Agreement.

If any party to the Agreement considers that another party is applying balance-of-payments restrictions contrary to the rules, it may file a complaint with all of the parties to the Agreement acting in their joint capacity (described in the Agreement as the CONTRACTING PARTIES). If the complaint is justified, the CONTRACTING PARTIES may recommend the relaxation or removal of the restrictions, and if this recommendation is not complied with in sixty days the CONTRACTING PARTIES may authorize any party to withdraw tariff or other concessions from the party maintaining the restrictions contrary to the rules.

Countries not applying balance-of-payments restrictions at the time the Agreement comes into force but which wish to apply them later are required to

consult the CONTRACTING PARTIES, either before or immediately after taking such action. The purpose of this consultation is to ascertain the nature of the balance-of-payments problem, to see whether some measure other than trade restrictions might solve the difficulty, and to estimate the effect of the restrictions on the economies of other parties to the Agreement. Any country tightening up its restrictions must consult the CONTRACTING PARTIES within thirty days. The CONTRACTING PARTIES are required to carry out a general review of all restrictions still maintained on January 1, 1951. The CONTRACTING PARTIES may give their advance approval to restrictions applied under specified circumstances and conditions.

Article XIII extends the principle of nondiscriminatory treatment to quantitative restrictions applied consistently with the provisions of the General Agreement. It requires, first, that any restrictions applied to imports from, or exports to, any party to the Agreement must also apply to imports from, or exports to, all other countries. Second, whenever restrictions are applied, they should preferably take the form of published quotas specifying the amount or value of the particular products involved which will be permitted to be imported during a specified future period. If this is not practicable, import licenses, without a quota, may be employed, but these licenses may not require or provide that the goods be imported from a particular country or source. If a quota is allocated among foreign countries or sources of supply, the allocation must be made so as to reflect the shares which the various parties to the Agreement would probably have supplied if the quota had not been allocated. To this end, the country applying the quota may either (a) seek agreement among all the parties to the Agreement which are suppliers of the commodity as to the fair allocation of the quota, or (b) allocate the quota on the basis of imports during a previous representative period prior to the establishment of the quota.

Article XIV sets out certain necessary exceptions to the rule that quantitative restrictions must be nondiscriminatory . It recognizes that a country in balance-of-payments difficulties may sometimes be able to conserve its monetary reserves, and increase its total imports, by purchasing more than the normal share of imports from particular foreign countries. This would be true, for example, if a country, hard-pressed to find enough foreign exchange to pay for all that it wanted to buy from abroad, had accumulated as part of its monetary reserves a stock of "inconvertible" foreign currencies which could not be used for payments everywhere in the world but only to pay for imports from a particular country. In such cases, Article XIV recognizes that too rigid an application of the rule of nondiscrimination might reduce, rather than enlarge, total world trade, and provision is therefore made for enough flexibility to permit the working off of inconvertible currencies.

Departures from the rule of non-discrimination, no matter how justifiable in theory, are dangerous in practice. Unless closely controlled they may lead to barter arrangements or other bilateral deals designed to carve out preferential markets rather than to solve financial problems. Article XIV therefore sets out the following safeguards to keep discrimination within bounds and eventually to place trading on a fully multilateral, nondiscriminatory basis:

1. Discriminations based on financial considerations must result in larger imports, and cannot be employed merely to divert trade from one source of supply to another.

2. The prices paid for goods imported under discriminatory restrictions cannot be substantially higher than the prices of like goods available from other sources. This sharply limits the scope of discrimination and minimizes its harmful effects.

3. The discrimination cannot be part of any arrangement which would reduce the country's supply of gold or convertible currencies. This is aimed against bilateral barter deals having preferential rather than monetary ends in view.

4. Import programs involving discrimination must ultimately be directed to the goal of eliminating balance-of-payments difficulties and achieving the full convertibility of currencies.

5. Countries practicing discrimination must keep the CONTRACTING PARTIES regularly informed of what they are doing and, after March 1, 1952, must obtain the approval of the CONTRACTING PARTIES if they are to continue the practice.

6. The CONTRACTING PARTIES can at any time require a country to remove discriminations which do not meet the criteria set out above.

7. If the CONTRACTING PARTIES consider at any time that there is no longer a widespread disequilibrium in international trade, they may completely suspend the operation of this exception to the general rule against discrimination.

In order to provide the parties to the Agreement with a transitional period to adapt their administrative and economic systems to the detailed requirements set forth above, provision is made that the rules regarding nondiscrimination will not apply to countries in balance-of-payments difficulties until one year after the provisional entry into force of the Agreement (i.e. Jan. 1, 1949).

In addition to the provisions described above, there are certain other exceptions to the rule of nondiscrimination. Some of these are technical, being necessary to carry out the Article of Agreement of the International Monetary Fund. Others are based on provisions in the Anglo-American Financial Agreement. One is a temporary arrangement permitting the maintenance of preferential import quotas by the United Kingdom on four or five specific products (none of which are of special interest to the United States) pending their outright elimination by negotiation or their replacement by tariff preferences.

Article XV is designed to make sure that countries will not circumvent the rules regarding quantitative restrictions by resorting to exchange controls having the same effect on trade. To this end, it is provided that parties to the General Agreement shall either become members of the International Monetary Fund (which lays down agreed international rules governing the use of exchange controls and techniques) or else enter into a special exchange agreement wirh the CONTRACTING PARTIES containing substantially the same safeguards as the Fund Agreement. In any case, parties to the General Agreement may not use exchange controls, even though consistent with the Fund Agreement, which would "frustrate the intent of the provisions" of the General Agreement.

In all cases where the CONTRACTING PARTIES are called upon to consider or deal with balance-of-payments restrictions, they are required to consult the Monetary Fund, to accept the determination of the Fund as to what constitutes a "serious decline" in a country's monetary reserves, a "very low level" of monetary reserves, or a "reasonable rate of increase" in monetary reserves. These are the basic criteria for determining whether a country is entitled to use import restrictions to safeguard its balance-of-payments.

Article XVI - Subsidies. Subsidies such as those granted directly to producers by means of money payments or minimum farm income guarantees, are less disruptive of international trade than barriers such as tariffs and quotas. This is true because subsidies do not as a rule raise market prices and reduce consumption and because they tend to be used sparingly. Nevertheless, subsidies may cause serious prejudice to international trade in particular products. Article XVI provides that if a subsidy is used which increases exports or decreases imports of any product, it must be reported to the CONTRACTING

PARTIES together with a statement of the reasons why the subsidy is necessary and and estimate of its effect on trade. If it is determined that the subsidy is causing serious prejudice to the trade of one of the parties to the Agreement, the country granting the subsidy must, upon request, consult with the other party or parties concerned as to the possibility of limiting the subsidy.

Article XVII - State Trading. Concessions by state-trading enterprises on particular products are provided for in the Schedules of the Agreement along with the tariff concessions. Article XVII relates to the more general aspects of state-trading, with special emphasis on assuring that trading by the state will be conducted on a nondiscriminatory basis. It provides that the principle of nondiscrimination shall apply to state-fostered enterprise, just as the most-favored-nation principle is applied to measures taken by governments themselves to direct the flow of trade. More specifically, it interprets this to mean that the enterprise must, in so far as its purchases or sales affecting exports or imports are concerned, act according to commercial considerations. In addition, the state enterprise must give to the enterprises of other countries (whether private or public) an opportunity to compete for the international business of the state-trading enterprise "in accordance with customary business practice". A parallel obligation requires that governments shall not prevent enterprises under their jurisdiction, including competitive private enterprises, from acting according to commercial considerations.

The rules relating to state-trading do not apply to ordinary governmental purchases for governmental use, thus leaving a government free to follow any policy it chooses in its purchases for the armed forces, for strategic stock-piles, or for similar purposes.

Article XVIII - Adjustments in Connection with Economic Development. Article XVIII recognizes the special problems of underdeveloped countries which may need to use nondiscriminatory trade measures, otherwise forbidden by the Agreement, in order to encourage infant industries. The Article provides that such measures may be used if the prior approval of the CONTRACTING PARTIES is obtained. If the product is one of those listed in the country's Schedule of tariff concessions, however, the country wanting to adopt the measure must also reach substantial agreement with the party with which the concession was negotiated and other parties interested in it. Detailed procedures are provided to assure an adequate examination of the facts in each case and the expeditious and fair handling of applications to employ development measures.

Countries which had particular measures of economic development in operation on September 1, 1947, may continue them pending their examination by the CONTRACTING PARTIES, subject to three main conditions. First, no such measure may continue in respect of any product listed in the appropriate Schedule of tariff concessions. Secondly, the measure concerned must have been notified to all of the prospective parties to the Agreement prior to October 10, 1947, that is to say well in advance of the day on which the text of the General Agreement was authenticated. Finally, all such measures must again be notified to the CONTRACTING PARTIES who will examine the measure and approve or disapprove it within one year after the day on which the country maintaining the measure becomes a party to the Agreement.

Article XIX - Emergency Action on Imports of Particular Products. Tariff concessions and other commitments to remove obstacles to trade may sometimes have unforeseen results. Accordingly, it is provided in Article XIX that concessions may be withdrawn or obligations suspended if, in view of unforeseen developments, they result in increased imports so substantial as to cause or threaten serious injury to home producers. There must, however, be consultation with the other affected countries, either before or immediately after withdrawing the concession, with a view to reaching agreement. If agreement is not reached, and the action is nevertheless taken, the other parties affected by the action can then withdraw equivalent concessions. These provisions are in line with the

established policy of the United States under the Trade Agreements Act and with the requirements of Executive Order No. 9832 issued by President Truman on February 25, 1947.

Article XX - General Exceptions. Article XX contains a number of exceptions which customarily appear in international commercial agreements, together with certain other exceptions growing out of the economic conditions peculiar to the transitional post-war period. Among the customary exceptions are those permitting the application of measures to protect human, animal or plant life or health (sanitary regulations); measures to protect public morals; measures relating to international movements of gold or silver; measures to enforce the customs laws and prevent deception or fraud; measures to conserve exhaustible natural resources, if made effective in conjunction with restrictions on domestic production or consumption; and measures applied under approved intergovernmental commodity agreements. During a postwar period ending on January 1, 1951 (which can be extended by the CONTRACTING PARTIES if necessary) special measures are also permitted to bring about a fair distribution of products in short supply, to maintain price controls in countries undergoing shortages subsequent to the war, and to liquidate surpluses of goods or industries built up owing to the exigencies of the war.

Article XXI - Security Exceptions. Article XXI recognizes the need for certain trade control measures for reasons of national or international security. It would permit any party to withhold the furnishing or publication of any information (such as, for example, technological information) the disclosure of which the party considers would be contrary to its essential security interests, or to take any action which it considers necessary for the protection of its essential security interests relating to fissionable materials or to the traffic in arms, ammunition and implements of war, or taken in time of war or other emergency in international relations or in pursuance of obligations under the United Nations Charter for the maintenance of international peace and security.

Articles XXII and XXIII.- Consultation and Nullification or Impairment. It is impossible to foresee and provide in detail for all possible measures or developments which may affect the commercial relations between nations. Articles XXII and XXIII therefore provide respectively for consultation between the parties to the Agreement on all matters affecting the operation of the Agreement and for procedures to be followed in the event that any measure should be taken, even though not prohibited by the Agreement, or any situation should arise, which would have the effect of nullifying or impairing the benefits or objectives of the Agreement. In the case of measures or developments tending to nullify or impair the Agreement, any contracting party may require the other parties concerned to consult with it with a view to reaching a satisfactory adjustment. If an adjustment can not be made, the matter may be referred to the CONTRACTING PARTIES. In exceptional and serious circumstances, the CONTRACTING PARTIES may authorize a particular party to suspend the application of any provision of the Agreement, either generally or in respect of particular countries. Any party affected by this action could then withdraw from the Agreement on short notice (sixty days).

Part III - Procedural and Other Matters

Article XXIV - Territorial Application - Frontier Traffic - Customs Unions- Article XXIV provides for the application of the Agreement to the customs territories of the contracting parties; for the establishment or continuation of measures to facilitate purely local traffic across the frontiers of adjacent countries; for measures necessary to the establishment of customs unions; and for special trade relations between India and Pakistan which may be necessary as a result of the division of India into two separate and independent states.

Article XXV - Joint Action by the Contracting Parties. As indicated in the preceding discussion of the substantive Article of the Agreement, certain of its provisions (for example those relating to quantitative restrictions for balance-of-payments reasons) require that the contracting parties act in their joint capacity. Acting in this way, they are described in the Agreement as the CONTRACTING PARTIES. Article XXV provides for periodic meetings of the representatives of the CONTRACTING PARTIES, beginning not later than March 1, 1948. Each party will have one vote at these meetings and decisions will, except where provided otherwise, be by majority vote. The CONTRACTING PARTIES may, by a two-thirds vote, waive obligations imposed by the Agreement upon a contracting party.

Article XXVI - Acceptance, Entry into Force and Registration. Article XXVI relates to the definitive entry into force of the Agreement, as contrasted with its provisional entry into force under the Protocol of Provisional Application described below. It provides that each country accepting the Agreement must deposit a formal instrument of acceptance with the Secretary-General of the United Nations and that the Agreement will enter definitively into full force and effect 30 days after such instruments have been deposited by countries accounting for 85 percent of the trade of all the negotiating countries.

Special provision is made for the separate adherence of any customs territory which, although politically under the control of a contracting party, may in fact be wholly independent in the conduct of its foreign commercial relations.

Because of the close relationship between many of the provisions of the Agreement and the same provisions proposed for inclusion in the projected Charter for an International Trade Organization, provision is made that the Agreement may not enter into full force and effect until the precise provisions of the Charter have been finally decided and agreement has been reached under Article XXIX (see below) as to whether the provisions of the Agreement or the corresponding provisions of the Charter shall govern.

The Secretary-General of the United Nations is authorized to register the Agreement with the United Nations as soon as it enters into force.

Article XXVII - Withholding or Withdrawal of Concessions. Article XXVII takes account of the possibility that one or more of the countries which participated in the negotiations at Geneva may fail to apply the Agreement, either definitively or under the Protocol of Provisional Application, or that some country may withdraw its application of the Agreement. In such cases, Article XXVII would permit those countries applying the Agreement to withhold or withdraw the particular tariff concessions provided for in the Schedules of the Agreement which, as disclosed by the records of the negotiations, had been initially negotiated with the country failing to apply the Agreement. Other parties to the Agreement whihh have a substantial interest in the concessions must, however, be consulted.

With regard to concessions granted by the United States and appearing in Schedule XX of the Agreement, the proclamation of the Agreement by the President of the United States, which will be made sometime in December, 1947, will indicate what concessions, if any, will be withheld by the United States by reason of the failure of any negotiating country or countries to apply the Agreement on January 1, 1948.

Article XXVIII - Modification of Schedules. Since all parties to the Agreement are legally entitled to each of the concessions listed in the Schedules, modification of a concession would normally require unanimous agreement among all of the parties. Article XXVIII is designed to introduce a desirable measure of flexibility so as to facilitate any needed adjustments

of tariff rates after an initial period of three years. It provides that after January 1, 1951, any party which has granted a concession on a product may modify that concession by obtaining the agreement, not of all the parties, but only of that party with which the conession was initially negotiated. There must, however, be consultation with other parties having a substantial interest in the concession. If agreement on the proposed modification cannot be reached, the country desiring to modify or withdraw the concession may nevertheless do so, in which case the country with which the concession was negotiated, together with other parties having a substantial interest in the concession, may withdraw substantially equivalent concessions initially negotiated with the party taking the action.

The interests of countries not entitled to claim that they were the initial negotiators of a concession are protected by a clause permitting any such country, if it is for any reason dissatisfied with the modification or withdrawal of a particular concession, to withdraw substantially equivalent concessions initially negotiated with the country taking such action.

In order to avoid possible disputes and consequent delays in negotiations, it is provided that the question as to what countries have a substantial interest in a particular concession shall be determined by the CONTRACTING PARTIES.

Article XXIX - Relation of the General Agreement to the Charter for an International Trade Organization. Article I of the General Agreement (the most-favored-nation clause) and all of Part II of the Agreement (non-tariff trade barriers) are virtually identical with provisions recommended for inclusion in the proposed Charter for an International Trade Organization to be discussed at the United Nations Conference on Trade and Employment opening at Habana, Cuba on November 21, 1947.

The negotiators of the General Agreement considered that it would be highly desirable, if practicable, to avoid a situation in which the same international obligations, covering the same subject matter, should continue to be incorporated in two international instruments running concurrently. There was a strong body of opinion, therefore, that these provisions of the General Agreement should automatically be superseded by the corresponding provisions of the Charter when it came into force. At the same time, however, it was recognized that the provisions of the General Agreement represented concrete undertakings to be made effective at an early date in conjunction with, and as a quid pro quo for, tariff concessions; whereas the provisions of the Charter were still in the nature of proposals, which would be subject to change at the Habana Conference, and would in any case not be made effective for a period of several months at least.

In these circumstances, it was agreed that while there should be a strong presumption in favor of the automatic supersession of the provisions of the General Agreement by the corresponding provisions of the Charter as finally agreed to at Habana, any party to the Agreement should have the right to object to such supersession in the event that the provisions of the Charter should be materially different from those in the Agreement

Accordingly, Article XXIX provides that Article I and Part II of the General Agreement shall be suspended and superseded by the corresponding provisions of the Charter on the day that the Charter enters into force; but that any party to the Agreement may, within 60 days after the end of the Habana Conference, lodge an objection to such supersession with regard to any particular provision. All the parties are then required to meet within a further 60 days and to decide whether the provisions of the Agreement, or alternatively the corresponding provisions of the Charter, shall apply. Agreement is also to be reached on the transfer to the International Trade Organization of the functions provided for under Article XXV. As a matter of practice, any determinations regarding these matters will have to be unanimous among the countries accepting the determination.

Article XXIX also deals with other relationships between the General Agreement and the projected ITO Charter. Recognizing the importance of the successful adoption of the Charter to the attainment of the objectives of the Agreement, the contracting parties to the Agreement undertake, pending their acceptance of a Charter in accordance with their constitutional procedures, to observe the general principles of the Charter to the fullest extent of their executive authority. In the event that the Charter is not adopted, or if its adoption should be unduly delayed, or if it ceases to be in force, the contracting parties to the Agreement will meet to agree whether the General Agreement should be amended, supplemented or maintained. In the case of a contracting party to the Agreement which fails to adopt the Charter, provision is made for all the contracting parties to confer and agree on any amendments necessary to take care of the situation.

Article XXX - Amendments. Article XXX requires that amendments to Part I of the Agreement, relating to the tariff schedules, may not be made effective until accepted by all of the contracting parties, and that other amendments will be effective, for all those parties accepting them, when they have been approved by two-thirds of the contracting parties. These provisions do not, of course, apply in cases where the Agreement may be changed by other procedures specifically provided for in the Agreement, as for example, modifications in rates of duty pursuant to Article XXVIII. Amendments are subject to an acceptance procedure similar to that provided for in respect of the Agreement as a whole under Article XXVI (Entry into Force).

Article XXXI - Withdrawal. Any contracting party is free to withdraw from the Agreement, upon giving six months notice in writing, at any time after January 1, 1951, that is to say, three years after its provisional entry into force. This is in accordance with the requirements of the Trade Agreements Act.

Article XXXII - Contracting Parties. Article XXXII is a technical one, designed to make it clear that any country which is applying the Agreement, whether definitively or provisionally, is to be considered as a contracting party under the terms of the Agreement.

Article XXXIII - Article XXXIII provides for the accession to the Agreement by countries other than those which participated in the negotiations at Geneva. Such accession must be by agreement with those countries which are at the time contracting parties to the Agreement, and would involve the negotiation of a schedule of tariff concessions to be granted by the acceding country.

Article XXXIV - Article XXXIV incorporates the Annexes as an integral part of the Agreement. The Annexes, lettered A to I, relate to such matters as the description of the territorial preferential relationships referred to in Article I, the percentages of the total trade of the contracting parties applicable to each of them, and a number of definitions and interpretations of particular provisions of the Agreement. Most of these definitions and interpretations also appear in the Charter for an International Trade Organization recommended for consideration by the Habana Conference.

The Protocol of Provisional Application. Under the Protocol of Provisional Application, the key countries of Australia, the Belgium-Netherlands-Luxembourg Customs Union, Canada, France, the United Kingdom and the United States, which together account for percent of the total trade of the countries negotiating at Geneva, undertake to apply provisionally, on and after January 1, 1948, a) Parts I and III of the Agreement and b) Part II of the Agreement to the fullest extent not inconsistent with existing legislation. Other countries negotiating at Geneva may apply the Agreement provisionally in the same manner on and after 30 days after their signature of the Protocol. Countries applying the Agreement provisionally under the Protocol may withdraw such application on 60 days notice.

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American Trade Policy

BY WOODBURY WILLOUGHBY

THE charter for an International Trade Organization, over which the delegates at Habana from more than 60 countries have been laboring since November 21, 1947, has as its basic objective the facilitation of the flow of international commerce. The chief means of accomplishing this objective is through the elimination of trade discriminations and the reduction of trade barriers.

This objective epitomizes the basic principles which have underlain treaties, agreements, and other international instruments to which the United States has been a party since the outbreak of World War II. They may be found in the economic clause of the Atlantic Charter in 1941; in the lend-lease agreements of the following years; in the articles of agreement of the International Monetary Fund and the International Bank for Reconstruction and Development in 1944; in the Anglo-American financial agreement in 1945; and in various other international documents. They are also to be found in

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our treaty of friendship, commerce, and navigation with China, which is now before the United States Senate. They are incorporated in other commercial treaties already in effect as well as a number in the course of preparation or negotiation. All of these documents spell out in clear and unmistakable terms the desire of the United States to make international trade as free and unhampered and nondiscriminatory as possible.

In some respects, notably our efforts to eliminate discrimination, the basic principles of our commercial policy have changed little through the years. As early as 1778 in the treaty with France, each nation accorded to the other any privileges granted any third nation. Then, there was the Jay treaty of 1794 where Great Britain and the United States agreed to establish commercial relations on a nondiscriminatory basis. Washington, when he admonished us in his Farewell Address to treat all nations alike in our commercial relations, expressed our historical policy. Like principles are embodied in the various treaties of friendship, commerce, and navigation drawn up during the course of the last century.

The trade agreements act of June 12, 1934, which is the statutory basis for all tariff negotiations since that date, specifically requires that any tariff reduction made under authority of the act be ex-

tended unconditionally and immediately to all countries not discriminating against the United States. Agreements have been concluded with more than 30 countries under the provisions of this act.

In the light of this history it is clear why the United States has taken such an active part in sponsoring the formation of the International Trade Organization. The basic requirement of the principal commercial-policy provisions of the charter for an International Trade Organization is that all members agree to extend to all other members unconditionally "any advantage, favour, privilege or immunity" accorded to any other member country on any product. Certain preferences, such as those between territories related by a common sovereignty or between specified neighboring states, are exempt. However, all members agree to carry on negotiations to reduce tariffs and eliminate preferences on a mutually advantageous basis. In general, no preferences can be increased nor can new ones be added. The benefits resulting from these reductions in tariffs and preferences must not be offset by the imposition of internal taxes, regulations, or other hidden forms of protection.

Probably the most important provisions of the charter are those which prohibit the imposition of

quantitative restrictions[1] limiting the volume of exports and imports and having the effect of nullifying the tariff and preference reductions. Since such restrictions throttle competition and foster economic isolationism, the charter renounces the concept and strictly limits the use of such controls.

There are a number of exceptions to the ban on quantitative restrictions, including one authorizing their use on agricultural or fisheries products when needed to implement governmental measures for limiting domestic production and marketing or for facilitating surplus disposal programs. The most important exception to the basic rule against quota restrictions is when a member is faced with balance-of-payments difficulties, as evidenced by a serious decline in its monetary reserves, or the need to increase its already low reserves. Under such conditions it may levy import restrictions.

Members are enjoined from frustrating by trade restrictions the exchange provisions of the articles of agreement of the International Monetary Fund, or by exchange actions the provisions of the charter relating to quantitative restrictions. Members of the ITO must either become members of the International Monetary Fund or enter into

[1] For statement on quantitative restrictions by the vice chairman of the U.S. Delegation to the Habana conference, see *Department of State Bulletin* of Jan. 11, 1948, p. 39.

a special exchange agreement with that organization. ITO members must also furnish necessary information to the Fund if they do not belong to the Fund organization.

The charter as drafted at Geneva last summer by the Preparatory Committee provides that if any member pays a subsidy to increase exports or reduce imports, it must notify the ITO and agree to negotiate with any member which believes itself to be injured thereby. This matter is still unsettled at Habana.

Another section of the charter deals with state trading. Countries carrying on trade through state enterprises are required to conduct their commerce in a nondiscriminatory fashion similar to governments directing the flow of private trade. Members must have equal opportunity to trade with state trading agencies and those state trading agencies are to act according to commercial considerations.

Closely related to the provision on commercial policy is the section which provides that members must eliminate, so far as possible, restrictive business practices fostering monopolistic control of international markets and trade. It is evident that if governments are to be stopped from engaging in harmful trade practices, private business should be prevented from accomplishing the same result by different means.

Members are obligated to take measures conducive to the achievement of full and productive employment within their respective domains, which includes action to eliminate substandard conditions of labor. The charter does not go beyond laying down the goals toward which the members should move since the specific measures to be undertaken are to be appropriate to the political, economic, and social institutions of the respective members.

Members agree to develop their own resources and to raise their standards of productivity. They also agree to cooperate with other countries through the medium of international agencies for the purpose of promoting general economic development. The charter provides that members will not place any unreasonable impediments on the exportation of facilities used for development purposes and such facilities will not be used in a manner injurious to the member providing them. Foreign investment must be given equitable treatment and adequate protection.

The decision as to the industries to be developed will continue to rest with the individual country. Subsidies are permitted when needed for new industries. Further protection may be accorded through the use of tariffs unless the member has signed a trade agreement not to raise the duties

on the products concerned. In the latter case, the member must request the ITO to consult with the other members whose trade would be affected by the action and obtain a limited release. The same must be done in order to use quotas. The charter is replete with statements making it incumbent upon all members to deviate as little as possible from the basic policy of the program it enunciates. In most cases, the charter explicitly requires that where a member is forced to place restrictions on trade it must do so in as nondiscriminatory a manner as possible.

In some respects, notably the elimination of discrimination, the basic objectives of our foreign commercial policy have changed little throughout the history of our country. In the matter of tariff duties, on the other hand, there has been a major reorientation. The changed position of the United States from a debtor to an active creditor country created a strong motive to reverse the trend toward higher and higher tariffs in favor of a selective reduction through negotiation with other countries. Under the reciprocal trade-agreements program the rates on a large part of our dutiable imports have been reduced.

This process of reducing our tariff rates in exchange for similar or comparable concessions by other countries has been carried a long step forward by recent negotiations at Geneva. While the drafting of the charter for an international

trade organization was in process at Geneva in the spring and summer of 1947 more than a score of the participating countries undertook to give concrete evidence of the sincerity of their belief in the principles of the charter by undertaking simultaneous negotiations on tariffs and other trade barriers.

At this history-making conference the representatives of 23 countries, including, of course, those of the United States, were able to negotiate reductions in barriers to world trade on the most comprehensive scale ever undertaken. There was almost six months of continuous negotiating which required over 1000 formal meetings and an even greater number of less formal discussions. The delegates agreed to tariff concessions covering products which account for almost half the world imports, and at the same time they worked out general rules of trade to safeguard and make these concessions effective. They dealt with trade controls of all kinds—not only tariffs, but also preferences, quotas, internal controls, customs regulations, state trading, and subsidies.

It was not only the volume of world trade affected by this conference which made these activities of such striking importance, but also the fact that such comprehensive trade negotiations were conducted on a multilateral basis. The general articles on matters affecting international com-

merce were worked out as a joint effort. The initial discussions of tariff negotiations were undertaken product by product between the principal supplier and the principal importer, but, once a concession was agreed upon, that concession was automatically extended to all other negotiating countries. By the time the negotiations were completed, and as far as the end product was concerned, the country-by-country and product-by-product negotiations had little significance.

The so-called general provisions of the general agreement on tariffs and trade, that is, provisions which do not relate to specific duties, constitute a sort of code of fair competition for the conduct of international trade. They are similar to provisions in the proposed charter and to the general provisions of our own reciprocal trade agreements. The general agreement has provisionally replaced some of the individual reciprocal trade agreements which the United States already had with a number of the negotiating countries.

In addition to developing the charter, the United States is also broadening the scope of its treaties of friendship, commerce, and navigation, the basic bilateral instruments defining our treaty rights in foreign countries. The China treaty, already referred to, is representative of the newer spirit of these treaties of friendship, commerce, and navigation. Among the major

improvements is clearly defined coverage for corporations, both the rights of American corporations in China and the rights of Americans participating in Chinese corporations. For the most part the rights provided in the treaty are mutual. There is a new provision specifying the treatment that must be accorded in the administration of exchange controls. The treaty also limits the use of quantitative controls and lays down rules to govern state trading. There are provisions designed to facilitate the settlement of commercial disputes by arbitration.

In the financial field, the United States has actively liberalized its approach. Through the International Monetary Fund, the United States is helping to provide an instrument for the stabilization of currency and thus reduce monetary hazards in the flow of goods across national boundaries. Through the International Bank, it is participating in, among other things, the promotion of "the long-range balanced growth of international trade" and the encouragement of foreign investment. The United States has consistently sought a multilateral approach to both the technical and the commercial aspects of civil aviation.

It is particularly encouraging that many countries have been willing to go on record against

freezing into perpetual conditions certain existing constrictive and retarding practices in commercial relations, and with us to set their sights toward a broader and brighter horizon. This is of special importance as we move forward with the Marshall Plan. The principles enunciated in the charter of the Iro are complementary to the objectives of the program for European economic recovery. Though the emphasis in the Recovery Program is on the immediate crisis, the goal is to achieve a measure of equilibrium by 1951 that will assure for the future a satisfactory degree of economic stability and an adequate basis for continuing economic development. The Marshall Plan recognizes that European industries must be rehabilitated and that Europe must become self-supporting. This does not mean that Europe must become self-sufficient. She has not been so in the past and will not be so in the future. Climate and lack of adequate supplies of raw materials make it impossible for her to produce everything she needs. Even as Europe moves forward toward normalcy she must continue to have large imports and sustain herself by multilateral trade.

Trade must be a two-way street. In the long run, the only way Europe can import is by exporting sufficient goods and services to pay for these imports. In other words, it becomes axiomatic under the Marshall Plan that international trade

must be facilitated, and it is instruments like the charter of the ITO which do just that. The reduction of tariff barriers and the expansion of nondiscriminatory trade relations will assist Europe to find the means of balancing her accounts with us.

Since the United States is the richest market, both from the standpoint of exports and potential imports, it is particularly significant to world recovery that the United States has been willing to take the lead in reducing barriers to the international flow of commerce. The strong sponsorship by the United States of institutions such as the ITO and its willingness to cooperate in the reduction of tariffs are steps which will facilitate the fruition of the Marshall Plan. The other countries participating in the Recovery Program have indicated that they "are prepared to play their full part" in the reduction of tariffs on a multilateral basis in accordance with ITO principles, and some of these countries participated in the negotiations at Geneva for this purpose.

As we look on every hand—at our participation in the drafting of the charter for an International Trade Organization, our treaties of friendship, commerce, and navigation, our trade agreements, our participation in the International Bank and the International Fund, and our encouragement of the preparation of the European Recovery Pro-

gram—it is clear that we have laid a good groundwork for more liberalized international commerce. We have broken away from the narrow economic isolationism which confined the world after World War I and we have encouraged some of the leading trading nations of the world to establish more liberal commercial policies.

The people of the United States, acting through Congress, have yet to decide whether they wish this country to ratify the charter and join the ITO when it comes into existence. Although provision has been made for interim aid, we still have to reach a decision as to whether we will take positive action to implement fully the European Recovery Program and make possible the rehabilitation of Europe. The trade agreements act expires next June and must be renewed if we are to continue our program of reducing world trade barriers.

The United States must not cease its leadership toward fuller, freer international trade. If we turn back—if we but falter—at this point, the great advances in international cooperation will be seriously jeopardized, if not completely frustrated. If in our lifetime we are to see a stable world, we dare not stop our march of progress.

U. S. GOVERNMENT PRINTING OFFICE: 1948

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GENERAL AGREEMENT ON TARIFFS AND TRADE

(IN FOUR VOLUMES)

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VOLUME I

Final Act Adopted at the Conclusion of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment

WITH THE

General Clauses of the General Agreement on Tariffs and Trade

AND

Protocol of Provisional Application of the General Agreement on Tariffs and Trade

THE DEPARTMENT OF STATE

Sub-series

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FINAL ACT

In accordance with the Resolution adopted at the First Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, established by the Economic and Social Council of the United Nations on February 18, 1946,

The Governments of the COMMONWEALTH OF AUSTRALIA, the KINGDOM OF BELGIUM, the UNITED STATES OF BRAZIL, BURMA, CANADA, CEYLON, the REPUBLIC OF CHILE, the REPUBLIC OF CHINA, the REPUBLIC OF CUBA, the CZECHOSLOVAK REPUBLIC, the FRENCH REPUBLIC, INDIA, LEBANON, the GRAND-DUCHY OF LUXEMBURG, the KINGDOM OF THE NETHERLANDS, NEW ZEALAND, the KINGDOM OF NORWAY, PAKISTAN, SOUTHERN RHODESIA, SYRIA, the UNION OF SOUTH AFRICA, the UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, and the UNITED STATES OF AMERICA,

Initiated negotiations between their representatives, at Geneva on April 10, 1947, directed to the substantial reduction of tariffs and other trade barriers and to the elimination of preferences, on a reciprocal and mutually advantageous basis. These negotiations have terminated today and have resulted in the framing of a General Agreement on Tariffs and Trade and of a Protocol of Provisional Application, the texts of which are annexed hereto. These texts are hereby authenticated.

The signature of this Final Act, or of the Protocol of Provisional Application, by any of the above-mentioned Governments does not in any way prejudice their freedom of action at the United Nations Conference on Trade and Employment.

This Final Act, including the texts of the General Agreement on Tariffs and Trade and of the Protocol of Provisional Application, will be released by the Secretary-General of the United Nations for publication on November 18, 1947, provided that the Protocol of Provisional Application shall have been signed by November 15, 1947, on behalf of all the countries named therein.

ACTE FINAL

Conformément à la résolution adoptée lors de la première session de la Commission préparatoire de la Conférence des Nations Unies sur le Commerce et l'Emploi, constituée le 18 février 1946 par le Conseil économique et social des Nations Unies,

Les Gouvernements du COMMONWEALTH D'AUSTRALIE, du ROYAUME DE BELGIQUE, des ETATS-UNIS DU BRÉSIL, de la BIRMANIE, du CANADA, de CEYLAN, de la RÉPUBLIQUE DU CHILI, de la RÉPUBLIQUE DE CHINE, de la RÉPUBLIQUE DE CUBA, des ETATS-UNIS D'AMÉRIQUE, de la RÉPUBLIQUE FRANÇAISE, de l'INDE, du LIBAN, du GRAND-DUCHÉ DE LUXEMBOURG, du ROYAUME DE NORVÈGE, de la NOUVELLE-ZÉLANDE, du PAKISTAN, du ROYAUME DES PAYS-BAS, de la RHODÉSIE DU SUD, du ROYAUME-UNI DE GRANDE-BRETAGNE ET D'IRLANDE DU NORD, de la SYRIE, de la RÉPUBLIQUE TCHÉCOSLOVAQUE et de l'UNION SUD-AFRICAINE,

Ont engagé à Genève, le 10 avril 1947, par l'entremise de leurs représentants, des négociations en vue de réduire, d'une façon substantielle, les tarifs douaniers et les autres entraves au commerce et d'éliminer les préférences, sur une base de réciprocité et d'avantages mutuels. Ces négociations ont pris fin aujourd'hui et ont abouti à l'élaboration d'un Accord général sur les tarifs douaniers et le commerce et d'un Protocole d'application provisoire, dont les textes sont joints au présent acte. L'authenticité de ces textes est établie par le présent Acte.

La signature, par les gouvernements susmentionnés, du présent Acte final ou du Protocole d'application provisoire ne porte atteinte en aucune manière à leur liberté d'action à la Conférence des Nations Unies sur le Commerce et l'Emploi.

Le présent Acte final, ainsi que le texte de l'Accord général sur les tarifs douaniers et le commerce et celui du Protocole d'application provisoire seront publiés le 18 novembre 1947 par les soins du Secrétaire général des Nations Unies, à la condition que le Protocole d'application provisoire ait été signé le 15 novembre 1947 au nom de tous les pays énumérés dans ce Protocole.

IN WITNESS WHEREOF the respective Representatives have signed the present Act.

DONE at Geneva, in a single copy, in the English and French languages, both texts authentic, this thirtieth day of October, one thousand nine hundred and forty-seven.

EN FOI DE QUOI les représentants des gouvernements susmentionnés ont signé le présent Acte.

FAIT à Genève, en un seul exemplaire, en langues française et anglaise, les deux textes faisant également foi, le trente octobre mil neuf cent quarante-sept.

For the Commonwealth of Australia:

C. E. Morton

Pour le Commonwealth d'Australie:

For the Kingdom of Belgium:

P. A. Forthomme

Pour le Royaume de Belgique:

For the United States of Brazil:

A. de Ferreira Braga

Pour les Etats-Unis du Brésil:

For Burma:

Maung Nyun

Pour la Birmanie:

For Canada:

L. D. Wilgress

Pour le Canada:

For Ceylon:

J. Corea

Pour Ceylan:

For the Republic of Chile:

A. Faivovich

Pour la République du Chili:

For the Republic of China:

Wunsz King

Pour la République de Chine:

For the Republic of Cuba:

Sergio I. Clark

Pour la République de Cuba:

For the Czechoslovak Republic:

Z. Augenthaler

Pour la République tchécoslovaque:

For the French Republic:

Pierre Baraduc

Pour la République française:

For India:

S. Ranganathan

Pour l'Inde:

For Lebanon:

J. Mikaoui

Pour le Liban:

For the Grand-Duchy of Luxemburg:

J. Sturm

Pour le Grand-Duché de Luxembourg

For the Kingdom of the Netherlands:

Pour le Royaume des Pays-Bas:

A. B. Speekenbrink

For New Zealand:

Pour la Nouvelle-Zélande:

J. P. D. Jonnsen

For the Kingdom of Norway:

Pour le Royaume de Norvège:

Erik Colban

For Pakistan:

Pour le Pakistan:

H. I. Rahimtoola

For Southern Rhodesia:

Pour la Rhodésie du Sud:

K. M. Goodenough

For Syria:

Pour la Syrie:

H. Jabbara

For the Union of South Africa:

Pour l'Union Sud-Africaine:

W. G. W. Parminter

For the United Kingdom of Great Britain and Northern Ireland:

Pour le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord:

T. M. Snow

For the United States of America;

Pour les Etats-Unis d'Amérique:

Winthrop Brown

GENERAL AGREEMENT ON TARIFFS AND TRADE

The Governments of the Commonwealth of Australia, the Kingdom of Belgium, the United States of Brazil, Burma, Canada, Ceylon, the Republic of Chile, the Republic of China, the Republic of Cuba, the Czechoslovak Republic, the French Republic, India, Lebanon, the Grand Duchy of Luxemburg, the Kingdom of the Netherlands, New Zealand, the Kingdom of Norway, Pakistan, Southern Rhodesia, Syria, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland, and the United States of America:

Recognizing that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods;

Being desirous of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce;

Have through their Representatives agreed as follows:

PART I

Article I

General Most-Favoured-Nation Treatment

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters referred to in paragraphs 1 and 2 of Article III, any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.

2. The provisions of paragraph 1 of this Article shall not require the elimination of any preferences in respect of import duties or charges which do not exceed the levels provided for in paragraph 3 of this Article and which fall within the following descriptions:

(a) preferences in force exclusively between two or more of the territories listed in Annex A, subject to the conditions set forth therein;

(b) preferences in force exclusively between two or more territories which on July 1, 1939, were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C and D, subject to the conditions set forth therein;

(c) preferences in force exclusively between the United States of America and the Republic of Cuba;

(d) preferences in force exclusively between neighbouring countries listed in Annexes E and F.

3. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 of this Article but is not specifically set forth as a maximum margin of preference in the appropriate Schedule annexed to this Agreement shall not exceed

(a) in respect of duties or charges on any product described in such Schedule, the difference between the most-favoured-nation and preferential rates provided for therein; if no preferential rate is provided for, the preferential rate shall for the purposes of this paragraph be taken to be that in force on April 10, 1947, and, if no most-favoured-nation rate is provided for, the margin shall not exceed the difference between the most-favoured-nation and preferential rates existing on April 10, 1947;

(b) in respect of duties or charges on any product not described in the appropriate Schedule, the difference between the most-favoured-nation and preferential rates existing on April 10, 1947.

In the case of the contracting parties named in Annex G, the date of April 10, 1947, referred to in sub-paragraphs (a) and (b) of this paragraph shall be replaced by the respective dates set forth in that Annex.

Article II

Schedules of Concessions

1.(a) Each contracting party shall accord to the commerce of the other contracting parties treatment no less favourable than that provided for in the appropriate Part of the appropriate Schedule annexed to this Agreement.

(b) The products described in Part I of the Schedule relating to any contracting party, which are the products of territories of other contracting parties, shall, on their importation into the territory to which the Schedule relates, and subject to the terms, conditions or qualifications set forth in that Schedule, be exempt from ordinary customs duties in excess of those set forth and provided for therein. Such products shall also be exempt from all other duties or charges of any kind imposed on or in connection with importation in excess of those imposed on the date of this Agreement or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date.

(c) The products described in Part II of the Schedule relating to any contracting party, which are the products of territories entitled under Article I to receive preferential treatment upon importation into the territory to which the Schedule relates, shall, on their importation into such territory, and subject to the terms, conditions or qualifications set forth in that Schedule, be exempt from ordinary customs duties in excess of those set forth and provided for in Part II of that Schedule. Such products shall also be exempt from all other duties or charges of any kind imposed

on or in connection with importation in excess of those imposed on the date of this Agreement or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory on that date. Nothing in this Article shall prevent any contracting party from maintaining its requirements existing on the date of this Agreement as to the eligibility of goods for entry at preferential rates of duty.

2. Nothing in this Article shall prevent any contracting party from imposing at any time on the importation of any product

(a) a charge equivalent to an internal tax imposed consistently with the provisions of paragraph 1 of Article III in respect of the like domestic product or in respect of an article from which the imported product has been manufactured or produced in whole or in part;

(b) any anti-dumping or countervailing duty applied consistently with the provisions of Article VI;

(c) fees or other charges commensurate with the cost of services rendered.

3. No contracting party shall alter its method of determining dutiable value or of converting currencies so as to impair the value of any of the concessions provided for in the appropriate Schedule annexed to this Agreement.

4. If any contracting party establishes, maintains or authorizes, formally or in effect, a monopoly of the importation of any product described in the appropriate Schedule annexed to this Agreement, such monopoly shall not, except as provided for in that Schedule or as otherwise

agreed between the parties which initially negotiated the concession, operate so as to afford protection on the average in excess of the amount of protection provided for in that Schedule. The provisions of this paragraph shall not limit the use by contracting parties of any form of assistance to domestic producers permitted by other provisions of this Agreement.

5. If any contracting party considers that a product is not receiving from another contracting party the treatment which the first contracting party believes to have been contemplated by a concession provided for in the appropriate Schedule annexed to this Agreement, it shall bring the matter directly to the attention of the other contracting party. If the latter agrees that the treatment contemplated was that claimed by the first contracting party, but declares that such treatment cannot be accorded because a court or other proper authority has ruled to the effect that the product involved cannot be classified under the tariff laws of such contracting party so as to permit the treatment contemplated in this Agreement, the two contracting parties, together with any other contracting parties substantially interested, shall enter promptly into further negotiations with a view to a compensatory adjustment of the matter.

6.(a) The specific duties and charges included in the Schedules relating to contracting parties members of the International Monetary Fund, and margins of preference in specific duties and charges maintained by such contracting parties, are expressed in the appropriate currency at the par value accepted or provisionally recognized by the Fund

at the date of this Agreement. Accordingly, in case this par value is reduced consistently with the Articles of Agreement of the International Monetary Fund by more than twenty per centum, such specific duties and charges and margins of preference may be adjusted to take account of such reduction;

Provided that the CONTRACTING PARTIES (i.e. the contracting parties acting jointly as provided for in Article XXV) concur that such adjustments will not impair the value of the concessions provided for in the appropriate Schedule or elsewhere in this Agreement, due account being taken of all factors which may influence the need for, or urgency of, such adjustments.

(b) Similar provisions shall apply to any contracting party not a member of the Fund, as from the date on which such contracting party becomes a member of the Fund or enters into a special exchange agreement in pursuance of Article XV.

7. The Schedules annexed to this Agreement are hereby made an integral part of Part I of this Agreement.

PART II

Article III

National Treatment on Internal Taxation and Regulation

1. The products of the territory of any contracting party imported into the territory of any other contracting party shall be exempt from internal taxes and other internal charges of any kind in excess of those applied directly or indirectly to like products of national origin. Moreover, in cases in which there is no substantial domestic production of like products of national origin, no contracting party shall apply new or increased internal taxes on the products of the territories of other contracting parties for the purpose of affording protection to the production of directly competitive or substitutable products which are not similarly taxed; and existing internal taxes of this kind shall be subject to negotiation for their reduction or elimination.

2. The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use. The provisions of this paragraph shall not prevent the application of differential transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

3. In applying the principles of paragraph 2 of this Article to internal quantitative regulations relating to the mixture, processing or use of products in specified amounts or proportions, the contracting parties shall observe the following provisions:

(a) no regulations shall be made which, formally or in effect, require that any specified amount or proportion of the product in respect of which such regulations are applied must be supplied from domestic sources;

(b) no contracting party shall, formally or in effect, restrict the mixing, processing or use of a product of which there is no substantial domestic production with a view to affording protection to the domestic production of a directly competitive or substitutable product.

4. The provisions of paragraph 3 of this Article shall not apply to:

(a) any measure of internal quantitative control in force in the territory of any contracting party on July 1, 1939 or April 10, 1947, at the option of that contracting party; Provided that any such measure which would be in conflict with the provisions of paragraph 3 of this Article shall not be modified to the detriment of imports and shall be subject to negotiation for its limitation, liberalization or elimination;

(b) any internal quantitative regulation relating to exposed cinematograph films and meeting the requirements of Article IV.

5. The provisions of this Article shall not apply to the procurement by governmental agencies of products purchased for governmental purposes and not for resale or use in the production of goods for sale, nor shall they prevent the payment to domestic producers only of subsidies provided for under Article XVI, including payments to domestic producers derived from the proceeds of internal taxes or charges and subsidies effected through governmental purchases of domestic products.

Article IV

Special Provisions relating to Cinematograph Films

If any contracting party establishes or maintains internal quantitative regulations relating to exposed cinematograph films, such regulations shall take the form of screen quotas which shall conform to the following requirements:

(a) screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized, over a specified period of not less than one year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theatre per year or the equivalent thereof;

(b) with the exception of screen time reserved for films of national origin under a screen quota, screen time including that released by administrative action from screen time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply;

(c) notwithstanding the provisions of sub-paragraph (b) of this Article, any contracting party may maintain screen quotas conforming to the requirements of sub-paragraph (a) of this Article which reserve a minimum proportion of screen time for films of a specified origin other than that of the contracting party imposing such screen quotas; Provided that no such minimum proportion of screen time shall be increased above the level in effect on April 10, 1947;

(d) screen quotas shall be subject to negotiation for their limitation, liberalization or elimination.

Article V

Freedom of Transit

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a contracting party when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes. Traffic of this nature is termed in this Article "traffic in transit".

2. There shall be freedom of transit through the territory of each contracting party, via the routes most convenient for international transit, for traffic in transit to or from the territory of other contracting parties. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any contracting party may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges for transportation or those commensurate with administrative expenses entailed by transit or with the cost of services rendered.

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4. All charges and regulations imposed by contracting parties on traffic in transit to or from the territories of other contracting parties shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each contracting party shall accord to traffic in transit to or from the territory of any other contracting party treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

6. Each contracting party shall accord to products which have been in transit through the territory of any other contracting party treatment no less favourable than that which would have been accorded to such products had they been transported from their place of origin to their destination without going through the territory of such other contracting party. Any contracting party shall, however, be free to maintain its requirements of direct consignment existing on the date of this Agreement, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the contracting party's prescribed method of valuation for duty purposes.

7. The provisions of this Article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

Article VI

Anti-Dumping and Countervailing Duties

1. No anti-dumping duty shall be levied on any product of the territory of any contracting party imported into the territory of any other contracting party in excess of an amount equal to the margin of dumping under which such product is being imported. For the purposes of this Article, the margin of dumping shall be understood to mean the amount by which the price of the product exported from one country to another

(a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country; or,

(b) in the absence of such domestic price, is less than either

(i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. No countervailing duty shall be levied on any product of the territory of any contracting party imported into the territory of another contracting party in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of

a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or exportation of any merchandise.

3. No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

4. No product of the territory of any contracting party imported into the territory of any other contracting party shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

5. No contracting party shall levy any anti-dumping or countervailing duty on the importation of any product of the territory of another contracting party unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to an established domestic industry, or is such as to prevent or materially retard the establishment of a domestic industry. The CONTRACTING PARTIES may waive the requirements of this paragraph so as to permit a contracting party to levy an anti-dumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in the territory of another contracting party exporting the product concerned to the territory of the importing contracting party.

6. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, shall be considered not to result in material injury within the meaning of paragraph 5 of this Article, if it is determined by consultation among the contracting parties substantially interested in the product concerned:

(a) that the system has also resulted in the sale of the product for export at a price higher than the comparable price charged for the like product to buyers in the domestic market, and

(b) that the system is so operated, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other contracting parties.

7. No measures other than anti-dumping or countervailing duties shall be applied by any contracting party in respect of any product of the territory of any other contracting party for the purpose of offsetting dumping or subsidization.

Article VII

Valuation for Customs Purposes

1. The contracting parties recognize the validity of the general principles of valuation set forth in the following paragraphs of this Article, and they undertake to give effect to such principles, in respect of all products subject to duties or other charges or restrictions on importation and exportation based upon or

regulated in any manner by value, at the earliest practicable date. Moreover, they shall, upon a request by another contracting party, review the operation of any of their laws or regulations relating to value for customs purposes in the light of these principles. The CONTRACTING PARTIES may request from contracting parties reports on steps taken by them in pursuance of the provisions of this Article.

2. (a) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(b) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(c) When the actual value is not ascertainable in accordance with sub-paragraph (b) of this paragraph, the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

3. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the

country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

4. (a) Except as otherwise provided for in this paragraph, where it is necessary for the purposes of paragraph 2 of this Article for a contracting party to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to Article XV of this Agreement.

(b) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(c) The CONTRACTING PARTIES, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by contracting parties of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any contracting party may apply such rules in respect of such foreign currencies for the purposes of paragraph 2 of this Article as an alternative to the use of par values. Until such rules are adopted by the CONTRACTING PARTIES, any contracting party may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 2 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

(d) Nothing in this paragraph shall be construed to require any contracting party to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this Agreement, if such alteration would have the effect of increasing generally the amounts of duty payable.

5. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

Article VIII

Formalities connected with Importation and Exportation

1. The contracting parties recognise that fees and charges, other than duties, imposed by governmental authorities on or in connection with importation or exportation, should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The contracting parties also recognize the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The contracting parties shall take action in accordance with the principles and objectives of paragraph 1 of this Article at the earliest practicable date. Moreover, they shall, upon request by another contracting party,

review the operation of any of their laws and regulations in the light of these principles.

3. No contracting party shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

4. The provisions of this Article shall extend to fees, charges, formalities and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

(a) consular transactions, such as consular invoices and certificates;

(b) quantitative restrictions;

(c) licensing;

(d) exchange control;

(e) statistical services;

(f) documents, documentation and certification;

(g) analysis and inspection; and

(h) quarantine, sanitation and fumigation.

Article IX

Marks of Origin

1. Each contracting party shall accord to the products of the territories of other contracting parties treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

2. Whenever it is administratively practicable to do so, contracting parties should permit required marks of origin to be affixed at the time of importation.

3. The laws and regulations of contracting parties relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products, or materially reducing their value, or unreasonably increasing their cost.

4. As a general rule no special duty or penalty should be imposed by any contracting party for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

5. The contracting parties shall co-operate with each other with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of such distinctive regional or geographical names of products of the territory of a contracting party as are protected by its legislation. Each contracting party shall accord full and sympathetic consideration to such requests or representations as may be made by any other contracting party regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other contracting party.

Article X

Publication and Administration of Trade Regulations

1. Laws, regulations, judicial decisions and administrative rulings of general application, made effective by any contracting party, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation,

insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or a governmental agency of any contracting party and the government or governmental agency of any other contracting party shall also be published. The provisions of this paragraph shall not require any contracting party to disclose confidential information which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any contracting party effecting an advance in a rate of duty or other charge on imports under an established and uniform practice, or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially published.

3. (a) Each contracting party shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1 of this Article.

(b) Each contracting party shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, inter alia, of the prompt review and correction of administrative action relating to customs matters. Such tribunals

or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; Provided that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

(c) The provisions of sub-paragraph (b) of this paragraph shall not require the elimination or substitution of procedures in force in the territory of a contracting party on the date of this Agreement which in fact provide for an objective and impartial review of administrative action even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any contracting party employing such procedures shall, upon request, furnish the CONTRACTING PARTIES with full information thereon in order that they may determine whether such procedures conform to the requirements of this sub-paragraph.

Article XI

General Elimination of Quantitative Restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on

the exportation or sale for export of any product destined for the territory of any other contracting party.

2. The provisions of paragraph 1 of this Article shall not extend to the following:

(a) export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party;

(b) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade;

(c) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

Any contracting party applying restrictions on the importation of any product pursuant to sub-paragraph (c) of this paragraph shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value. Moreover, any restrictions applied under (i) above shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the contracting party shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

3. Throughout Articles XI, XII, XIII and XIV the terms "import restrictions" or "export restrictions" include restrictions made effective through state-trading operations.

Article XII

Restrictions to Safeguard the Balance of Payments

1. Notwithstanding the provisions of paragraph 1 of Article XI, any contracting party, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.

2. (a) No contracting party shall institute, maintain or intensify import restrictions under this Article except to the extent necessary

(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

(ii) in the case of a contracting party with very low monetary reserves, to achieve a reasonabl rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the contracting party's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(b) Contracting parties applying restrictions under sub-paragraph (a) of this paragraph shall progressively relax them as such conditions improve, maintaining them only to the extent that the conditions specified in that sub-paragraph still justify their application. They shall eliminate the restrictions when conditions would no longer justify their institution or maintenance under that sub-paragraph.

3. (a) The contracting parties recognize that during the next few years all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the CONTRACTING PARTIES shall, when required to take decisions under this Article or under Article XIV, take full account of the difficulties of post-war adjustment and of the need which a contracting party may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(b) The contracting parties recognize that, as a result of domestic policies directed toward the achievement and maintenance of full and productive employment and large and steadily growing demand or toward the reconstruction or

development of industrial and other economic resources and the raising of standards of productivity, such a contracting party may experience a high level of demand for imports. Accordingly,

(i) notwithstanding the provisions of paragraph 2 of this Article, no contracting party shall be required to withdraw or modify restrictions on the ground that a change in the policies referred to above would render unnecessary the restrictions which it is applying under this Article;

(ii) any contracting party applying import restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

(c) Contracting parties undertake, in carrying out their domestic policies:

(i) to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources;

(ii) not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities, the exclusion of which would impair regular

channels of trade, or restrictions which would prevent the importation of commercial samples, or prevent compliance with patent, trademark, copyright, or similar procedures; and

(iii) to apply restrictions under this Article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other contracting party.

4. (a) Any contracting party which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the CONTRACTING PARTIES as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other contracting parties. No contracting party shall be required in the course of consultations under this sub-paragraph to indicate in advance the choice or timing of any particular measures which it may ultimately determine to adopt.

(b) The CONTRACTING PARTIES may at any time invite any contracting party which is applying import restrictions under this Article to enter into such consultations with them, and shall invite any contracting party substantially intensifying such restrictions to consult within thirty days. A contracting party thus invited shall participate in such discussions. The CONTRACTING PARTIES may invite any other contracting party to take part in these discussions. Not later than January 1, 1951,

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The CONTRACTING PARTIES shall review all restrictions existing on that day and still applied under this Article at the time of the review.

(c) Any contracting party may consult with the CONTRACTING PARTIES with a view to obtaining their prior approval for restrictions which the contracting party proposes, under this Article, to maintain, intensify or institute, or for the maintenance, intensification or institution of restrictions under specified future conditions. As a result of such consultations, the CONTRACTING PARTIES may approve in advance the maintenance, intensification or institution of restrictions by the contracting party in question insofar as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of sub-paragraph (a) of this paragraph shall be deemed to have been fulfilled, and the action of the contracting party applying the restrictions shall not be open to challenge under sub-paragraph (d) of this paragraph on the ground that such action is inconsistent with the provisions of paragraph 2 of this Article.

(d) Any contracting party which considers that another contracting party is applying restrictions under this Article inconsistently with the provisions of paragraphs 2 or 3 of this Article or with those of Article XIII (subject to the provisions of Article XIV) may bring the matter for discussion to the CONTRACTING PARTIES; and the contracting party applying the restrictions shall participate in the discussion. The CONTRACTING PARTIES, if they are satisfied that there is a prima facie case

that the trade of the contracting party initiating the procedure is adversely affected, shall submit their views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the CONTRACTING PARTIES. If no such settlement is reached and if the CONTRACTING PARTIES determine that the restrictions are being applied inconsistently with the provisions of paragraphs 2 or 3 of this Article or with those of Article XIII (subject to the provisions of Article XIV), they shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the CONTRACTING PARTIES within sixty days, they may release any contracting party from specified obligations under this Agreement towards the contracting party applying the restrictions.

(e) It is recognized that premature disclosure of the prospective application, withdrawal or modification of any restriction under this Article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this Article. Accordingly, the CONTRACTING PARTIES shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

5. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the CONTRACTING PARTIES shall initiate discussions to consider whether other measures might be taken, either by those contracting parties whose balances of payments are under pressure

or by those whose balances of payments are tending to be exceptionally favourable, or by any appropriate inter-governmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the CONTRACTING PARTIES, contracting parties shall participate in such discussions.

Article XIII

Non-discriminatory Administration of Quantitative Restrictions

1. No prohibition or restriction shall be applied by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation of any product destined for the territory of any other contracting party, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, contracting parties shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various contracting parties might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

(a) wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3(b) of this Article;

(b) in cases in which quotas are not practicable, the restrictions may be applied by means of import licences or permits without a quota;

(c) contracting parties shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (d) of this paragraph, require that import licences or permits be utilized for the importation of the produc' concerned from a particular country or source;

(d) in cases in which a quota is allocated among supplying countries, the contracting party applying the restrictions may seek agreement with respect to the allocation of sharés in the quota with all other contracting parties having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the contracting party concerned shall allot to contracting parties having a substantial interest in supplying the product shares based upon the proportions, supplied by such contracting parties during a previous representative period, of the total quantity or value of imports of the product, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any contracting party from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (a) In cases in which import licences are issued in connection with import restrictions, the contracting party applying the restrictions shall provide, upon the request of any contracting party having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licences

granted over a recent period and the distribution of such licences among supplying countries; Provided that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(b) In the case of import restrictions involving the fixing of quotas, the contracting party applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry; Provided that they may be counted so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods; and Provided further that if any contracting party customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day of such public notice, such practice shall be considered full compliance with this sub-paragraph.

(c) In the case of quotas allocated among supplying countries, the contracting party applying the restrictions shall promptly inform all other contracting parties having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

4. With regard to restrictions applied in accordance with paragraph 2(d) of this Article or under paragraph 2 (c) of Article XI, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the contracting party applying the restriction; Provided that such contracting party shall upon the request of any other contracting party having a substantial interest in supplying that product or upon the request of the CONTRACTING PARTIES, consult promptly with the other contracting party or the CONTRACTING PARTIES regarding the need for an adjustment of the proportion determined or of the base period selected, or for the reappraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally relating to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any contracting party, and, insofar as applicable, the principles of this Article shall also extend to export restrictions and to any internal regulation or requirement under paragraphs 3 and 4 of Article III.

Article XIV

Exceptions to the Rule of Non-discrimination

1. (a) The contracting parties recognize that when a substantial and widespread disequilibrium prevails in international trade and payments a contracting party applying restrictions under Article XII may be able to increase its imports from certain sources without unduly depleting its monetary reserves, if permitted to depart from the provisions of Article XIII. The contracting parties also recognise the need for close limitation of such departures so as not to handicap achievement of multilateral international trade.

(b) Accordingly, when a substantial and widespread disequilibrium prevails in international trade and payments, a contracting party applying import restrictions under Article XII may relax such restrictions in a manner which departs from the provisions of Article XIII to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraph 2 of Article XII if its restrictions were fully consistent with the provisions of Article XIII, provided that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other contracting parties, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the contracting party taking such action does not do so as part of any arrangement by which the gold or convertible currency which the contracting party currently receives directly or indirectly from its exports to other contracting parties not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other contracting party.

(c) Any contracting party taking action under this paragraph shall observe the principles of sub-paragraph (b) of this paragraph. A contracting party shall desist from transactions

which prove to be inconsistent with that sub-paragraph, but the contracting party shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

(d) Contracting parties undertake, in framing and carrying out any programme for additional imports under this paragraph, to have due regard to the need to facilitate the termination of any exchange arrangements which deviate from the obligations of Sections 2, 3 and 4 of Article VIII of the Articles of Agreement of the International Monetary Fund and to the need to restore equilibrium in their balances of payments on a sound and lasting basis.

2. Any contracting party taking action under paragraph 1 of this Article shall keep the CONTRACTING PARTIES regularly informed regarding such action and shall provide such available relevant information as they may request.

3. (a) Not later than March 1, 1952 (five years after the date on which the International Monetary Fund began operations) and in each year thereafter, any contracting party maintaining or proposing to institute action under paragraph 1 of this Article shall seek the approval of the CONTRACTING PARTIES which shall thereupon determine whether the circumstances of the contracting party justify the maintenance or institution of action by it under paragraph 1 of this Article. After March 1, 1952, no contracting party shall maintain or institute such action without determination by the CONTRACTING PARTIES that the contracting party's circumstances justify the maintenance or

institution of such action, as the case may be, and the subsequent maintenance or institution of such action by the contracting party shall be subject to any limitations which the CONTRACTING PARTIES may prescribe for the purpose of ensuring compliance with the provisions of paragraph 1 of this Article; Provided that the CONTRACTING PARTIES shall not require that prior approval be obtained for individual transactions.

(b) If at any time the CONTRACTING PARTIES find that import restrictions are being applied by a contracting party in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Article, the contracting party shall, within sixty days, remove the discrimination or modify it as specified by the CONTRACTING PARTIES; Provided that any action under paragraph 1 of this Article, to the extent that it has been approved by the CONTRACTING PARTIES under sub-paragraph (a) of this paragraph or to the extent that it has been approved by them at the request of a contracting party under a procedure analogous to that of paragraph 4(c) of Article XII, shall not be open to challenge under this sub-paragraph or under paragraph 4(d) of Article XII on the ground that it is inconsistent with the provisions of Article XIII.

(c) Not later than March 1, 1950, and in each year thereafter s long as any contracting parties are taking action under paragraph 1 of this Article, the CONTRACTING PARTIES shall report on the action still taken by contracting parties under that paragraph. On or about March 1, 1952, and in each year thereafter so long as any contracting parties are taking action under paragraph 1 of this Article, and at such times thereafter as they may decide, the CONTRACTING PARTIES shall review the question whether there then exists such a substantial and widespread

disequilibrium in international trade and payments as to justify resort to paragraph 1 of this Article by contracting parties. If it appears at any date prior to March 1, 1952, that there has been a substantial and general improvement in international trade and payments, the CONTRACTING PARTIES may review the situation at that date. If, as a result of any such review, the CONTRACTING PARTIES determine that no such disequilibrium exists, the provisions of paragraph 1 of this Article shall be suspended, and all actions authorized thereunder shall cease six months after such determination.

4. The provisions of Article XIII shall not preclude restrictions in accordance with Article XII which either

(a) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article XIII, or

(b) assist, in the period up to December 31, 1951, by measures not involving substantial departure from the provisions of Article XIII, another country whose economy has been disrupted by war.

5. The provisions of this Agreement shall not preclude:

(a) restrictions with equivalent effect to exchange restrictions authorized under Section 3 (b) of Article VII of the Articles of Agreement of the International Monetary Fund; or

(b) restrictions under the preferential arrangements provided for in Annex A of this Agreement, subject to the conditions set forth therein.

6. (a) The provisions of Article XIII shall not enter into force in respect of import restrictions applied by any contracting party pursuant to Article XII in order to safeguard its external financial position and balance of payments, and the provisions of paragraph 1 of Article XI and Article XIII shall not enter into force in respect of export restrictions applied by any contracting party for the same reason, until January 1, 1949; Provided that this period may with the concurrence of the CONTRACTING PARTIES, be extended for such further periods as they may specify in respect of any contracting party whose supply of convertible currencies is inadequate to enable it to apply the above-mentioned provisions.

(b) If a measure taken by a contracting party in the circumstances referred to in sub-paragraph (a) of this paragraph affects the commerce of another contracting party to such an extent as to cause the latter to consider the need of having recourse to the provisions of Article XII, the contracting party having taken that measure shall, if the affected contracting party so requests, enter into immediate consultation with a view to arrangements enabling the affected contracting party to avoid having such recourse, and, if special circumstances are put forward to justify such action, shall temporarily suspend application of the measure for a period of fifteen days.

Article XV

Exchange Arrangements

1. The CONTRACTING PARTIES shall seek co-operation with the International Monetary Fund to the end that the CONTRACTING PARTIES and the Fund may pursue a co-ordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the CONTRACTING PARTIES.

2. In all cases in which the CONTRACTING PARTIES are called upon to consider or deal with problems concerning monetary reserves, balances of payments or foreign exchange arrangements, they shall consult fully with the International Monetary Fund. In such consultation, the CONTRACTING PARTIES shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balances of payments, and shall accept the determination of the Fund as to whether action by a contracting party in exchange matters is in accordance with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement between that contracting party and the CONTRACTING PARTIES. The CONTRACTING PARTIES, in reaching their final decision in cases involving the criteria set forth in paragraph 2 (a) of Article XII, shall accept the determination of the Fund as to what constitutes a serious decline in the contracting party's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The CONTRACTING PARTIES shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article.

4. Contracting parties shall not, by exchange action, frustrate the intent of the provisions of this Agreement, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the CONTRACTING PARTIES consider, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a contracting party in a manner inconsistent with the exceptions provided for in this Agreement for quantitative restrictions, they shall report thereon to the Fund.

6. Any contracting party which is not a member of the Fund shall, within a time to be determined by the CONTRACTING PARTIES after consultation with the Fund, become a member of the Fund, or, failing that, enter into a special exchange agreement with the CONTRACTING PARTIES. A contracting party which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the CONTRACTING PARTIES. Any special exchange agreement entered into by a contracting party under this paragraph shall thereupon become part of its obligations under this Agreement.

7. (a) A special exchange agreement between a contracting party and the CONTRACTING PARTIES under paragraph 6 of this Article shall provide to the satisfaction of the CONTRACTING PARTIES that the objectives of this Agreement will not be frustrated as a result of action in exchange matters by the contracting party in question.

(b) The terms of any such agreement shall not impose obligations on the contracting party in exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

8. A contracting party which is not a member of the Fund shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the CONTRACTING PARTIES may require in order to carry out their functions under this Agreement.

9. Subject to the provisions of paragraph 4 of this Article, nothing in this Agreement shall preclude:

(a) the use by a contracting party of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that contracting party's special exchange agreement with the CONTRACTING PARTIES, or

(b) the use by a contracting party of restrictions or controls on imports or exports, the sole effect of which, additional to the effects permitted under Articles XI, XII, XIII and XIV, is to make effective such exchange controls or exchange restrictions.

Article XVI

Subsidies

If any contracting party grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or to reduce imports of any product into, its territory, it shall notify the CONTRACTING PARTIES in writing of the extent

and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which it is determined that serious prejudice to the interests of any other contracting party is caused or threatened by any such subsidization, the contracting party granting the subsidy shall, upon request, discuss with the other contracting party or parties concerned, or with the CONTRACTING PARTIES, the possibility of limiting the subsidization.

Article XVII

Non-discriminatory Treatment on the part of State-Trading Enterprises

1. (a) Each contracting party undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases or sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Agreement for governmental measures affecting imports or exports by private traders.

(b) The provisions of sub-paragraph (a) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this Agreement, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other contracting

parties adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(c) No contracting party shall prevent any enterprise (whether or not an enterprise described in sub-paragraph (a) of this paragraph) under its jurisdiction from acting in accordance with the principles of sub-paragraphs (a) and (b) of this paragraph.

2. The provisions of paragraph 1 of this Article shall not apply to imports of products for immediate or ultimate consumption in governmental use and not otherwise for re-sale or for use in the production of goods for sale. With respect to such imports, each contracting party shall accord to the trade of the other contracting parties fair and equitable treatment.

Article XVIII

Adjustments in Connection with Economic Development

1. The contracting parties recognize that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries or particular branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. (a) If a contracting party, in the interest of its programme of economic development or reconstruction, considers it desirable

to adopt any non-discriminatory measure which would conflict with any obligation which it has assumed under Article II, or with any other provision of this Agreement, such applicant contracting party shall so notify the CONTRACTING PARTIES and shall transmit to them a written statement of the considerations in support of the adoption of the proposed measure.

(b) The CONTRACTING PARTIES shall promptly transmit such statement to all other contracting parties, and any contracting party which considers that its trade would be substantially affected by the proposed measure shall transmit its views to the CONTRACTING PARTIES within such period as shall be prescribed by them.

(c) The CONTRACTING PARTIES shall then promptly examine the proposed measure to determine whether they concur in it, with or without modification, and shall in their examination have regard to the provisions of this Agreement, to the considerations presented by the applicant contracting party and its stage of economic development or reconstruction, to the views presented by contracting parties which may be substantially affected, and to the effect which the proposed measure, with or without modification, is likely to have on international trade.

3. (a) If, as a result of their examination pursuant to paragraph 2(c) of this Article, the CONTRACTING PARTIES concur in principle in any proposed measure, with or without modification, which would be inconsistent with any obligation that the applicant contracting party has assumed under Article II, or which would tend to nullify or impair the benefit to any other contracting party

or parties of any such obligation, the CONTRACTING PARTIES shall sponsor and assist in negotiations between the applicant contracting party and the other contracting party or parties which would be substantially affected with a view to obtaining substantial agreement. The CONTRACTING PARTIES shall establish and communicate to the contracting parties concerned a time schedule for such negotiations.

(b) Contracting parties shall commence the negotiations provided for in sub-paragraph (a) of this paragraph within such period as the CONTRACTING PARTIES may prescribe and shall thereafter, unless the CONTRACTING PARTIES decide otherwise, proceed continuously with such negotiations with a view to reaching substantial agreement in accordance with the time schedule laid down by the CONTRACTING PARTIES.

(c) Upon substantial agreement being reached, the CONTRACTING PARTIES may release the applicant contracting party from the obligation referred to in sub-paragraph (a) of this paragraph or from any other relevant obligation under this Agreement, subject to such limitations as may have been agreed upon in the negotiations between the contracting parties concerned.

4. (a) If, as a result of their examination pursuant to paragraph 2(c) of this Article, the CONTRACTING PARTIES concur in any proposed measure, with or without modification, other than a measure referred to in paragraph 3(a) of this Article, which would be inconsistent with any provision of this Agreement, the CONTRACTING PARTIES may release the applicant contracting party from any obligation under such provision, subject to such limitations as they may impose.

(b) If, having regard to the provisions of paragraph 2(c) of this Article, it is established in the course of such examination that such measure is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this Agreement which could be imposed without undue difficulty and that it is the one most suitable for the purpose having regard to the economics of the industry or the branch of agriculture concerned and to the current economic condition of the applicant contracting party, the CONTRACTING PARTIES shall concur in such measure and grant such release as may be required to enable such measure to be made effective.

(c) If in anticipation of the concurrence of the CONTRACTING PARTIES in the adoption of a measure concerning which notice has been given under paragraph 2 of this Article, other than a measure referred to in paragraph 3(a) of this Article, there should be an increase or threatened increase in the importations of the product or products concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the plans of the applicant contracting party for the establishment, development or reconstruction of the industry or industries or branches of agriculture concerned, and if no preventive measures consistent with this Agreement can be found which seem likely to prove effective, the applicant contracting party may, after informing, and when practicable consulting with, the CONTRACTING PARTIES, adopt such other measures as the situation may require pending a determination by the CONTRACTING PARTIES, provided that such measures do not reduce imports below the level obtaining in the most

recent representative period preceding the date on which the contracting party's original notification was made under paragraph 2 of this Article.

5. (a) In the case of measures referred to in paragraph 3 of this Article, the CONTRACTING PARTIES shall, at the earliest opportunity but ordinarily within fifteen days after receipt of the statement referred to in paragraph 2(a) of this Article, advise the applicant contracting party of the date by which they will notify it whether or not they concur in principle in the proposed measure, with or without modification.

(b) In the case of measures referred to in paragraph 4 of this Article, the CONTRACTING PARTIES shall, as in sub-paragraph (a) of this paragraph, advise the applicant contracting party of the date by which they will notify it whether or not it is released from such obligation or obligations as may be relevant; Provided that, if the applicant contracting party does not receive a final reply by the date fixed by the CONTRACTING PARTIES, it may, after communicating with the CONTRACTING PARTIES, institute the proposed measure upon the expiration of a further thirty days from such date.

6. Any contracting party may maintain any non-discriminatory measure, in force on September 1, 1947, which has been imposed for the establishment, development or reconstruction of particular industries or particular branches of agriculture and which is not otherwise permitted by this Agreement; Provided that any such contracting party shall have notified the other contracting parties, not later than October 10, 1947, of each product on which any such existing measure is to be maintained and of the nature and purpose of such measure. Any contracting party maintaining any such

measure shall, within sixty days of becoming a contracting party, notify the CONTRACTING PARTIES of the measure concerned, the considerations in support of its maintenance and the period for which it wishes to maintain the measure. The CONTRACTING PARTIES shall, as soon as possible but in any case within twelve months from the day on which such contracting party becomes a contracting party, examine and give a decision concerning the measure as if it had been submitted to the CONTRACTING PARTIES for their concurrence under the provisions of the preceding paragraphs of this Article. The CONTRACTING PARTIES, in making a decision under this paragraph specifying a date by which any modification in or withdrawal of the measure is to be made, shall have regard to the possible need of a contracting party for a suitable period of time in which to make such modification or withdrawal.

7. The provisions of paragraph 6 of this Article shall not apply, in respect of any contracting party, to any product described in the appropriate Schedule annexed to this Agreement.

Article XIX

Emergency Action on Imports of Particular Products

1. (a) If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the contracting party shall be free, in respect of such product, and to the extent and

for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(b) If any product, which is the subject of a concession with respect to a preference, is being imported into the territory of a contracting party in the circumstances set forth in sub-paragraph (a) of this parag aph, so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a contracting party which receives or received such preference, the importing contracting party shall be free, if that other contracting party so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any contracting party shall take action pursuant to the provisions of paragraph 1 of this Article, it shall give notice in writing to the CONTRACTING PARTIES as far in advance as may be practicable and shall afford the CONTRACTING PARTIES and those contracting parties having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in relation to a concession with respect to a preference, the notice shall name the contracting party which has requested the action. In critical circumstances, where delay would cause damage which it would be difficult to repair, action under paragraph 1 of this Article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (a) If agreement among the interested contracting parties with respect to the action is not reached, the contracting party which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected contracting parties shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the CONTRACTING PARTIES, the application to the trade of the contracting party taking such action, or, in the case envisaged in paragraph 1(b) of this Article, to the trade of the contracting party requesting such action, of such substantially equivalent obligations or concessions under this Agreement the suspension of which the CONTRACTING PARTIES do not disapprove.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, where action is taken under paragraph 2 of this Article without prior consultation and causes or threatens serious injury in the territory of a contracting party to the domestic producers of products affected by the action, that contracting party shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

Article XX

General Exceptions

Subject to the requirement that such measures are not applied in a manner which would consitute a means of arbitrary or unjustifiable discrimination between countries where the same

conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:

I. (a) necessary to protect public morals;

(b) necessary to protect human, animal or plant life or health;

(c) relating to the importation or exportation of gold or silver;

(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;

(e) relating to the products of prison labour;

(f) imposed for the protection of national treasures of artistic, historic or archaeological value;

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(h) undertaken in pursuance of obligations under intergovernmental commodity agreements, conforming to the principles approved by the Economic and Social Council of the United Nations in its Resolution of March 28, 1947, establishing an Interim Co-ordinating Committee for International Commodity Arrangements; or

(i) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; Provided that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry, and shall not depart from the provisions of this Agreement relating to non-discrimination;

II. (a) essential to the acquisition or distribution of products in general or local short supply; Provided that any such measures shall be consistent with any multilateral arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all contracting parties are entitled to an equitable share of the international supply of such products;

(b) essential to the control of prices by a contracting party undergoing shortages subsequent to the war; or

(c) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any contracting party or of industries developed in the territory of any contracting party owing to the exigencies of the war which it would be uneconomic to maintain in normal conditons; Provided that such measures shall not be instituted by any contracting party except after consultation with other interested contracting parties with a view to appropriate international action.

Measures instituted or maintained under part II of this Article which are inconsistent with the other provisions of this Agreement shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than January 1, 1951; Provided that this period may, with the concurrence of the CONTRACTING PARTIES, be extended in respect of the application of any particular measure to any particular product by any particular contracting party for such further periods as the CONTRACTING PARTIES may specify.

Article XXI

Security Exceptions

Nothing in this Agreement shall be construed

(a) to require any contracting party to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests

(i) relating to fissionable materials or the materials from which they are derived;

(ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(iii) taken in time of war or other emergency in international relations; or

(c) to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

Article XXII

Consultation

Each contracting party shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other contracting party with respect to the operation of customs regulations and formalities, anti-dumping and countervailing duties, quantitative and exchange regulations, subsidies, state-trading operations, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally all matters affecting the operation of this Agreement.

Article XXIII

Nullification or Impairment

1. If any contracting party should consider that any benefit accruing to it directly or indirectly under this Agreement is being nullified or impaired or that the attainment of any objective of the Agreement is being impeded as the result of (a) the failure of another contracting party to carry out its obligations under this Agreement, or (b) the application by another contracting party of any measure, whether or not it conflicts with the provisions of this Agreement, or (c) the existence of any other situation, the contracting party may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to the other contracting party or parties which it considers to be concerned. Any contracting party thus approached shall give sympathetic consideration to the representations or proposals made to it.

2. If no satisfactory adjustment is effected between the contracing parties concerned within a reasonable time, or if the difficulty is of the type described in paragraph 1 (c) of this Article, the matter may be referred to the CONTRACTING PARTIES. The CONTRACTING

PARTIES shall promptly investigate any matter so referred to them and shall make appropriate recommendations to the contracting parties which they consider to be concerned, or give a ruling on the matter, as appropriate. The CONTRACTING PARTIES may consult with contracting parties, with the Economic and Social Council of the United Nations and with any appropriate inter-governmental organization in cases where they consider such consultation necessary. If the CONTRACTING PARTIES consider that the circumstances are serious enough to justify such action, they may authorize a contracting party or parties to suspend the application to any other contracting party or parties of such obligations or concessions under this Agreement as they determine to be appropriate in the circumstances. If the application to any contracting party of any obligation or concession is in fact suspended, that contracting party shall then be free, not later than sixty days after such action is taken, to advise the Secretary-General of the United Nations in writing of its intention to withdraw from this Agreement and such withdrawal shall take effect upon the expiration of sixty days from the day on which written notice of such withdrawal is received by him.

PART III

Article XXIV

Territorial Application - Frontier Traffic - Customs Unions

1. The rights and obligations arising under this Agreement shall be deemed to be in force between each and every territory which is a separate customs territory and in respect of which this Agreement has been accepted under Article XXVI or is being applied under the Protocol of Provisional Application.

2. The provisions of this Agreement shall not be construed to prevent:

(a) advantages accorded by any contracting party to adjacent countries in order to facilitate frontier traffic;

(b) the formation of a customs union or the adoption of an interim agreement necessary for the attainment of a customs union; Provided that the duties and other regulations of commerce imposed by, or any margin of preference maintained by, any such union or agreement in respect of trade with other contracting parties shall not on the whole be higher or more stringent than the average level of the duties and regulations of commerce or margins of preference applicable in the constituent territories prior to the formation of such union or the adoption of such agreement; and Provided further that any such interim agreement shall include a definite plan and schedule for the attainment of such a customs union within a reasonable length of time.

3. (a) Any contracting party proposing to enter into a customs union shall consult with the CONTRACTING PARTIES and shall make available to them such information regarding the proposed union as will enable them to make such reports and recommendations to contracting parties as may be deemed appropriate.

(b) No contracting party shall institute or maintain any interim agreement under the provisions of paragraph 2 (b) of this Article if, after a study of the plan and schedule proposed in such agreement, the CONTRACTING PARTIES find that such agreement is not likely to result in such a customs union within a reasonable length of time.

(c) The plan or schedule shall not be substantially altered without consultation with the CONTRACTING PARTIES.

4. For the purposes of this Article a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories. A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that all tariffs and other restrictive regulations of commerce as between the territories of members of the union are substantially eliminated and substantially the same tariffs and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union.

5. Taking into account the exceptional circumstances arising out of the establishment of India and Pakistan as independent states and recognizing the fact that they have long constituted an economic unit, the contracting parties agree that the provisions of this Agreement shall not prevent the two countries from entering into special arrangements with respect to the trade between them, pending the establishment of their mutual trade relations on a definitive basis.

6. Each contracting party shall take such reasonable measures

as may be available to it to assure observance of the provisions of this Agreement by the regional and local governments and authorities within its territory.

Article XXV

Joint Action by the Contracting Parties

1. Representatives of the contracting parties shall meet from time to time for the purpose of giving effect to those provisions of this Agreement which involve joint action and, generally, with a view to facilitating the operation and furthering the objectives of this Agreement. Wherever reference is made in this Agreement to the contracting parties acting jointly they are designated as the CONTRACTING PARTIES.

2. The Secretary-General of the United Nations is requested to convene the first meeting of the CONTRACTING PARTIES which shall take place not later than March 1, 1948.

3. Each contracting party shall be entitled to have one vote at all meetings of the CONTRACTING PARTIES.

4. Except as otherwise provided for in this Agreement, decisions of the CONTRACTING PARTIES shall be taken by a majority of the votes cast.

5. In exceptional circumstances not elsewhere provided for in this Agreement, the CONTRACTING PARTIES may waive an obligation imposed upon a contracting party by this Agreement; Provided that any such decision shall be approved by a two-thirds majority of the votes cast and that such majority shall comprise more than half of the contracting parties. The CONTRACTING PARTIES may also by such a vote

(a) define certain categories of exceptional circumstances to which other voting requirements shall apply for the waiver of obligations, and

(b) prescribe such criteria as may be necessary for the application of this paragraph.

Article XXVI

Acceptance, Entry into Force and Registration

1. The present Agreement shall bear the date of the signature of the Final Act adopted at the conclusion of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment and shall be open to acceptance by any government signatory to the Final Act.

2. This Agreement, done in a single English original and in a single French original, both texts authentic, shall be deposited with the Secretary-General of the United Nations, who shall furnish certified copies thereof to all interested governments.

3. Each government accepting this Agreement shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all interested governments of the date of deposit of each instrument of acceptance and of the day on which this Agreement enters into force under paragraph 5 of this Article.

4. Each government accepting this Agreement does so in respect of its metropolitan territory and of the other territories for which it has international responsibility; Provided that it may at the time of acceptance declare that any separate customs territory for which it has international responsibility possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement, and that its acceptance does not relate to such territory; and Provided further that if any of the customs territories on behalf of which a contracting party has accepted this Agreement possesses or acquires full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement,

such territory shall, upon sponsorship through a declaration by the responsible contracting party establishing the above-mentioned fact, be deemed to be a contracting party.

5. (a) This Agreement shall enter into force, as among the governments which have accepted it, on the thirtieth day following the day on which instruments of acceptance have been deposited with the Secretary-General of the United Nations on behalf of governments signatory to the Final Act the territories of which account for eighty-five per centum of the total external trade of the territories of the signatories to the Final Act adopted at the conclusion of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment. Such percentage shall be determined in accordance with the table set forth in Annex H. The instrument of acceptance of each other government signatory to the Final Act shall take effect on the thirtieth day following the day on which such instrument is deposited.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, this Agreement shall not enter into force under this paragraph until any agreement necessary under the provisions of paragraph 2 (a) of Article XXIX has been reached.

6. The United Nations is authorized to effect registration of this Agreement as soon as it enters into force.

Article XXVII

Withholding or Withdrawal of Concessions

Any contracting party shall at any time be free to withhold or to withdraw in whole or in part any concession, provided for in the appropriate Schedule annexed to this Agreement, in respect of which such contracting party determines that it was initially

negotiated with a government which has not become, or has ceased to be, a contracting party. The contracting party taking such action shall give notice to all other contracting parties and, upon request, consult with the contracting parties which have a substantial interest in the product concerned.

Article XXVIII

Modification of Schedules

1. On or after January 1, 1951, any contracting party may, by negotiation and agreement with any other contracting party with which such treatment was initially negotiated, and subject to consultation with such other contracting parties as the CONTRACTING PARTIES determine to have a substantial interest in such treatment, modify, or cease to apply, the treatment which it has agreed to accord under Article II to any product described in the appropriate Schedule annexed to this Agreement. In such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the contracting parties concerned shall endeavour to maintain a general level of reciprocal and mutually advantageous concessions not less favourable to trade than that provided for in the present Agreement.

2. (a) If agreement between the contracting parties primarily concerned cannot be reached, the contracting party which proposes to modify or cease to apply such treatment shall, nevertheless, be free to do so, and if such action is taken the contracting party with which such treatment was initially negotiated, and the other contracting parties determined under paragraph 1 of this Article to have a substantial interest, shall then be free, not later than six months after such action is taken, to withdraw, upon the expiration of thirty days from the day on which written notice of such withdrawal is received by the CONTRACTING PARTIES,

substantially equivalent concessions initially negotiated with the contracting party taking such action.

(b) If agreement between the contracting parties primarily concerned is reached but any other contracting party determined under paragraph 1 of this Article to have a substantial interest is not satisfied, such other contracting party shall be free, not later than six months after action under such agreement is taken, to withdraw, upon the expiration of thirty days from the day on which written notice of such withdrawal is received by the CONTRACTING PARTIES, substantially equivalent concessions initially negotiated with a contracting party taking action under such agreement.

Article XXIX

Relation of this Agreement to the Charter for an International Trade Organization

1. The contracting parties, recognizing that the objectives set forth in the preamble of this Agreement can best be attained through the adoption, by the United Nations Conference on Trade and Employment, of a Charter leading to the creation of an International Trade Organization, undertake, pending their acceptance of such a Charter in accordance with their constitutional procedures, to observe to the fullest extent of their executive authority the general principles of the Draft Charter submitted to the Conference by the Preparatory Committee.

2. (a) On the day on which the Charter of the International Trade Organization enters into force, Article I and Part II of this Agreement shall be suspended and superseded by the corresponding provisions of the Charter; Provided that within sixty days of the closing of the United Nations Conference on Trade and Employment any contracting party may lodge with the other contracting parties an objection to any provision or

provisions of this Agreement being so suspended and superseded; in such case the contracting parties shall, within sixty days after the final date for the lodging of objections, confer to consider the objection in order to agree whether the provisions of the Charter to which objection has been lodged, or the corresponding provisions of this Agreement in its existing form or any amended form, shall apply.

(b) The contracting parties will also agree concerning the transfer to the International Trade Organization of their functions under Article XXV.

3. If any contracting party has not accepted the Charter when it has entered into force, the contracting parties shall confer to agree whether, and if so in what way, this Agreement, insofar as it affects relations between the contracting party which has not accepted the Charter and other contracting parties, shall be supplemented or amended.

4. During the month of January 1949, should the Charter not have entered into force, or at such earlier time as may be agreed if it is known that the Charter will not enter into force, or at such later time as may be agreed if the Charter ceases to be in force, the contracting parties shall meet to agree whether this Agreement shall be amended, supplemented or maintained.

5. The signatories of the Final Act which are not at the time contracting parties shall be informed of any objection lodged by a contracting party under the provisions of paragraph 2 of this Article and also of any agreement which may be reached between the contracting parties under paragraphs 2, 3 or 4 of this Article.

Article XXX

Amendments

1. Except where provision for modification is made elsewhere in this Agreement, amendments to the provisions of Part I of this Agreement or to the provisions of Article XXIX or of this Article shall become effective upon acceptance by all the contracting parties, and other amendments to this Agreement shall become effective, in respect of those contracting parties which accept them, upon acceptance by two-thirds of the contracting parties and thereafter for each other contracting party upon acceptance by it.

2. Any contracting party accepting an amendment to this Agreement shall deposit an instrument of acceptance with the Secretary-General of the United Nations within such period as the CONTRACTING PARTIES may specify. The CONTRACTING PARTIES may decide that any amendment made effective under this Article is of such a nature that any contracting party which has not accepted it within a period specified by the CONTRACTING PARTIES shall be free to withdraw from this Agreement, or to remain a contracting party with the consent of the CONTRACTING PARTIES.

Article XXXI

Withdrawal

Without prejudice to the provisions of Article XXIII or of paragraph 2 of Article XXX, any contracting party may, on or after January 1, 1951, withdraw from this Agreement, or may separately withdraw on behalf of any of the separate customs territories for which it has international responsibility and which at the time possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement,

The withdrawal shall take effect on or after January 1, 1951, upon the expiration of six months from the day on which written notice of withdrawal is received by the Secretary-General of the United Nations.

Article XXXII

Contracting Parties

1. The contracting parties to this Agreement shall be understood to mean those governments which are applying the provisions of this Agreement under Article XXVI or pursuant to the Protocol of Provisional Application.

2. At any time after the entry into force of this Agreement pursuant to paragraph 5 of Article XXVI, those contracting parties which have accepted this Agreement pursuant to paragraph 3 of Article XXVI may decide that any contracting party which has not so accepted it shall cease to be a contracting party.

Article XXXIII

Accession

A government not party to this Agreement, or a government acting on behalf of a separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement, may accede to this Agreement, on its own behalf or on behalf of that territory, on terms to be agreed between such government and the contracting parties.

Article XXXIV

Annexes

The annexes to this Agreement are hereby made an integral part of this Agreement.

ANNEX A

LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (a) OF ARTICLE I

United Kingdom of Great Britain and Northern Ireland

Dependent territories of the United Kingdom of Great Britain and Northern Ireland

Canada

Commonwealth of Australia

Dependent territories of the Commonwealth of Australia

New Zealand

Dependent territories of New Zealand

Union of South Africa including South West Africa

Ireland

India (as on April 10, 1947)

Newfoundland

Southern Rhodesia

Burma

Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other contracting parties which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution.

The imposition of an equivalent margin of tariff preference to replace a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories listed in this Annex or to replace the preferential quantitative arrangements described in the following paragraph, shall not be deemed to constitute an increase in a margin of tariff preference.

The preferential arrangements referred to in paragraph 5 (b) of Article XIV are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. It is the intention, without prejudice to any action taken under part I (h) of Article XX, that these arrangements shall be eliminated or replaced by tariff preferences, and that negotiations to this end shall take place as soon as practicable among the countries substantially concerned or involved.

The film hire tax in force in New Zealand on April 10, 1947, shall, for the purposes of this Agreement, be treated as a customs duty under Article I. The renters' film quota in force in New Zealand on April 10, 1947, shall, for the purposes of this Agreement, be treated as a screen quota under Article IV.

ANNEX B

LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE I

France

French Equatorial Africa (Treaty Basin of the Congo* and other territories)

French West Africa

Cameroons under French Mandate*

French Somali Coast and Dependencies

French Establishments in India*

French Establishments in Oceania

French Establishments in the Condominium of the New Hebrides*

Guadeloupe and Dependencies

French Guiana

Indo-China

Madagascar and Dependencies

Morocco (French zone)*

Martinique

New Caledonia and Dependencies

Réunion

Saint-Pierre and Miquelon

Togo under French Mandate*

Tunisia

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* For imports into Metropolitan France

ANNEX C

LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM, LUXEMBOURG AND THE NETHERLANDS REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE I

The Economic Union of Belgium and Luxembourg

Belgian Congo

Ruanda Urundi

Netherlands

Netherlands Indies

Surinam

Curaçao

For imports into the metropolitan territories constituting the Customs Union.

ANNEX D

LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (b) OF ARTICLE I AS RESPECTS THE UNITED STATES OF AMERICA

United States of America (customs territory)

Dependent territories of the United States of America

Republic of the Philippines

The imposition of an equivalent margin of tariff preference to replace a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories listed in this Annex shall not be deemed to constitute an increase in a margin of tariff preference.

ANNEX E

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN CHILE AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (d) OF ARTICLE I

Preferences in force exclusively between Chile, on the one hand, and

1. Argentina

2. Bolivia

3. Peru

on the other hand.

ANNEX F

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN LEBANON AND SYRIA AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (d) OF ARTICLE I

Preferences in force exclusively between the Lebano-Syrian Customs Union, on the one hand, and

1. Palestine

2. Transjordan

on the other hand.

ANNEX G

DATES ESTABLISHING MAXIMUM MARGINS OF PREFERENCE REFERRED TO IN PARAGRAPH 3 OF ARTICLE I

Australia	October 15, 1946
Canada	July 1, 1939
France	January 1, 1939
Lebano-Syrian Customs Union	November 30, 1939
Union of South Africa	July 1, 1938
Southern Rhodesia	May 1, 1941

ANNEX H

PERCENTAGE SHARES OF TOTAL EXTERNAL TRADE TO BE USED FOR THE PURPOSE OF MAKING THE DETERMINATION REFERRED TO IN ARTICLE XXVI

(based on the average of 1938 and the latest twelve months for which figures are available)

	Percentage
Australia	3.2
Belgium-Luxemburg-Netherlands	10.9
Brazil	2.8
Burma	0.7
Canada	7.2
Ceylon	0.6
Chile	0.6
China	2.7
Cuba	0.9
Czechoslovakia	1.4
French Union	9.4
India)	3.3 *
Pakistan)	
New Zealand	1.2
Norway	1.5
Southern Rhodesia	0.3
Lebano-Syrian Customs Union	0.1
Union of South Africa	2.3
United Kingdom of Great Britain and Northern Ireland	25.7
United States of America	25.2
	100.0

Note: These percentages have been determined taking into account the trade of all territories for which countries mentioned above have international responsibility and which are not self-governing in matters dealt with in the General Agreement on Tariffs and Trade.

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* The allocation of this percentage will be made by agreement between the governments of India and Pakistan and will be communicated as soon as possible to the Secretary-General of the United Nations.

ANNEX I

INTERPRETATIVE NOTES

ad Article I

Paragraph 1

The obligations incorporated in paragraph 1 of Article I by reference to paragraphs 1 and 2 of Article III and those incorporated in paragraph 2 (b) of Article II by reference to Article VI shall be considered as falling within Part II for the purposes of the Protocol of Provisional Application.

Paragraph 3

The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1.) If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would be 12 per cent ad valorem, and not one-third of the most-favoured-nation rate;

2.) If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad valorem;

3.) If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate were 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to a general binding of margins of preference:

(i) the re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.

ad Article II

Paragraph 2 (b)

See the note relating to paragraph 1 of Article I.

Paragraph 4

Except where otherwise specifically agreed between the contracting parties which initially negotiated the concession, the provisions of this paragraph will be applied in the light of the provisions of Article 31 of the Draft Charter referred to in Article XXIX of this Agreement.

ad Article V

Paragraph 5

With regard to transportation charges, the principle laid down in paragraph 5 refers to like products being transported on the same route under like conditions.

ad Article VI

Paragraph 1

Hidden dumping by associated houses (that is, a sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price in the exporting country) constitutes a form of price dumping.

Paragraph 2

Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 2 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 1 of this Article. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

Paragraph 7

The obligations set forth in paragraph 7, as in the case of other obligations under this Agreement, are subject to the provisions of Article XIX.

ad Article VII

Paragraph 1

Consideration was given to the desirability of replacing the words "at the earliest practicable date" by a definite date or, alternatively, by a provision for a specified limited period to be fixed later. It was appreciated that it would not be possible for all contracting parties to give effect to these principles by a fixed time, but it was nevertheless understood that a majority of the contracting parties would give effect to them at the time the Agreement enters into force.

Paragraph 2

It would be in conformity with Article VII to presume that "actual value" may be represented by the invoice price, plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount or other reduction from the ordinary competitive price.

It would be in conformity with Article VII, paragraph 2 (b), for a contracting party to construe the phrase "in the ordinary course of trade", read in conjunction with "under fully competitive conditions", as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

The prescribed standard of "fully competitive conditions" permits contracting parties to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

The wording of sub-paragraphs (a) and (b) permits a contracting party to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

ad Article VIII

While Article VIII does not cover the use of multiple rates of exchange as such, paragraphs 1 and 4 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a contracting party is using multiple currency exchange fees for balance-of-payments reasons with the approval of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ad Article XI

Paragraph 2 (c)

The term "in any form" in this paragraph covers the same products when in an early stage of processing and still perishable, which compete directly with the fresh product and if freely imported would tend to make the restriction on the fresh product ineffective.

Paragraph 2, last sub-paragraph

The term "special factors" includes changes in relative productive efficiency as between domestic and foreign producers, or as between different foreign producers, but not changes artificially brought about by means not permitted under the Agreement.

ad Article XII

Paragraph 3 (b) (i)

The phrase "notwithstanding the provisions of paragraph 2 of

this Article" has been included in the text to make it quite clear that a contracting party's import restrictions otherwise "necessary" within the meaning of paragraph 2 (a) shall not be considered unnecessary on the ground that a change in domestic policies as referred to in the text could improve a contracting party's monetary reserve position. The phrase is not intended to suggest that the provisions of paragraph 2 are affected in any other way.

Consideration was given to the special problems that might be created for contracting parties which, as a result of their programmes of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign trade. It was considered that the present text of Article XII together with the provision for export controls in certain parts of the Agreement, e.g. in Article XX, fully meet the position of these economies.

ad Article XIII

Paragraph 2 (d)

No mention was made of "commercial considerations" as a rule for the allocation of quotas because it was considered that its application by governmental authorities might not always be practicable. Moreover, in cases where it is practicable, a contracting party could apply these considerations in the process of seeking agreement, consistently with the general rule laid down in the opening sentence of paragraph 2.

Paragraph 4

See note relating to "special factors" in connection with the last sub-paragraph of paragraph 2 of Article XI.

ad Article XIV

Paragraph 3

It was not considered necessary to make express reference in paragraph 3 to the need for the CONTRACTING PARTIES to consult with the International Monetary Fund, since such consultation in all appropriate cases was already required by virtue of the provisions of paragraph 2 of Article XV.

Paragraph 6 (b)

Suspension of any measure for a period of fifteen days would be for the purpose of making the consultation effective, and among the special circumstances which would justify such suspension would be the immediate damage caused to producers of perishable commodities ready for shipment or to consumers of essential goods of which the importing country had no stocks.

ad Article XV

Paragraph 4

The word "frustrate" is intended to indicate, for example, that infringements of the letter of any Article of this Agreement

by exchange action shall not be regarded as a violation of that Article if, in practice, there is no appreciable departure from the intent of the Article. Thus, a contracting party which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the International Monetary Fund will not thereby be deemed to contravene Article XI or Article XIII. Another example would be that of a contracting party which specifies on an import licence the country from which the goods may be imported, for the purpose not of introducing any additional element of discrimination in its import licensing system but of enforcing permissible exchange controls.

ad ARTICLE XVII

Paragraph 1

The operations of Marketing Boards, which are established by contracting parties and are engaged in purchasing or selling, are subject to the provisions of sub-paragraphs (a) and (b).

The activities of Marketing Boards which are established by contracting parties and which do not purchase or sell but lay down regulations covering private trade are governed by the relevant Articles of this Agreement.

The charging by a state enterprise of different prices for its sales of a product in different markets is not precluded by the provisions of this Article, provided that such different prices are charged for commercial reasons, to meet conditions of supply and demand in export markets.

Paragraph 1 (a)

Governmental measures imposed to ensure standards of quality and efficiency in the operation of external trade, or privileges granted for the exploitation of national natural resources but which do not empower the government to exercise control over the trading activities of the enterprise in question, do not constitute "exclusive or special privileges".

Paragraph 1 (b)

A country receiving a "tied loan" is free to take this loan into account as a "commercial consideration" when purchasing requirements abroad.

Paragraph 2

The term "goods" is limited to products as understood in commercial practice, and is not intended to include the purchase or sale of services.

ad ARTICLE XXIV

Paragraph 5

Measures adopted by India and Pakistan in order to carry out definitive trade arrangements between them, once they have been

agreed upon, might depart from particular provisions of this Agreement, but these measures would in general be consistent with the objectives of the Agreement.

ad ARTICLE XXVI

Territories for which the contracting parties have international responsibility do not include areas under military occupation.

FINAL NOTE

The applicability of the General Agreement on Tariffs and Trade to the trade of contracting parties with the areas under military occupation has not been dealt with and is reserved for further study at an early date. Meanwhile, nothing in this Agreement shall be taken to prejudge the issues involved. This, of course, does not affect the applicability of the provisions of Articles XXII and XXIII to matters arising from such trade.

PROTOCOL OF PROVISIONAL APPLICATION OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE

PROTOCOLE PORTANT APPLICATION PROVISOIRE DE L'ACCORD GÉNÉRAL SUR LES TARIFS DOUANIERS ET LE COMMERCE

1. The Governments of the COMMONWEALTH OF AUSTRALIA, the KINGDOM OF BELGIUM (in respect of its metropolitan territory), CANADA, the FRENCH REPUBLIC (in respect of its metropolitan territory), the GRAND-DUCHY OF LUXEMBURG, the KINGDOM OF THE NETHERLANDS (in respect of its metropolitan territory), the UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (in respect of its metropolitan territory), and the UNITED STATES OF AMERICA, undertake, provided that this Protocol shall have been signed on behalf of all the foregoing Governments not later than November 15, 1947, to apply provisionally on and after January 1, 1948:

(*a*) Parts I and III of the General Agreement on Tariffs and Trade, and

(*b*) Part II of that Agreement to the fullest extent not inconsistent with existing legislation.

2. The foregoing Governments shall make effective such provisional application of the General Agreement, in respect of any of their territories other than their metropolitan territories, on or after January 1, 1948, upon the expiration of thirty days from the day on which notice of such application is received by the Secretary-General of the United Nations.

3. Any other Government signatory to this Protocol shall make effective such provisional application of the General

1. Les Gouvernements du COMMONWEALTH D'AUSTRALIE, du ROYAUME DE BELGIQUE (en ce qui concerne son territoire métropolitain), du CANADA, de la RÉPUBLIQUE FRANÇAISE (en ce qui concerne son territoire métropolitain), du GRAND-DUCHÉ DE LUXEMBOURG, du ROYAUME DES PAYS-BAS (en ce qui concerne son territoire métropolitain), du ROYAUME-UNI DE GRANDE-BRETAGNE ET D'IRLANDE DU NORD (en ce qui concerne son territoire métropolitain) et des ÉTATS-UNIS D'AMÉRIQUE s'engagent, à condition que le présent Protocole ait été signé au nom de tous les gouvernements susmentionnés le 15 novembre 1947 au plus tard, à appliquer à titre provisoire à dater du 1er janvier 1948:

(*a*) les parties I et III de l'Accord général sur les tarifs douaniers et le commerce

(*b*) et la partie II de cet Accord dans toute la mesure compatible avec la législation en vigueur.

2. Les gouvernements susmentionnés appliqueront à titre provisoire l'Accord général dans les conditions énoncées ci-dessus en ce qui concerne leurs territoires autres que leur territoire métropolitain, à partir du 1er janvier 1948 ou après cette date, à l'expiration d'un délai de trente jours à compter de la date à laquelle le Secrétaire général des Nations Unies aura reçu avis de leur décision d'appliquer l'Accord, à titre provisoire, dans un ou plusieurs de ces territoires.

3. Pour tout autre gouvernement signataire du présent Protocole, l'application provisoire de l'Accord général dans les

Agreement, on or after January 1, 1948, upon the expiration of thirty days from the day of signature of this Protocol on behalf of such Government.

4. This Protocol shall remain open for signature at the Headquarters of the United Nations, (*a*) until November 15, 1947, on behalf of any Government named in paragraph 1 of this Protocol which has not signed it on this day, and (*b*) until June 30, 1948, on behalf of any other Government signatory to the Final Act adopted at the conclusion of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment which has not signed it on this day.

5. Any Government applying this Protocol shall be free to withdraw such application, and such withdrawal shall take effect upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Secretary-General of the United Nations.

6. The original of this Protocol shall be deposited with the Secretary-General of the United Nations, who will furnish certified copies thereof to all interested Governments.

IN WITNESS WHEREOF the respective Representatives, after having communicated their full powers, found to be in good and due form, have signed this Protocol.

DONE at Geneva, in a single copy, in the English and French languages, both texts authentic, this thirtieth day of October, one thousand nine hundred and forty-seven.

conditions énoncées ci-dessus prendra effet à partir du 1er janvier 1948 ou après cette date, à l'expiration d'un délai de trente jours à compter de la date à laquelle le présent Protocole aura été signé au nom de ce gouvernement.

4. Le présent Protocole restera ouvert au siège des Nations Unies *a*) jusqu'au 15 novembre 1947, à la signature des gouvernements énumérés au paragraphe premier du présent Protocole et qui n'ont pas signé ce Protocole à la date de ce jour, *b*) jusqu'au 30 juin 1948, à la signature des autres gouvernements signataires de l'Acte final adopté à la fin de la deuxième session de la Commission préparatoire de la Conférence des Nations Unies sur le Commerce et l'Emploi et qui n'ont pas signé le présent Protocole à la date de ce jour.

5. Il sera loisible à tout gouvernement qui aura mis en application le présent Protocole de mettre fin à cette application, et cette dénonciation prendra effet à l'expiration d'un délai de soixante jours à compter de la date à laquelle le Secrétaire général des Nations Unies en aura reçu notification par écrit.

6. L'original du présent Protocole sera déposé auprès du Secrétaire général des Nations Unies, qui en fournira des copies certifiées conformes à tous les gouvernements intéressés.

EN FOI DE QUOI les représentants soussignés, après avoir communiqué leurs pleins pouvoirs trouvés en bonne et due forme, ont signé le présent Protocole.

FAIT à Genève, en un seul exemplaire, en langues française et anglaise, les deux textes faisant également foi, le trente octobre mil neuf cent quarante-sept.

U. S. GOVERNMENT PRINTING OFFICE · O—1948

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The United States Reciprocal Trade-Agreements Program

AND THE

Proposed Trade Organization

THE DEPARTMENT OF STATE

DEPARTMENT OF STATE

Publication 3112

Commercial Policy Series 112

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THE UNITED STATES RECIPROCAL TRADE-AGREEMENTS PROGRAM AND THE PROPOSED INTERNATIONAL TRADE ORGANIZATION

An Article

Introduction

The economic foreign policy of the United States is aimed at expansion of trade between nations on a reciprocal and mutually advantageous basis. It is designed to help: (*a*) increase employment; (*b*) increase the production, exchange, and use of goods and services; (*c*) raise living standards in all countries; (*d*) eliminate trade causes of international friction and hostility; and (*e*) create economic conditions in the world that will be conducive to the maintenance of world peace.

As evidence of its belief in the importance of this policy, the United States has taken action in a number of important directions. Since 1934 this country has carried on a well-organized program for reciprocal reduction of tariff and other barriers to our trade with foreign countries by agreements with them. This Government is also negotiating numerous treaties of friendship, commerce, and navigation with other countries. The United States has taken a leading part in establishing the Food and Agriculture Organization, the International Monetary Fund, and the International Bank for Reconstruction and Development. To assure the minimum economic and political conditions under which these international organizations can effectively operate and under which our long-range foreign policy can be successfully implemented is the purpose of the Marshall Plan.

Development of the Reciprocal Trade-Agreements Program

Between the two world wars, especially during the depression, practically all governments applied rigid foreign-trade controls. These controls were usually designed to restrict imports into their countries and, at the same time, to force domestic products into foreign markets regardless of supply and demand or the effects on other countries. Some [illegible]tries took this course because of necessity [illegible] of another war. Some followed this [illegible]urse through mistaken ideas of nationalistic [illegible]f-sufficiency and prosperity. A few were deliberately bent on economic and political aggression and domination.

The measures which were employed included exchange restrictions, bilateral and discriminatory trade-balancing agreements, tariff and other trade preferences, excessively high import duties, and export subsidies designed to dump surplus goods abroad. They amounted to an international trade war.

Up to about 1928 the American Government and American investors made extensive foreign loans, some of them unwise. Meanwhile, United States tariff policy (in 1921 and again in 1922 the United States raised its tariffs against imports) was making it practically impossible for many foreign borrowers to repay the loans fully through sales of their goods and services in the United States. In 1930 the United States raised its import duties to record levels, through passage of the Hawley-Smoot Tariff Act of 1930.

As a result of this action and other causes, the annual value of United States foreign trade fell from $9,640,000,000 in 1929 to $2,934,000,000 in 1932—a drop of more than two thirds. Many American export industries were shut down and many American workers joined the bread lines. American crop surpluses broke down the home markets. American producers of automobiles, machinery, petroleum products, pork, wheat, cotton, tobacco, fruit, and many other important products were hard hit by the loss of foreign markets. Unemployed workers and struggling farmers dropped out of the domestic market. The same thing was happening in foreign countries. The world-wide depression was intensified and prolonged by the collapse of international commerce.

Passage of the Trade Agreements Act in 1934

In 1934 Congress passed the Trade Agreements Act—since renewed four times—for the purpose of restoring lost foreign markets for American products.

The act authorizes the President to conclude trade agreements with foreign countries and, in

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return for reduction of their barriers against American goods, to reduce United States tariffs and other import restrictions on goods from abroad. Since high trade barriers hinder this exchange of goods, it is obvious that other countries can and will buy and pay for more American goods if they can sell more of their own in this country.

The act requires the President to obtain advice and assistance for certain specified government agencies in formulating the agreements. The 1934 act specified the Departments of State, Agriculture, and Commerce, and the Tariff Commission. That act also forbade the reduction of any United States tariff in a trade agreement by more than one half of the rate in effect when the act was passed. The initial term of each agreement is fixed at not more than three years, after which the agreement remains in effect unless either country terminates it on six months' notice.

A very important provision of the act specifies that interested persons or groups shall have full opportunity to present information and views on any agreement before it is concluded. This provision is carried out under Executive orders of the President (see page 5). The duration of the authority given to the President in the 1934 act was limited to three years from June 12, 1934. In 1937 Congress extended this authority for another three-year period; in 1940 for another three years; in 1943 for two years; and in 1945 for three years, or until June 12, 1948.

Renewal and Expansion of the Act in 1945

In extending and amending the act in 1945, Congress enlarged the authority of the President to modify United States tariffs and other important restrictions. Under the amended act he may reduce a tariff rate by not more than one half of the rate in effect on January 1, 1945. Thus an original rate which had been reduced before January 1, 1945, may now be further reduced in a trade agreement by not more than one half of the January 1, 1945, level, but an original rate which had not been reduced before January 1945, may only be reduced by not more than one half of the rate in effect when the act was passed in 1934.

For example:

If the rate in effect in 1934 were	$1.00 per unit
And if the rate was reduced by one half before January 1, 1945, on that date it would be	.50 per unit
It could be reduced, in a future trade agreement, by one half of 50 cents per unit, to	.25 per unit

However:

If the 1934 rate of	1.00 per unit
Had not been reduced at all before January 1, 1945, it would remain, on that date, at	1.00 per unit
And could be reduced, in a future trade agreement, only by one half of $1.00 to . .	.50 per unit

The 1945 amendments to the act furthermore added the War and Navy Departments to the list of Government agencies which the President is required to consult before concluding an agreement.

Why Congress Increased Authority in 1945

The chief "bargaining power" through which the United States induces other countries to lower their barriers against United States exports lies in the authority to bind against further increase or to reduce United States tariffs—which are the principal American restrictions on international trade—in return. In the agreements made before the act came up for renewal in 1945 the United States had used up much of this bargaining power. United States tariffs on a large proportion of this country's imports from the 28 trade-agreement countries had been reduced to the full extent permitted in the 1934 act.

In trade agreements concluded before January 1, 1945, and on the basis of the value of United States imports in 1939, United States tariff rates had been reduced by the full 50 percent permitted under the 1934 act on 42 percent of dutiable United States imports. On 20 percent the rates had been reduced by less than the permissible 50 percent. On the remaining 38 percent the rates in effect on June 12, 1934, had not been reduced and were still in effect on January 1, 1945.

While comparable foreign concessions had been obtained, there still remained many burdensome foreign barriers which United States exporters wished to see reduced or eliminated. United States import duties on many needed items were, furthermore, still high.

By authorizing the President to reduce tariff rates by as much as 50 percent of the rates in effect on January 1, 1945, the Congress made it possible to offer still further reductions in United States trade barriers in return for reductions in foreign barriers and thus added to the bargaining power of this Government in trade-agreement negotiations.

How Trade Agreements Are Made

The trade-agreements program is administered through an interdepartmental organization representing the Government agencies concerned with the commercial foreign policy of the United States.

Trade Agreements Committee. The Trade Agreements Committee advises and assists the President in formulating and negotiating trade agreements. The Committee must include representatives of all the agencies which the President is required to consult, as well as the Department of Labor and the Department of the Treas which administers the United States customs la From time to time the representatives of ot

Government agencies are consulted in matters of particular interest to their agencies.

The Committee directs and coordinates the extensive technical studies and analyses of information—obtained from official sources and from the public—which are required in formulating the provisions of an agreement. It recommends to the President, through the Secretary of State, the terms which would be desirable in any agreement under consideration. This is done before final negotiations are undertaken.

The Trade Agreements Committee sets up country committees of experts from the interested agencies to study all aspects of the trade between the United States and the country or countries with which a trade agreement is under consideration. These country committees make recommendations to the Trade Agreements Committee with regard to concessions which might be sought from the other country or countries for the benefit of American export trade and with regard to concessions which the United States might offer in return.

The recommendations of the Trade Agreements Committee, if approved by the Secretary of State and the President, become the basis of negotiations between the United States and the other country or countries concerned. The United States negotiators are not permitted to offer greater concessions than are recommended by the Trade Agreements Committee and approved by the Secretary of State and the President.

If the American negotiators can obtain adequate foreign concessions in return for those offered by the United States, a trade agreement is concluded and signed by the negotiators and proclaimed by the President.

Committee for Reciprocity Information. To fulfil the provisions of the Trade Agreements Act with regard to opportunity for interested persons to present information and views on proposed agreements, the President set up the Committee for Reciprocity Information, which receives such views and information, analyzes them, and presents them to the trade-agreements organization which prepares the recommendations on the proposed agreement.

The Committee for Reciprocity Information includes representatives appointed by the heads of the Departments of State, Agriculture, Commerce, Treasury, War, and Navy, and the Tariff Commission. The Secretary of State may designate other agencies to be represented on the Committee. Most of the individual members of the Committee for Reciprocity Information are also members of the Trade Agreements Committee.

The Committee receives briefs and written statements and holds public hearings on proposed [illegible]nts before final negotiation begins. It [illegible]o, [illegible] any time, holds consultations and infor[illegible]l conferences with businessmen and others and receives written statements on any phase of the trade-agreements program.

The information and views of interested persons received through the Committee for Reciprocity Information are analyzed and studied by the interdepartmental trade-agreements organization along with data developed through official studies before final recommendations are made by the Trade Agreements Committee.

Public Notice, Hearings, and Lists of Possible Concession Products. The Secretary of State is required to give public notice of intention to negotiate a trade agreement not less than 30 days before the agreement is concluded. Actually, much longer notice is given. At the same time that the Secretary of State issues this public notice, the Committee for Reciprocity Information announces the closing date for receiving written statements on the proposed agreement and the date for opening public hearings on it.

Simultaneously, there is published a list of all United States import commodities on which United States tariff concessions will be considered in the negotiations. The fact that a given commodity appears on this list does not necessarily mean that a United States tariff concession on it will be made. Decisions on concessions are reached only after the studies and hearings have been completed, after the President has approved the recommendations, and after negotiation has determined that adequate foreign concessions can be obtained in return.

Provisions of Trade Agreements

"Tariff concessions" in trade agreements may take the form of reductions in import duties, the guaranteeing or "binding" of such duties against increase during the life of the agreement, or the "binding" of a free-list item against imposition of an import duty during the life of the agreement.

In addition to commitments with regard to tariffs on imports or exports, trade agreements contain provisions for reduction or elimination of other forms of import restrictions such as quotas. They likewise provide for reduction or elimination of trade discriminations such as tariff preferences and assurances against imposition of discriminatory taxes or other regulations on imported products.

Each new trade agreement signed by the United States must contain a commitment that, in import matters, each government will treat the goods of the other no less favorably than it treats the goods of any third country. This commitment puts into effect what is called the "most-favored-nation" principle.

In addition, each future agreement must also include a clause providing that the United States shall be free to withdraw or modify a concession made with respect to any particular article to the

extent and for such time as may be necessary to protect against any unforeseen situation threatening injury to producing interests which may develop as a result of a concession made by the United States.

Trade agreements also contain other so-called escape clauses or exceptions which permit each contracting country, for reasons of security, protection of health, or other specified purposes, to take measures which might otherwise be in conflict with the letter of the agreement.

Agreements Concluded Up to October 1947

On October 30, 1947, the General Agreement on Tariffs and Trade (see page 13) was signed at Geneva. Up to October 30, 1947, trade agreements had been concluded between the United States and 29 foreign countries. Following is a list of the countries and of the dates of signing and of coming into effect of the agreements:

Country	Signed	Effective
Cuba	Aug. 24, 1934	Sept. 3, 1934
Brazil	Feb. 2, 1935	Jan. 1, 1936
Belgium (and Luxembourg)	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 (superseded)	Nov. 15, 1935	Jan. 1, 1936
Honduras	Dec. 18, 1935	Mar. 2, 1936
The Netherlands	Dec. 20, 1935	Feb. 1, 1936
Switzerland	Jan. 9, 1936	Feb. 15, 1936
Nicaragua [1]	Mar. 11, 1936	Oct. 1, 1936
Guatemala	Apr. 24, 1936	June 15, 1936
France	May 6, 1936	June 15, 1936
Finland	May 18, 1936	Nov. 2, 1936
Costa Rica	Nov. 28, 1936	Aug. 2, 1937
El Salvador	Feb. 19, 1937	May 31, 1937
Czechoslovakia [2]	Mar. 7, 1938	Apr. 16, 1938
Ecuador	Aug. 6, 1938	Oct. 23, 1938
United Kingdom	Nov. 17, 1938	Jan. 1, 1939
Canada (second agreement)	Nov. 17, 1938	Jan. 1, 1939
Turkey	Apr. 1, 1939	May 5, 1939
Venezuela	Nov. 6, 1939	Dec. 16, 1939
Cuba (first supplementary agreement)	Dec. 18, 1939	Dec. 23, 1939
Canada (supplementary fox-fur agreement) [3]	Dec. 13, 1940	Dec. 20, 1940
Argentina	Oct. 14, 1941	Nov. 15, 1941
Cuba (second supplementary agreement)	Dec. 23, 1941	Jan. 5, 1942
Peru	May 7, 1942	July 29, 1942
Uruguay	July 21, 1942	Jan. 1, 1943
Mexico	Dec. 23, 1942	Jan. 30, 1943
Iran	Apr. 8, 1943	June 28, 1944
Iceland	Aug. 27, 1943	Nov. 19, 1943
Paraguay	Sept. 12, 1946	Apr. 9, 1947

[1] The duty concessions and certain other provisions of this agreement ceased to be in force as of Mar. 10, 1938.
[2] The operation of this agreement was suspended as of Apr. 22, 1939, and terminated on July 5, 1945.
[3] This replaced a previous supplementary agreement relating to fox furs, signed on Dec. 30, 1939, and was terminated on May 1, 1947.

Results in Terms of Trade Expansion

Before World War II and the preparations for it had wholly dislocated world trade, the trade-agreements program had shown significant results in the expansion of United States foreign trade, especially with trade-agreement countries.

The annual averages for the two years, 1938 and 1939, as compared with the averages for the two years, 1934 and 1935, show that United States exports to trade-agreement countries increased 63 percent as against an increase of only 32 percent in exports to nonagreement countries. For the same periods United States imports from trade-agreement countries increased 27 percent as against an increase of only 12½ percent in imports from nonagreement countries. Total United States foreign trade averaged 30 percent higher in the latter period than in the former.

Other recovery factors undoubtedly played important parts in this increased trade, but it is certain that reciprocal reduction of trade barriers between the United States and the agreement countries contributed materially to the special gains in trade with them.

After World War II

The world economic and trade situation at the end of World War II was chaotic. Many of the nations most important in United States foreign trade had suffered devastation of their industry and agriculture or wholesale conversion to war purposes. Their capital structure was wrecked, their manpower reduced, and their assets lost.

There was an acute lack of most products in terms of accumulated demand, and production returned very slowly to prewar levels in both Europe and Asia. Serious bottlenecks in particular key products and raw materials and very unfavorable climatic conditions retarded production still further. Inflationary tendencies spread throughout the world.

Countries with previous high standards of living became increasingly unable to buy basic commodities such as wheat and coal, not to mention steel and machinery to rebuild their industries. The supply of American dollars with which to buy these products got smaller and smaller despite UNRRA contributions, sale of foreign assets in the United States, and large American loans. Higher American prices cut the value of the loans, and countries like England and France faced more austere diets than during the darkest periods of the war.

Countries in the Western Hemisphere and elsewhere which suffered little physical damage had nevertheless seen their normal sources of vital imports cut off and their normal foreign markets destroyed. Many of them had set up indus to produce goods which they had formerly i

ported, although domestic production of these goods was low in efficiency and high in cost. Prices also rose in these countries.

World-Wide Trend Toward Trade Restrictions

Under these conditions most nations tended to retain and intensify rigid wartime trade controls and also to resort to discriminatory bilateral deals—some of them on a barter basis. Their governments limited foreign purchases to the goods most urgently needed. Such foreign exchange as they could obtain was strictly controlled and reserved for the purchase of essentials from abroad. Import quotas, import licensing systems, and exchange controls were imposed. War-born "infant industries" established vested interests and demanded protection against imports, regardless of their own less efficient and more costly production.

Dependence of the United States on Foreign Markets

At the same time, the United States industrial and agricultural plant was vastly expanded as a result of the war. Agricultural production in 1946 was almost a third larger than during the 1935–39 period and the Federal Reserve Index for February 1947 showed that the physical volume of manufacturing production, as a whole, is almost double that of the 1935–39 period. In general, moreover, the increase in the production of goods which have been exported in large amounts in the past was relatively much greater—for machinery, 1¾ times the 1935–39 period, for transportation equipment, 1⅓, and for rubber products, almost 1½. Our expanded agricultural and industrial system is selling much larger amounts abroad than in prewar years. The temporary reductions in exports of a few of these products might reduce some inflationary pressures within the United States, but in the long run, such a course would prove disastrous. Foreign markets, on a sound commercial basis, are of crucial importance to the American economy as a whole. Disappearance of these markets would soon result in a surplus of many products, serious price declines for certain key commodities, and eventual unemployment in some of our most efficient industries.

The Marshall Plan

Present critical circumstances, both economic and political, necessitate large-scale measures of assistance merely to assure the continued existence of our largest customers in Europe as going concerns. The economic dislocations in Europe and throughout the world have proved to be far more severe than was at first realized, and European economic recovery will be a long and difficult prob- [illegible] he interim-aid bill passed by Congress on [illegible]ember 16, 1947, and the European Recovery Program (Marshall Plan) are primarily concerned with the immediate problem of economic relief and reconstruction over the next four years with the chief emphasis on certain European countries. This assistance toward recovery, important as it is, could be ineffectual unless world trade in the next four years expands to the point where these countries are able to sell their own goods and services abroad in sufficient amounts to pay for the imports they need and desire. Consequently, in American self-interest the long-run trading policies of the United States and the rest of the world must provide the best possible conditions for a revival of international trade. The maze of restrictions, bilateralism, and discriminations must be eliminated so that trade may flow more freely. Unless decisive action is taken now, current restrictive and discriminatory practices could easily develop into a mold too hard to break after the emergency has lessened.

The Long-run Program

The United States has, consequently, been developing a program, concurrently with the European Recovery Program, to implement its long-run policy. This program stems from the reciprocal trade-agreements program but is broader and more comprehensive. Nevertheless, the new program will have the same elements of caution, reciprocal advantage, careful analysis, and assurances of the welfare of the American economy which have characterized the reciprocal trade-agreements program in the past.

The program now under way will consist of concrete steps toward realizing United States ideas of a world-wide system of international commercial relationships which will help to make possible greater production, exchange and use of goods, increased employment, and higher living standards in all countries, as an economic foundation for world peace and security.

United States Proposals for World Trade Expansion

At the same time that the United States was participating in setting up the United Nations structure, our experts were engaged on concrete plans for multilateral expansion of world trade and, after two years of work, published in 1945 our *Proposals for Expansion of World Trade and Employment.*[1]

These *Proposals* suggested the establishment of an International Trade Organization to coordinate and assist the cooperative efforts of member countries to improve their economic positions by facilitating international commerce. They also laid down certain principles which the United States believed should underlie such efforts. These principles related chiefly to relaxation and re-

[1] Department of State publication 2411.

moval of governmentally imposed trade restrictions and discriminations, to curbing trade barriers created by private combines and cartels, to remedying disorder in world markets for certain primary commodities, and to reducing irregularities in employment and production.

Suggested Charter for an International Trade Organization

The United States *Proposals* were published in this country and sent to foreign governments as a basis for discussion. The United Kingdom, France, and other countries declared their agreement with all important points in the *Proposals* and their willingness to support them in international discussions. The *Proposals* were then spelled out and elaborated in the *Suggested Charter for an International Trade Organization of the United Nations*,[2] also prepared by United States Government experts in the form of an international agreement or convention.

Preparatory Committee of United Nations Conference on Trade and Employment

In February 1946, the Economic and Social Council of the United Nations resolved to call the United Nations Conference on Trade and Employment to consider the establishment of such an agency as the United States had suggested. The Council set up a Preparatory Committee composed of 19 nations (Australia, Belgium, Brazil, Canada, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Union of South Africa, Union of Soviet Socialist Republics [3], United Kingdom, and the United States) to arrange for such a conference, prepare an agenda for it, and draft a charter for the proposed organization to be considered at the international conference.

This Preparatory Committee opened its work at London in October 1946, with both the United States *Proposals* and the United States *Suggested Charter* as basic working documents. A drafting committee of the Preparatory Committee met in New York during January and February of 1947 and made further modifications in the proposed charter. The United States Government held public hearings on the draft charter in seven cities during February and March 1947 and asked for criticisms and suggestions. Most of the points raised at these hearings were incorporated in the final draft completed by the Preparatory Committee at Geneva after continuous meetings commencing in April and terminating at the end of August. The draft charter for an International Trade Organization was submitted to the United Nations Conference on Trade and Employment which convened at Habana on November 21, 1947.

Main Points of the Draft Charter

The charter is a voluntary agreement among nations, its effectiveness depending entirely on the willingness of signatories to live up to obligations freely assumed and to proceed jointly through parallel national action against a signatory which violates the commitments.

Member nations would undertake to:

(1) Maintain productive employment and buying power within their own borders as a means of stimulating trade and to do so without injury to each other's economies.

(2) Encourage private and public international investment by subscribing to a code of principles and to recognize the need for economic development in less developed areas of the world.

(3) Negotiate for the reduction of all types of trade barriers.

(4) Eliminate discrimination in international trade except under certain limited circumstances.

(5) Conduct international trade between private enterprise and public enterprise according to principles of nondiscrimination and fair dealing.

(6) Curb and regulate within their own jurisdiction monopoly operations which limit production, set prices, allocate markets, or otherwise restrain and minimize the production, distribution, and consumption of goods.

(7) Accept a code of principles to govern the formation and operation of intergovernmental commodity agreements.

The charter also outlines the structure and functions of the proposed International Trade Organization. The Organization would have a conference, an Executive Board, a tariff committee, a Director General and staff, and such commissions as shall be established by the Conference. The Organization would be brought into relationship with the United Nations as one of the specialized agencies mentioned in the Charter of the United Nations.

General Agreement on Tariffs and Trade

On November 10, 1946, the Acting Secretary of State, in accordance with the procedures established under the Trade Agreements Act and various Executive orders, gave public notice of intention to negotiate with 18 nations for a reciprocal trade agreement involving reductions of trade barriers and elimination of trade discriminations. These nations were the same countries [4] which the Economic and Social Council of the United Nations had named as members of the Preparat

[2] Department of State publication 2598.

[3] Although a member, the Union of Soviet Socialist Republics has not participated in the work of the Preparatory Committee.

[4] The Union of Soviet Socialist Republics did not participate in the tariff and trade negotiations.

Committee to arrange for the proposed Conference on Trade and Employment and to draft a charter for the proposed International Trade Organization.

Past trade-agreement procedure was followed in the negotiation of the General Agreement on Tariffs and Trade with only such modification as was required by the fact that several countries were involved. The President sought advice and assistance from the interdepartmental trade-agreements organization. No United States tariff rate was reduced in the negotiations by more than one half of the rate in effect on January 1, 1945. No tariff concessions were considered on products which did not appear on the lists of products made public in November 1946 well in advance of the public hearings which opened on January 13, 1947, in Washington, D.C. Negotiations commenced at Geneva on April 10, 1947, and were concluded the following October.

Results of the Tariff Negotiations

The General Agreement on Tariffs and Trade represents the most comprehensive action ever undertaken for the reduction of barriers to international trade. It covers more than 45,000 items and accounts for two thirds of the import trade of the negotiating countries and for substantially half of total world imports. All concessions granted in this agreement by any one country become available to all other signatory countries. The concessions include the complete elimination of certain duties and preferences, reductions of duty and preference, the binding of duties at existing levels, and the binding of duty-free treatment.

The general provisions of the agreement are comparable to the general provisions of past reciprocal-trade agreements and are necessary to safeguard and make more effective the tariff concessions. The provisions of the General Agreement have been adapted to present conditions and to the fact that this is an agreement among several countries rather than merely between two countries.

The concessions made by other countries at Geneva cover almost all important United States export products. In return, the United States made concessions to other countries on products accounting for around three quarters, by value, of United States imports in 1939. On nearly three quarters, by value, of the United States imports covered by the agreement, the United States concessions consisted of binding the already existing tariff rates or duty-free status of the products.

The agreement was put into effect provisionally on or before January 1, 1948, by Australia, the Belgium-Netherlands-Luxembourg Customs Union, Canada, Cuba, France, the United Kingdom, and the United States. Other participating countries have until June 30, 1948, to accept provisionally the agreement in accordance with procedures required by their constitutions or laws. Since a number of countries did not put the agreement into force on January 1, 1948, this Government has exercised its right under the agreement generally to withhold concessions which are of primary interest to those countries which were represented at Geneva until they have put their new tariff schedules into effect.

The agreement will enter definitively into force upon deposit with the Secretary-General of the United Nations of formal acceptances on behalf of countries making up 85 percent of the foreign trade of all negotiating countries. The general agreement is accompanied by supplemental agreements between the United States and Belgium-Luxembourg, Canada, France, the Netherlands, and the United Kingdom suspending the existing trade agreements which the United States has with those countries, and similar provisions were contained in an exclusive supplementary trade agreement between the United States and Cuba.

Relationship of the General Agreement to the International Trade Organization

The General Agreement on Tariffs and Trade is a concrete indication on the part of the major trading nations of the world in advance of the United Nations Conference on Trade and Employment at Habana, that the commitment in the draft charter to negotiate toward the substantial reduction of tariffs and other trade barriers and elimination of preferences can be implemented. It proves the willingness of these important countries to start together on the long road back to economic sanity in international relations. It is significant evidence that the principles of the charter can become not mere words but the guides and signposts toward a more rational world.

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April 26, 1948

Havana Charter For an International Trade Organization

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AND

Final Act and Related Documents

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ON TRADE AND EMPLOYMENT
HAVANA, CUBA

November 21, 1947, to March 24, 1948

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FINAL ACT

OF THE

UNITED NATIONS CONFERENCE

ON TRADE AND EMPLOYMENT

FINAL ACT OF THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

The Economic and Social Council of the United Nations, by a resolution dated February 18, 1946, resolved to call an International Conference on Trade and Employment for the purpose of promoting the expansion of the production, exchange and consumption of goods.

The Conference, which met at Havana on November 21, 1947, and ended on March 24, 1948, drew up the Havana Chárter for an International Trade Organization to be submitted to the Governments represented. The text of the Charter in the English and French languages is annexed hereto and is hereby authenticated. The authentic text of the Charter in the Chinese, Russian and Spanish languages will be established by the Interim Commission of the International Trade Organization, in accordance with the procedure approved by the Conference.

There are also annexed to this Final Act a resolution of the Conference establishing an Interim Commission of the International Trade Organization and the other resolutions of the Conference.

This Final Act and the documents annexed shall be deposited with the Secretary-General of the United Nations, who will send certified copies to each of the Governments represented at the Conference.

IN WITNESS WHEREOF, the duly authorized representatives of their Governments have subscribed their names below.

DONE at Havana, this twenty-fourth day of March, one thousand nine hundred and forty-eight, in a single copy in the Chinese, English, French, Russian and Spanish languages.

For Afghanistan:
A. HOSAYN AZIZ

For Australia:
H. C. COOMBS

For the Republic of Austria:
MATSCH

For the Kingdom of Belgium:
M. SUETENS

For Bolivia:
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For Brazil:
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For the Union of Burma:
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For Canada:
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For Sweden:
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For Switzerland:
FRITZ REAL

For Syria:
HUSNI SAWWAI

For Transjordan:
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For the Union of South Africa.
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For the United Nations:
A. D. K. OWEN
for the Secretary-General

For the United Nations Conference on Trade and Employment
ERIC WYNDHAM WHITE
Executive Secretary

HAVANA CHARTER

FOR AN

INTERNATIONAL TRADE ORGANIZATION

HAVANA CHARTER

FOR AN INTERNATIONAL TRADE ORGANIZATION

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CHAPTER I

PURPOSE AND OBJECTIVES

Article 1

RECOGNIZING the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations.

THE PARTIES to this Charter undertake in the fields of trade and employment to co-operate with one another and with the United Nations

For the Purpose of

REALIZING the aims set forth in the Charter of the United Nations, particularly the attainment of the higher standards of living, full employment and conditions of economic and social progress and development, envisaged in Article 55 of that Charter.

TO THIS END they pledge themselves, individually and collectively, to promote national and international action designed to attain the following objectives:

1. To assure a large and steadily growing volume of real income and effective demand, to increase the production, consumption and exchange of goods, and thus to contribute to a balanced and expanding world economy.

2. To foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development, and to encourage the international flow of capital for productive investment.

3. To further the enjoyment by all countries, on equal terms, of access to the markets, products and productive facilities which are needed for their economic prosperity and development.

4. To promote on a reciprocal and mutually advantageous basis the reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce.

5. To enable countries, by increasing the opportunities for their trade and economic development, to abstain from measures which would disrupt world commerce, reduce productive employment or retard economic progress.

6. To facilitate through the promotion of mutual understanding, consultation and co-operation the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy.

ACCORDINGLY they hereby establish the INTERNATIONAL TRADE ORGANIZATION through which they shall co-operate as Members to achieve the purpose and the objectives set forth in this Article.

CHAPTER II

EMPLOYMENT AND ECONOMIC ACTIVITY

Article 2

Importance of Employment, Production and Demand in relation to the Purpose of this Charter

1. The Members recognize that the avoidance of unemployment or underemployment, through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of a large and steadily growing volume of production and effective demand for goods and services, is not of domestic concern alone, but is also a necessary condition for the achievement of the general purpose and the objectives set forth in Article 1, including the expansion of international trade, and thus for the well-being of all other countries.

2. The Members recognize that, while the avoidance of unemployment or underemployment must depend primarily on internal measures taken by individual countries, such measures should be supplemented by concerted action under the sponsorship of the Economic and Social Council of the United Nations in collaboration with the appropriate inter-governmental organizations, each of these bodies acting within its respective sphere and consistently with the terms and purposes of its basic instrument.

3. The Members recognize that the regular exchange of information and views among Members is indispensable for successful co-operation in the field of employment and economic activity and should be facilitated by the Organization.

Article 3

Maintenance of Domestic Employment

1. Each Member shall take action designed to achieve and maintain full and productive employment and large and steadily growing demand within its own territory through measures appropriate to its political, economic and social institutions.

2. Measures to sustain employment, production and demand shall be consistent with the other objectives and provisions of this Charter. Members shall seek to avoid measures which would have the effect of creating balance-of-payments difficulties for other countries.

Article 4

Removal of Maladjustments within the Balance of Payments

1. In the event that a persistent maladjustment within a Member's balance of payments is a major factor in a situation in which other Members are involved in balance-of-payments difficulties which handicap them in carrying out the provisions of Article 3 without resort to trade restrictions, the Member shall make its full contribution, while appropriate action shall be taken by the other Members concerned, towards correcting the situation.

2. Action in accordance with this Article shall be taken with due regard to the desirability of employing methods which expand rather than contract international trade.

Article 5

Exchange of Information and Consultation

1. The Members and the Organization shall participate in arrangements made or sponsored by the Economic and Social Council of the United Nations, including arrangements with appropriate inter-governmental organizations:

(*a*) for the systematic collection, analysis and exchange of information on domestic employment problems, trends and policies, including as far as possible information relating to national income, demand and the balance of payments;

(*b*) for studies, relevant to the purpose and objectives set forth in Article 1, concerning international aspects of population and employment problems;

(*c*) for consultation with a view to concerted action on the part of governments and inter-governmental organizations in order to promote employment and economic activity.

2. The Organization shall, if it considers that the urgency of the situation so requires, initiate consultations among Members with a view to their taking appropriate measures against the international spread of a decline in employment, production or demand.

Article 6

Safeguards for Members subject to External Inflationary or Deflationary Pressure

The Organization shall have regard, in the exercise of its functions under other Articles of this Charter, to the need of Members to take action within the provisions of this Charter to safeguard their economies against inflationary or deflationary pressure from abroad. In case of deflationary pressure special consideration shall be given to the consequences for any Member of a serious or abrupt decline in the effective demand of other countries.

Article 7

Fair Labour Standards

1. The Members recognize that measures relating to employment must take fully into account the rights of workers under inter-governmental declarations, conventions and agreements. They recognize that all countries have a common interest in the achievement and maintenance of fair labour standards related to productivity, and thus in the improvement of wages and working conditions as productivity may permit. The Members recognize that unfair labour conditions, particularly in production for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory.

2. Members which are also members of the International Labour Organisation shall co-operate with that organization in giving effect to this undertaking.

3. In all matters relating to labour standards that may be referred to the Organization in accordance with the provisions of Articles 94 or 95, it shall consult and co-operate with the International Labour Organisation.

CHAPTER III

ECONOMIC DEVELOPMENT AND RECONSTRUCTION

Article 8

Importance of Economic Development and Reconstruction in Relation to the Purpose of this Charter

The Members recognize that the productive use of the world's human and material resources is of concern to and will benefit all countries, and that the industrial and general economic development of all countries, particularly of those in which resources are as yet relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, will improve opportunities for employment, enhance the productivity of labour, increase the demand for goods and services, contribute to economic balance, expand international trade and raise levels of real income.

Article 9

Development of Domestic Resources and Productivity

Members shall within their respective territories take action designed progressively to develop, and where necessary to reconstruct, industrial and other economic resources and to raise standards of productivity through measures not inconsistent with the other provisions of this Charter.

Article 10

Co-operation for Economic Development and Reconstruction

1. Members shall co-operate with one another, with the Economic and Social Council of the United Nations, with the Organization and with other appropriate inter-governmental organizations, in facilitating and promoting industrial and general economic development, as well as the reconstruction of those countries whose economies have been devastated by war.

2. With a view to facilitating and promoting industrial and general economic development and consequently higher standards of living, especially of those countries which are still relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, and subject to any arrangements which may be entered into between the Organization and the Economic and Social Council of the United Nations and appropriate inter-governmental organizations, the Organization shall, within its powers and resources, at the request of any Member:

(*a*) (i) study the Member's natural resources and potentialities for industrial and general economic development, and assist in the formulation of plans for such development;

(ii) furnish the Member with appropriate advice concerning its plans for economic development or reconstruction and the financing and carrying out of its programmes for economic development or reconstruction; or

(*b*) assist the Member to procure such advice or study.

These services shall be provided on terms to be agreed and in such collaboration with appropriate regional or other inter-governmental organizations as will use fully the competence of each of them. The Organization shall also, upon the same conditions, aid Members in procuring appropriate technical assistance.

3. With a view to facilitating and promoting industrial and general economic development, especially of those countries which are still relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, the Organization shall co-operate with the Economic and Social Council of the United Nations and appropriate inter governmental organizations on all phases, within their special competence, of such development and reconstruction, and, in particular, in respect of finance, equipment, technical assistance and managerial skills.

Article 11

Means of Promoting Economic Development and Reconstruction

1. Progressive industrial and general economic development, as well as reconstruction, requires among other things adequate supplies of capital funds, materials, modern equipment and technology and technical and managerial skills. Accordingly, in order to stimulate and assist in the provision and exchange of these facilities:

(*a*) Members shall co-operate, in accordance with Article 10, in providing or arranging for the provision of such facilities within the limits of their power, and Members shall not impose unreasonable or unjustifiable impediments that would prevent other Members from obtaining on equitable terms any such facilities for their economic development or, in the case of Member countries whose economies have been devastated by war, for their reconstruction;

(*b*) no Member shall take unreasonable or unjustifiable action within its territory injurious to the rights or interests of nationals of other Members in the enterprise, skills, capital, arts or technology which they have supplied.

2. The Organization may, in such collaboration with other inter-governmental organizations as may be appropriate:

(*a*) make recommendations for and promote bilateral or multilateral agreements on measures designed:

(i) to assure just and equitable treatment for the enterprise, skills, capital, arts and technology brought from one Member country to another;

(ii) to avoid international double taxation in order to stimulate foreign private investments;

(iii) to enlarge to the greatest possible extent the benefits to Members from the fulfilment of the obligations under this Article;

(*b*) make recommendations and promote agreements designed to facilitate an equitable distribution of skills, arts, technology, materials and equipment, with due regard to the needs of all Members;

(*c*) formulate and promote the adoption of a general agreement or statement of principles regarding the conduct, practices and treatment of foreign investment.

Article 12

International Investment for Economic Development and Reconstruction

1. The Members recognize that:

(*a*) international investment, both public and private, can be of great value in promoting economic development and reconstruction, and consequent social progress;

(*b*) the international flow of capital will be stimulated to the extent that Members afford nationals of other countries opportunities for investment and security for existing and future investments;

(*c*) without prejudice to existing international agreements to which Members are parties, a Member has the right:

(i) to take any appropriate safeguards necessary to ensure that foreign investment is not used as a basis for interference in its internal affairs or national policies;

(ii) to determine whether and to what extent and upon what terms it will allow future foreign investment;

(iii) to prescribe and give effect on just terms to requirements as to the ownership of existing and future investments;

(iv) to prescribe and give effect to other reasonable requirements with respect to existing and future investments;

(*d*) the interests of Members whose nationals are in a position to provide capital for international investment and of Members who desire to obtain the use of such capital to promote their economic development or reconstruction may be promoted if such Members enter into bilateral or multilateral agreements relating to the opportunities and security for investment which the Members are prepared to offer and any limitations which they are prepared to accept of the rights referred to in sub-paragraph (*c*).

2. Members therefore undertake:

(*a*) subject to the provisions of paragraph 1(*c*) and to any agreements entered into under paragraph 1(*d*),

(i) to provide reasonable opportunities for investments acceptable to them and adequate security for existing and future investments, and

(ii) to give due regard to the desirability of avoiding discrimination as between foreign investments;

(*b*) upon the request of any Member and without prejudice to existing international agreements to which Members are parties, to enter into consultation or to participate in negotiations directed to the conclusion, if mutually acceptable, of an agreement of the kind referred to in paragraph 1 (*d*).

3. Members shall promote co-operation between national and foreign enterprises or investors for the purpose of fostering economic development or reconstruction in cases where such co-operation appears to the Members concerned to be appropriate.

Article 13

Governmental Assistance to Economic Development and Reconstruction

1. The Members recognize that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. The Organization and the Members concerned shall preserve the utmost secrecy in respect of matters arising under this Article.

A

3. If a Member, in the interest of its economic development or reconstruction, or for the purpose of increasing a most-favoured-nation rate of duty in connection with the establishment of a new preferential agreement in accordance with the provisions of Article 15, considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with an obligation which the Member has assumed in respect of any product through negotiations with any other Member or Members pursuant to Chapter IV but which would not conflict with that Chapter, such Member

(*a*) shall enter into direct negotiations with all the other Members which have contractual rights. The Members shall be free to proceed in accordance with the terms of any agreement resulting from such negotiations, provided that the Organization is informed thereof; or

(*b*) shall initially or may, in the event of failure to reach agreement under sub-paragraph (*a*), apply to the Organization. The Organization shall determine, from among Members which have contractual rights, the Member or Members materially affected by the proposed measure and shall sponsor negotiations between such Member or Members and the applicant Member with a view to obtaining expeditious and substantial agreement. The Organization shall establish and communicate to the Members concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant Member. The Members shall commence and proceed continuously with such negotiations in accordance with the time schedule established by the Organization. At the request of a Member, the Organization may, where it concurs in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached, the applicant Member may be released by the Organization from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the Members concerned.

4. (*a*) If as a result of action initiated under paragraph 3, there should be an increase in imports of any product concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize the establishment, development or reconstruction of the industry, or branch of agriculture concerned, and if no preventive measures consistent with the provisions of this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, provided that such measures do not restrict imports more than necessary to offset the increase in imports referred to in this sub-paragraph; except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representative period preceding the date on which the Member initiated action under paragraph 3.

(*b*) The Organization shall determine, as soon as practicable, whether any such measure should be continued, discontinued or modified. It shall in any case be terminated as soon as the Organization determines that the negotiations are completed or discontinued.

(*c*) It is recognized that the contractual relationships referred to in paragraph 3 involve reciprocal advantages, and therefore any Member which has a contractual right in respect of the product to which such action relates, and whose trade is materially affected by the action, may suspend the application to the trade of the applicant Member of substantially equivalent obligations or concessions under or pursuant to Chapter IV, provided that the Member concerned has consulted the Organization before taking such action and the Organization does not disapprove.

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5. In the case of any non-discriminatory measure affecting imports which would conflict with Chapter IV and which would apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, the provisions of sub-paragraph (*b*) of paragraph 3 shall apply; *Provided* that before granting a release the Organization shall afford adequate opportunity for all Members which it determines to be materially affected to express their views. The provisions of paragraph 4 shall also be applicable in this case.

—C—

6. If a Member in the interest of its economic development or reconstruction considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with Chapter IV, but which would not apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, such Member shall notify the Organization and shall transmit to the Organization a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

7. (*a*) On application by such Member the Organization shall concur in the proposed measure and grant the necessary release for a specified period if, having particular regard to the applicant Member's need for economic development or reconstruction, it is established that the measure

(i) is designed to protect a particular industry, established between January 1, 1939 and the date of this Charter, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) is necessary, in view of the possibilities and resources of the applicant Member to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, or for the processing of a by product of such industry, which would otherwise be wasted, in order to achieve a fuller and more economic use of the applicant Member's natural resources and manpower and, in the long run, to raise the standard of living within the territory of the applicant Member, and is unlikely to have a harmful effect, in the long run, on international trade; or

(iv) is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this Charter, which could be imposed without undue difficulty, and is the one most suitable for the purpose having regard to the economics of the industry or branch of agriculture concerned and to the applicant Member's need for economic development or reconstruction.

The foregoing provisions of this sub-paragraph are subject to the following conditions:

(1) any proposal by the applicant Member to to apply any such measure, with or without modification, after the end of the initial period, shall not be subject to the provisions of this paragraph; and

(2) the Organization shall not concur in any measure under the provisions of (i), (ii) or (iii) above which is likely to cause serious prejudice to exports of a primary commodity on which the economy of another Member country is largely dependent.

(*b*) The applicant Member shall apply any measure permitted under sub-paragraph (*a*) in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under the provisions of Articles 3 and 9.

8. If the proposed measure does not fall within the provisions of paragraph 7, the Member

(*a*) may enter into direct consultations with the Member or Members which, in its judgment, would be materially affected by the measure. At the same time, the Member shall inform the Organization of such consultations in order to afford it an opportunity to determine whether all materially affected Members are included within the consultations. Upon complete or substantial agreement being reached, the Member interested in taking the measure shall apply to the Organization. The Organization shall promptly examine the application to ascertain whether the interests of all the materially affected Members have been duly taken into account. If the Organization reaches this conclusion, with or without further consultations between the Members concerned, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as the Organization may impose; or

(*b*) may initially, or in the event of failure to reach complete or substantial agreement under sub-paragraph (*a*), apply to the Organization. The Organization shall promptly transmit the statement submitted under paragraph 6 to the Member or Members which are determined by the Organization to be materially affected by the proposed measure. Such Member or Members shall, within the time limits prescribed by the Organization, inform it whether, in the light of the anticipated effects of the proposed measure on the economy of such Member country or countries, there is any objection to the proposed measure. The Organization shall,

(i) if there is no objection to the proposed measure on the part of the affected Member or Members, immediately release the applicant Member from its obligations under the relevant provision of Chapter IV; or

(ii) if there is objection, promptly examine the proposed measure, having regard to the provisions of this Charter, to the considerations presented by the applicant Member and its need for economic development or reconstruction, to the views of the Member or Members determined to be materially affected, and to the effect which the proposed measure, with or without modification, is likely to have, immediately and in the long run, on international trade, and, in the long run, on the standard of living within the territory of the applicant Member. If, as a result of such examination, the Organization concurs in the proposed measure, with or without modification, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as it may impose.

9. If, in anticipation of the concurrence of the Organization in the adoption of a measure referred to in paragraph 6, there should be an increase or threatened increase in the imports of any product concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, pending a decision by the Organization on the Member's application; *Provided* that such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which notification was given under paragraph 6.

10. The Organization shall, at the earliest opportunity but ordinarily within fifteen days after receipt of an application under the provisions of paragraph 7 or sub-paragraphs (*a*) or (*b*) of paragraph 8, advise the applicant Member of the date by which it will be notified whether or not it is released from the relevant obligation. This shall be the earliest practicable date and not later than ninety days after receipt of such application; *Provided* that, if unforeseen difficulties arise before the date set, the period may be extended after consultation with the applicant Member. If the applicant Member is not so notified by the date set, it may, after informing the Organization, institute the proposed measure.

Article 14

Transitional Measures

1. Any Member may maintain any non-discriminatory protective measure affecting imports which has been imposed for the establishment, development or reconstruction of a particular industry or branch of agriculture and which is not otherwise permitted by this Charter, provided that notification has been given of such measure and of each product to which it relates:

(*a*) in the case of a Member signatory to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, not later than October 10, 1947, in respect of measures in force on September 1, 1947, subject to decisions made under paragraph 6 of Article XVIII of the General Agreement on Tariffs and Trade; except that if in special circumstances the CONTRACTING PARTIES to that Agreement agree to dates other than those specified in this sub paragraph, such other dates shall apply;

(*b*) in the case of any other Member, not later than the day on which it deposits its instrument of acceptance of this Charter, in respect of measures in force on that day or on the day of the entry into force of the Charter, whichever is the earlier;

and provided further that notification has been given under sub-paragraph (*a*) to the other signatories to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment and under sub-paragraph (*b*) to the Organization, or, if the Charter has not entered into force on the day of such notification, to the signatories to the Final Act of the United Nations Conference on Trade and Employment.

2. Any Member maintaining any such measure, other than a measure approved by the CONTRACTING PARTIES to the General Agreement under paragraph 6 of Article XVIII of that Agreement, shall, within one month of becoming a Member of the Organization, submit to it a statement of the considerations in support of the maintenance of the measure and the period for which it wishes to maintain it. The Organization shall, as soon as possible, but in any case within twelve months of such Member becoming a Member of the Organization, examine and give a decision concerning the measure as if it had been submitted to the Organization for its concurrence under Article 13.

3. Any measure, approved in accordance with the provisions of Article XVIII of the General Agreement, and which is in effect at the time this Charter enters into force, may remain in effect thereafter, subject to the conditions of any such approval and, if the Organization so decides, to review by the Organization.

4. This Article shall not apply to any measure relating to a product in respect of which the Member has assumed an obligation through negotiations pursuant to Chapter IV.

5. In cases where the Organization decides that a measure should be modified or withdrawn by a specified date, it shall have regard to the possible need of a Member for a period of time in which to make such modification or withdrawal.

Article 15

Preferential Agreements for Economic Development and Reconstruction

1. The Members recognize that special circumstances, including the need for economic development or reconstruction, may justify new preferential agreements between two or more countries in the interest of the programmes of economic development or reconstruction of one or more of them.

2. Any Member contemplating the conclusion of such an agreement shall communicate its intention to the Organization and provide it with the relevant information to enable it to examine the proposed agreement. The Organization shall promptly communicate such information to all Members.

3. The Organization shall examine the proposal and, by a two-thirds majority of the Members present and voting, may grant, subject to such conditions as it may impose, an exception to the provisions of Article 16 to permit the proposed agreement to become effective.

4. Notwithstanding the provisions of paragraph 3, the Organization shall authorize, in accordance with the provisions of paragraphs 5 and 6, the necessary departure from the provisions of Article 16 in respect of a proposed agreement between Members for the establishment of tariff preferences which it determines to fulfil the following conditions and requirements:

(*a*) the territories of the parties to the agreement are contiguous one with another, or all parties belong to the same economic region;

(*b*) any preference provided for in the agreement is necessary to ensure a sound and adequate market for a particular industry or branch of agriculture which is being, or is to be, created or reconstructed or substantially developed or substantially modernized;

(*c*) the parties to the agreement undertake to grant free entry for the products of the industry or branch of agriculture referred to in sub-paragraph (*b*) or to apply customs duties to such products sufficiently low to ensure that the objectives set forth in that sub-paragraph will be achieved;

(*d*) any compensation granted to the other parties by the party receiving preferential treatment shall, if it is a preferential concession, conform with the provisions of this paragraph;

(*e*) the agreement contains provisions permitting, on terms and conditions to be determined by negotiation with the parties to the agreement, the adherence of other Members, which are able to qualify as parties to the agreement under the provisions of this paragraph, in the interest of their programmes of economic development or reconstruction. The provisions of Chapter VIII may be invoked by such a Member in this respect only on the ground that it has been unjustifiably excluded from participation in such an agreement;

(*f*) the agreement contains provisions for its termination within a period necessary for the fulfilment of its purposes but, in any case, not later than at the end of ten years; any renewal shall be subject to the approval of the Organization and no renewal shall be for a longer period than five years.

5. When the Organization, upon the application of a Member and in accordance with the provisions of paragraph 6, approves a margin of preference as an exception to Article 16 in respect of the products covered by the proposed agreement, it may, as a condition of its approval, require a reduction in an unbound most-favoured-nation rate of duty proposed by the Member in respect of any product so covered, if in the light of the representations of any affected Member it considers that rate excessive.

6. (*a*) If the Organization finds that the proposed agreement fulfils the conditions and requirements set forth in paragraph 4 and that the conclusion of the agreement is not likely to cause substantial injury to the external trade of a Member country not party to the agreement, it shall within two months authorize the parties to the agreement to depart from the provisions of Article 16, as regards the products covered by the agreement. If the Organization does not give a ruling within the specified period, its authorization shall be regarded as having been automatically granted.

(*b*) If the Organization finds that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to cause substantial injury to the external trade of a Member country not party to the agreement, it shall inform interested Members of its findings and shall require the Members contemplating the conclusion of the agreement to enter into negotiations with that Member. When agreement is reached in the negotiations, the Organization shall authorize the Members contemplating the conclusion of the preferential agreement to depart from the provisions of Article 16 as regards the products covered by the preferential agreement. If, at the end of two months from the date on which the Organization suggested such negotiations, the negotiations have not been completed and the Organization considers that the injured Member is unreasonably preventing the conclusion of the negotiations, it shall authorize the necessary departure from the provisions of Article 16 and at the same time shall fix a fair compensation to be granted by the parties to the agreement to the injured Member or, if this is not possible or reasonable, prescribe such modification of the agreement as will give such Member fair treatment. The provisions of Chapter VIII may be invoked by such Member only if it does not accept the decision of the Organization regarding such compensation.

(*c*) If the Organization finds that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to jeopardize the economic position of a Member in world trade, it shall not authorize any departure from the provisions of Article 16 unless the parties to the agreement have reached a mutually satisfactory understanding with that Member.

(*d*) If the Organization finds that the prospective parties to a regional preferential agreement have, prior to November 21, 1947, obtained from countries representing at least two-thirds of their import trade the right to depart from most favoured-nation treatment in the cases envisaged in the agreement, the Organization shall, without prejudice to the conditions governing the recognition of such right, grant the authorization provided for in paragraph 5 and in sub-paragraph (*a*) of this paragraph, provided that the conditions and requirements set out in sub-paragraphs (*a*), (*e*) and (*f*) of paragraph 4 are fulfilled. Nevertheless, if the Organization finds that the external trade of one or more Member countries, which have not recognized this right to depart from most-favoured-nation treatment, is threatened with substantial injury, it shall invite the parties to the agreement to enter into negotiations with the injured Member, and the provisions of sub-paragraph (*b*) of this paragraph shall apply

CHAPTER IV

COMMERCIAL POLICY

SECTION A — TARIFFS, PREFERENCES, AND INTERNAL TAXATION AND REGULATION

Article 16

General Most-favoured-nation Treatment

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters within the scope of paragraphs 2 and 4 of Article 18, any advantage, favour, privilege or immunity granted by any Member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for all other Member countries.

2. The provisions of paragraph 1 shall not require the elimination, except as provided in Article 17, of any preferences in respect of import duties or charges which do not exceed the margins provided for in paragraph 4 and which fall within the following descriptions:

(*a*) preferences in force exclusively between two or more of the territories listed in Annex A, subject to the conditions set forth therein;

(*b*) preferences in force exclusively between two or more territories which on July 1, 1939 were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C, D and E;

(*c*) preferences in force exclusively between the United States of America and the Republic of Cuba;

(*d*) preferences in force exclusively between the Republic of the Philippines and the United States of America, including the dependent territories of the latter;

(*e*) preferences in force exclusively between neighbouring countries listed in Annexes F, G, H, I and J.

3. The provisions of paragraph 1 shall not apply to preferences between the countries formerly a part of the Ottoman Empire and detached from it on July 24, 1923, provided such preferences fulfil the applicable requirements of Article 15.

4. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 shall not exceed (*a*) the maximum margin provided for under the General Agreement on Tariffs and Trade or any subsequent operative agreement resulting from negotiations under Article 17, or (*b*) if not provided for under such agreements, the margin existing either on April 10, 1947, or on any earlier date established for a Member as a basis for negotiating the General Agreement on Tariffs and Trade, at the option of such Member.

5. The imposition of a margin of tariff preference not in excess of the amount necessary to compensate for the elimination of a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories in respect of which preferential import duties or charges are permitted under paragraph 2, shall not be deemed to be contrary to the provisions of this Article, it being understood that any such margin of tariff preference shall be subject to the provisions of Article 17.

Article 17

Reduction of Tariffs and Elimination of Preferences

1. Each Member shall, upon the request of any other Member or Members, and subject to procedural arrangements established by the Organization, enter into and carry out with such other Member or Members negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports, and to the elimination of the preferences referred to in paragraph 2 of Article 16, on a reciprocal and mutually advantageous basis.

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

(*a*) Such negotiations shall be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(*b*) No Member shall be required to grant unilateral concessions, or to grant concessions to other Members without receiving adequate concessions in return. Account shall be taken of the value to any Member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of Article 16.

(*c*) In negotiations relating to any specific product with respect to which a preference applies,

(i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

(ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;

(iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in each shall be that agreed by the parties to the negotiations;

(iv) no margin of preference shall be increased.

(*d*) The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(*e*) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by modification or termination of such obligations in accordance with their terms.

3. The negotiations leading to the General Agreement on Tariffs and Trade, concluded at Geneva on October 30, 1947, shall be deemed to be negotiations pursuant to this Article. The concessions agreed upon as a result of all other negotiations completed by a Member pursuant to this Article shall be incorporated in the General Agreement on terms to be agreed with the parties thereto. If any Member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this Article, the negotiations leading to such agreement shall nevertheless conform to the requirements of paragraph 2 (*c*).

4. (*a*) The provisions of Article 16 shall not prevent the operation of paragraph 5 (*b*) of Article XXV of the General Agreement on Tariffs and Trade, as amended at the First Session of the CONTRACTING PARTIES.

(*b*) If a Member has failed to become a contracting party to the General Agreement within two years from the entry into force of this Charter with respect to such Member, the provisions of Article 16 shall cease to require, at the end of that period, the application to the trade of such Member country of the concessions granted, in the appropriate Schedule annexed to the General Agreement, by another Member which has requested the first Member to negotiate with a view to becoming a contracting party to the General Agreement but has not successfully concluded negotiations; *Provided* that the Organization may, by a majority of the votes cast, require the continued application of such concessions to the trade of any Member country which has been unreasonably prevented from becoming a contracting party to the General Agreement pursuant to negotiations in accordance with the provisions of this Article.

(*c*) If a Member which is a contracting party to the General Agreement proposes to withhold tariff concessions from the trade of a Member country which is not a contracting party, it shall give notice in writing to the Organization and to the affected Member. The latter Member may request the Organization to require the continuance of such concessions, and if such a request has been made the tariff concessions shall not be withheld pending a decision by the Organization under the provisions of sub-paragraph (*b*) of this paragraph.

(*d*) In any determination whether a Member has been unreasonably prevented from becoming a contracting party to the General Agreement, and in any determination under the provisions of Chapter VIII whether a Member has failed without sufficient justification to fulfil its obligations under paragraph 1 of this Article, the Organization shall have regard to all relevant circumstances, including the developmental, reconstruction and other needs, and the general fiscal structures, of the Member countries concerned and to the provisions of the Charter as a whole.

(*e*) If such concessions are in fact withheld, so as to result in the application to the trade of a Member country of duties higher than would otherwise have been applicable, such Member shall then be free, within sixty days after such action becomes effective, to give written notice of withdrawal from the Organization. The withdrawal shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

Article 18

National Treatment on Internal Taxation and Regulation

1. The Members recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of any Member country imported into any other Member country shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no Member shall otherwise apply internal taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on April 10, 1947, in which the import duty on the taxed product is bound against increase, the Member imposing the tax shall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of any Member country imported into any other Member country shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

5. No Member shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no Member shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in any Member country on July 1, 1939, April 10, 1947 or on the date of this Charter, at the option of that Member; *Provided* that any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be subject to negotiation and shall accordingly be treated as a customs duty for the purposes of Article 17.

7. No internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply.

8. (*a*) The provisions of this Article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(*b*) The provisions of this Article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this Article and subsidies effected through governmental purchases of domestic products.

9. The Members recognize that internal maximum price control measures, even though conforming to the other provisions of this Article, can have effects prejudicial to the interests of Member countries supplying imported products. Accordingly, Members applying such measures shall take account of the interests of exporting Member countries with a view to avoiding to the fullest practicable extent such prejudicial effects.

Article 19

Special Provisions relating to Cinematograph Films

The provisions of Article 18 shall not prevent any Member from establishing or maintaining internal quantitative regulations relating to exposed cinematograph films. Any such regulations shall take the form of screen quotas which shall conform to the following conditions and requirements:

(*a*) Screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized over a specified period of not less than one year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theatre per year or the equivalent thereof.

(*b*) With the exception of screen time reserved for films of national origin under a screen quota, screen time, including screen time released by administrative action from time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply.

(*c*) Notwithstanding the provisions of sub-paragraph (*b*) any Member may maintain screen quotas conforming to the requirements of sub-paragraph (*a*) which reserve a minimum proportion of screen time for films of a specified origin other than that of the Member imposing such screen quotas; *Provided* that such minimum proportion of screen time shall not be increased above the level in effect on April 10, 1947.

(*d*) Screen quotas shall be subject to negotiation and shall accordingly be treated as customs duties for the purposes of Article 17.

SECTION B — QUANTITATIVE RESTRICTIONS AND RELATED EXCHANGE MATTERS

Article 20

General Elimination of Quantitative Restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any Member on the importation of any product of any other Member country or on the exportation or sale for export of any product destined for any other Member country.

2. The provisions of paragraph 1 shall not extend to the following:

(*a*) export prohibitions or restrictions applied for the period necessary to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting Member country;

(*b*) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade; if, in the opinion of the Organization, the standards or regulations adopted by a Member under this sub-paragraph have an unduly restrictive effect on trade, the Organization may request the Member to revise the standards or regulations; *Provided* that it shall not request the revision of standards internationally agreed pursuant to recommendations made under paragraph 7 of Article 39;

(*c*) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate effectively:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level, or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

3. With regard to import restrictions applied under the provisions of paragraph 2 (*c*):

(*a*) such restrictions shall be applied only so long as the governmental measures referred to in paragraph 2 (*c*) are in force, and, when applied to the import of products of which domestic supplies are available during only a part of the year, shall not be applied in such a way as to prevent their import in quantities sufficient to satisfy demand for current consumption purposes during those periods of the year when like domestic products, or domestic products for which the imported product can be directly substituted, are not available;

(*b*) any Member intending to introduce restrictions on the importation of any product shall, in order to avoid unnecessary damage to the interests of exporting countries, give notice in writing as far in advance as practicable to the Organization and to Members having a substantial interest in supplying that product, in order to afford such Members adequate opportunity for consultation in accordance with the provisions of paragraphs 2 (*d*) and 4 of Article 22, before the restrictions enter into force. At the request of the importing Member concerned, the notification and any information disclosed during the consultations shall be kept strictly confidential;

(c) any Member applying such restrictions shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value;

(d) any restrictions applied under paragraph 2 (c) (i) shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the Member applying the restrictions shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

4. Throughout this Section the terms "import restrictions" and "export restrictions" include restrictions made effective through state trading operations.

Article 21

Restrictions to safeguard the Balance of Payments

1. The Members recognize that:

(a) it is primarily the responsibility of each Member to safeguard its external financial position and to achieve and maintain stable equilibrium in its balance of payments;

(b) an adverse balance of payments of one Member country may have important effects on the trade and balance of payments of other Member countries, if it results in, or may lead to, the imposition by the Member of restrictions affecting international trade·

(c) the balance of payments of each Member country is of concern to other Members, and therefore it is desirable that the Organization should promote consultations among Members and, where possible, agreed action consistent with this Charter for the purpose of correcting a maladjustment in the balance of payments; and

(d) action taken to restore stable equilibrium in the balance of payments should, so far as the Member or Members concerned find possible, employ methods which expand rather than contract international trade.

2. Notwithstanding the provisions of paragraph 1 of Article 20, any Member, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.

3. (a) No Member shall institute, maintain or intensify import restrictions under this Article except to the extent necessary

(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

(ii) in the case of a Member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the Member's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(b) A Member applying restrictions under sub-paragraph (a) shall progressively relax and ultimately eliminate them, in accordance with the provisions of that sub-paragraph, as its external financial position improves. This provision shall not be interpreted to mean that a Member is required to relax or remove such restrictions if that relaxation or removal would thereupon produce conditions justifying the intensification or institution, respectively, of restrictions under sub-paragraph (a).

(c) Members undertake:

(i) not to apply restrictions so as to prevent unreasonably the importation of any description of merchandise in minimum commercial quantities the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples or prevent the importation of such minimum quantities of a product as may be necessary to obtain and maintain patent, trade mark, copyright or similar rights under industrial or intellectual property laws;

(ii) to apply restrictions under this Article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

4. (a) The Members recognize that in the early years of the Organization all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the Organization shall, when required to take decisions under this Article or under Article 23, take full account of the difficulties of post-war adjustment and of the need which a Member may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(*b*) The Members recognize that, as a result of domestic policies directed toward the fulfilment of a Member's obligations under Article 3 relating to the achievement and maintenance of full and productive employment and large and steadily growing demand, or its obligations under Article 9 relating to the reconstruction or development of industrial and other economic resources and to the raising of standards of productivity, such a Member may find that demands for foreign exchange on account of imports and other current payments are absorbing the foreign exchange resources currently available to it in such a manner as to exercise pressure on its monetary reserves which would justify the institution or maintenance of restrictions under paragraph 3 of this Article. Accordingly,

(i) no Member shall be required to withdraw or modify restrictions which it is applying under this Article on the ground that a change in such policies would render these restrictions unnecessary;

(ii) any Member applying import restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

(*c*) Members undertake, in carrying out their domestic policies, to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources.

5. (*a*) Any Member which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the Organization as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economies of other Members. No Member shall be required in the course of consultations under this sub-paragraph to indicate in advance the choice or timing of any particular measure which it may ultimately determine to adopt.

(*b*) The Organization may at any time invite any Member which is applying import restrictions under this Article to enter into such consultations with it, and shall invite any Member substantially intensifying such restrictions to consult within thirty days. A Member thus invited shall participate in the consultations. The Organization may invite any other Member to take part in the consultations. Not later than two years from the day on which this Charter enters into force, the Organization shall review all restrictions existing on that day and still applied under this Article at the time of the review.

(*c*) Any Member may consult with the Organization with a view to obtaining the prior approval of the Organization for restrictions which the Member proposes, under this Article, to maintain, intensify or institute, or for the maintenance, intensification or institution of restrictions under specified future conditions. As a result of such consultations, the Organization may approve in advance the maintenance, intensification or institution of restrictions by the Member in question in so far as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of sub-paragraph (*a*) of this paragraph shall be deemed to have been fulfilled, and the action of the Member applying the restrictions shall not be open to challenge under sub-paragraph (*d*) of this paragraph on the ground that such action is inconsistent with the provisions of sub-paragraphs (*a*) and (*b*) of paragraph 3.

(*d*) Any Member which considers that another Member is applying restrictions under this Article inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23) may bring the matter to the Organization for discussion; and the Member applying the restrictions shall participate in the discussion. If, on the basis of the case presented by the Member initiating the procedure, it appears to the Organization that the trade of that Member is adversely affected, the Organization shall submit its views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the Organization. If no such settlement is reached and if the Organization determines that the restrictions are being applied inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23), the Organization shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the Organization within sixty days, the Organization may release any Member from specified obligations or concessions under or pursuant to this Charter towards the Member applying the restrictions.

(*e*) In consultations between a Member and the Organization under this paragraph there shall be full and free discussion as to the various causes and the nature of the Member's balance-of-payments difficulties. It is recognized that premature disclosure of the prospective application, withdrawal or modification of any restrictions under this Article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this Article. Accordingly, the Organization shall make provision for the observance of the utmost secrecy in the conduct of any consultation

6. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general disequilibrium which is restricting international trade, the Organization shall initiate discussions to consider whether other measures might be taken, either by those Members whose balances of payments are under pressure or by those Members whose balances of payments are tending to be exceptionally favourable, or by any appropriate inter-governmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the Organization, Members shall participate in such discussions.

Article 22

Non-discriminatory Administration of Quantitative Restrictions

1. No prohibition or restriction shall be applied by any Member on the importation of any product of any other Member country or on the exportation of any product destined for any other Member country, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, Members shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various Member countries might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

(*a*) wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (*b*);

(*b*) in cases in which quotas are not practicable, the restrictions may be applied by means of import licences or permits without a quota;

(*c*) Members shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (*d*) of this paragraph, require that import licences or permits be utilized for the importation of the product concerned from a particular country or source;

(*d*) in cases in which a quota is allocated among supplying countries, the Member applying the restrictions may seek agreement with respect to the allocation of shares in the quota with all other Members having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the Member concerned shall allot to Member countries having a substantial interest in supplying the product shares of the total quantity or value of imports of the product based upon the proportions supplied by such Member countries during a previous representative period, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any Member country from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (*a*) In the case of import restrictions involving the granting of import licences, the Member applying the restrictions shall provide, upon the request of any Member having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licences granted over a recent period and the distribution of such licences among supplying countries; *Provided* that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(*b*) In the case of import restrictions involving the fixing of quotas, the Member applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were en route at the time at which public notice was given shall not be excluded from entry; *Provided* that they may be counted, so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods, and *Provided further* that if any Member customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day of such public notice, such practice shall be considered full compliance with this sub-paragraph.

(*c*) In the case of quotas allocated among supplying countries, the Member applying the restrictions shall promptly inform all other Members having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

(*d*) If the Organization finds, upon the request of a Member, that the interests of that Member would be seriously prejudiced by giving, in regard to certain products, the public notice required under sub-paragraphs (*b*) and (*c*) of this paragraph, by reason of the fact that a large part of its imports of such products is supplied by non-Member countries, the Organization shall release the Member from compliance with the obligations in question to the extent and for such time as it finds necessary to prevent such prejudice. Any request made by a Member pursuant to this sub-paragraph shall be acted upon promptly by the Organization.

4. With regard to restrictions applied in accordance with the provisions of paragraph 2 (*d*) of this Article or under the provisions of paragraph 2 (*c*) of Article 20, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the Member applying the restrictions; *Provided* that such Member shall, upon the request of any other Member having a substantial interest in supplying that product, or upon the request of the Organization, consult promptly with the other Member or the Organization regarding the need for an adjustment of the proportion determined or of the base period selected, or for the re-appraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally with regard to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any Member and, in so far as applicable, the principles of this Article shall also extend to export restrictions.

Article 23

Exceptions to the Rule of Non-discrimination

1. (*a*) The Members recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph.

(*b*) A Member which applies restrictions under Article 21 may, in the use of such restrictions, deviate from the provisions of Article 22 in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that Member may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of Article 24.

(*c*) A Member which is applying restrictions under Article 21 and which on March 1, 1948 was applying import restrictions to safeguard its balance of payments in a manner which deviated from the rules of non-discrimination set forth in Article 22 may, to the extent that such deviation would not have been authorized on that date by sub-paragraph (*b*), continue so to deviate, and may adapt such deviation to changing circumstances.

(*d*) Any Member which before July 1, 1948 has signed the Protocol of Provisional Application agreed upon at Geneva on October 30, 1947, and which by such signature has provisionally accepted the principles of paragraph 1 of Article 23 of the Draft Charter submitted to the United Nations Conference on Trade and Employment by the Preparatory Committee, may elect, by written notice to the Interim Commission of the International Trade Organization or to the Organization before January 1, 1949, to be governed by the provisions of Annex K of this Charter, which embodies such principles, in lieu of the provisions of sub-paragraphs (*b*) and (*c*) of this paragraph. The provisions of sub-paragraphs (*b*) and (*c*) shall not be applicable to Members which have so elected to be governed by the provisions of Annex K; and conversely, the provisions of Annex K shall not be applicable to Members which have not so elected.

(*e*) The policies applied in the use of import restrictions under sub-paragraphs (*b*) and (*c*) or under Annex K in the post-war transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance-of-payments position which will no longer require resort to the provisions of Article 21 or to transitional exchange arrangements.

(*f*) A Member may deviate from the provisions of Article 22, pursuant to sub-paragraphs (*b*) or (*c*) of this paragraph or pursuant to Annex K, only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of Article 24.

(*g*) Not later than March 1, 1950 (three years after the date on which the International Monetary Fund began operations) and in each year thereafter, the Organization shall report on any action still being taken by Members under sub-paragraphs (*b*) and (*c*) of this paragraph or under Annex K. In March 1952, and in each year thereafter, any Member still entitled to take action under the provisions of sub-paragraph (*c*) or of Annex K shall consult the Organization as to any deviations from Article 22 still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952 any action under Annex K going beyond the maintenance in force of deviations on which such consultation has taken place and which the Organization has not found unjustifiable, or their adaptation to changing circumstances, shall be subject to any limitations of a general character which the Organization may prescribe in the light of the Member's circumstances.

(*h*) The Organization may, if it deems such action necessary in exceptional circumstances, make representations to any Member entitled to take action under the provisions of sub-paragraph (*c*) that conditions are favourable for the termination of any particular deviation from the provisions of Article 22, or for the general abandonment of deviations, under the provisions of that sub-paragraph. After March 1, 1952, the Organization may make such representations, in exceptional circumstances, to any Member entitled to take action under Annex K. The Member shall be given a suitable time to reply to such representations. If the Organization finds that the Member persists in unjustifiable deviation from the provisions of Article 22, the Member shall, within sixty days, limit or terminate such deviations as the Organization may specify.

2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (*f*), a Member which is applying import restrictions under Article 21 may, with the consent of the Organization, temporarily deviate from the provisions of Article 22 in respect of a small part of its external trade where the benefits to the Member or Members concerned substantially outweigh any injury which may result to the trade of other Members.

3. The provisions of Article 22 shall not preclude restrictions in accordance with the provisions of Article 21 which either

(*a*) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article 22, or

(*b*) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of Article 22, another country whose economy has been disrupted by war.

4. A Member applying import restrictions under Article 21 shall not be precluded by this Section from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article 22.

5. A Member shall not be precluded by this Section from applying quantitative restrictions

(*a*) having equivalent effect to exchange restrictions authorized under Section 3 (*b*) of Article VII of the Articles of Agreement of the International Monetary Fund; or

(*b*) under the preferential arrangements provided for in Annex A of this Charter, pending the outcome of the negotiations referred to therein.

Article 24

Relationship with the International Monetary Fund and Exchange Arrangements

1. The Organization shall seek co-operation with the International Monetary Fund to the end that the Organization and the Fund may pursue a co-ordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the Organization.

2. In all cases in which the Organization is called upon to consider or deal with problems concerning monetary reserves, balance of payments or foreign exchange arrangements, the Organization shall consult fully with the Fund. In such consultation, the Organization shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balance of payments, and shall accept the determination of the Fund whether action by a Member with respect to exchange matters is in accordance with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement entered into between that Member and the Organization pursuant to paragraph 6 of this Article. When the Organization is examining a situation in the light of the relevant considerations under all the pertinent provisions of Article 21 for the purpose of reaching its final decision in cases involving the criteria set forth in paragraph 3 (*a*) of that Article, it shall accept the determination of the Fund as to what constitutes a serious decline in the Member's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The Organization shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article. Any such agreement, other than informal arrangements of a temporary or administrative character, shall be subject to confirmation by the Conference.

4. Members shall not, by exchange action, frustrate the intent of the provisions of this Section, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the Organization considers, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a Member in a manner inconsistent with the provisions of this Section with respect to quantitative restrictions, it shall report thereon to the Fund.

6. (*a*) Any Member of the Organization which is not a member of the Fund shall, within a time to be determined by the Organization after consultation with the Fund, become a member of the Fund or, failing that, enter into a special exchange agreement with the Organization. A Member of the Organization which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the Organization. Any special exchange agreement entered into by a Member under this sub-paragraph shall thereupon become part of its obligations under this Charter.

(*b*) Any such agreement shall provide to the satisfaction of the Organization that the objectives of this Charter will not be frustrated as a result of action with respect to exchange matters by the Member in question.

(*c*) Any such agreement shall not impose obligations on the Member with respect to exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

(*d*) No Member shall be required to enter into any such agreement so long as it uses solely the currency of another Member and so long as neither the Member nor the country whose currency is being used maintains exchange restrictions. Nevertheless, if the Organization at any time considers that the absence of a special exchange agreement may be permitting action which tends to frustrate the purposes of any of the provisions of this Charter, it may require the Member to enter into a special exchange agreement in accordance with the provisions of this paragraph. A Member of the Organization which is not a member of the Fund and which has not entered into a special exchange agreement may be required at any time to consult with the Organization on any exchange problem.

7. A Member which is not a member of the Fund, whether or not it has entered into a special exchange agreement, shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the Organization may require in order to carry out its functions under this Charter.

8. Nothing in this Section shall preclude:

(*a*) the use by a Member of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that Member's special exchange agreement with the Organization, or

(*b*) the use by a Member of restrictions or controls on imports or exports, the sole effect of which, in addition to the effects permitted under Articles 20, 21, 22 and 23, is to make effective such exchange controls or exchange restrictions.

SECTION C — SUBSIDIES

Article 25

Subsidies in General

If any Member grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into, its territory, the Member shall notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which a Member considers that serious prejudice to its interests is caused or threatened by any such subsidization, the Member granting the subsidy shall, upon request, discuss with the other Member or Members concerned, or with the Organization, the possibility of limiting the subsidization.

Article 26

Additional Provisions on Export Subsidies

1. No Member shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraph 1. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under Article 25.

3. Members shall give effect to the provisions of paragraph 1 at the earliest practicable date but not later than two years from the day on which this Charter enters into force. If any Member considers itself unable to do so in respect of any particular product or products, it shall, at least three months before the expiration of such period, give notice in writing to the Organization, requesting a specific extension of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances justifying it. The Organization shall then determine whether the extension requested should be made and, if so, on what terms.

4. Notwithstanding the provisions of paragraph 1, any Member may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-Member affecting the Member's exports of the product. However, the Member shall, upon the request of the Organization or of any other Member which considers that its interests are seriously prejudiced by such action, consult with the Organization or with that Member, as appropriate, with a view to reaching a satisfactory adjustment of the matter.

Article 27

Special Treatment of Primary Commodities

1. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 1 of Article 26, if the Organization determines that

(*a*) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and

(*b*) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

2. Any Member granting a subsidy in respect of a primary commodity shall co-operate at all times in efforts to negotiate agreements, under the procedures set forth in Chapter VI, with regard to that commodity.

3. In any case involving a primary commodity, if a Member considers that its interests would be seriously prejudiced by compliance with the provisions of Article 26, or if a Member considers that its interests are seriously prejudiced by the granting of any form of subsidy, the procedures set forth in Chapter VI may be followed. The Member which considers that its interests are thus seriously prejudiced shall, however, be exempt provisionally from the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

4. No Member shall grant a new subsidy or increase an existing subsidy affecting the export of a primary commodity, during a commodity conference called for the purpose of negotiating an inter-governmental control agreement for the commodity concerned unless the Organization concurs, in which case such new or additional subsidy shall be subject to the provisions of Article 28.

5. If the measures provided for in Chapter VI have not succeeded, or do not promise to succeed, within a reasonable period of time, or if the conclusion of a commodity agreement is not an appropriate solution, any Member which considers that its interests are seriously prejudiced shall not be subject to the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

Article 28

Undertaking regarding Stimulation of Exports of Primary Commodities

1. Any Member granting any form of subsidy, which operates directly or indirectly to maintain or increase the export of any primary commodity from its territory, shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for that Member more than an equitable share of world trade in that commodity.

2. As required under the provisions of Article 25, the Member granting such subsidy shall promptly notify the Organization of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected commodity exported from its territory, and of the circumstances making the subsidization necessary. The Member shall promptly consult with any other Member which considers that serious prejudice to its interests is caused or threatened by the subsidization.

3. If, within a reasonable period of time, no agreement is reached in such consultation, the Organization shall determine what constitutes an equitable share of world trade in the commodity concerned and the Member granting the subsidy shall conform to this determination.

4. In making the determination referred to in paragraph 3, the Organization shall take into account any factors which may have affected or may be affecting world trade in the commodity concerned, and shall have particular regard to:

(*a*) the Member country's share of world trade in the commodity during a previous representative period;

(*b*) whether the Member country's share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor significance;

(*c*) the degree of importance of the external trade in the commodity to the economy of the Member country granting, and to the economies of the Member countries materially affected by, the subsidy;

(*d*) the existence of price stabilization systems conforming to the provisions of paragraph 1 of Article 27;

(*e*) the desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that expansion difficult.

Article 29

Non-discriminatory Treatment

1. (*a*) Each Member undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases and sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Charter for governmental measures affecting imports or exports by private traders.

(*b*) The provisions of sub-paragraph (*a*) shall be understood to require that such enterprises shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other Member countries adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(*c*) No Member shall prevent any enterprise (whether or not an enterprise described in sub-paragraph (*a*)) under its jurisdiction from acting in accordance with the principles of sub-paragraphs (*a*) and (*b*).

2. The provisions of paragraph 1 shall not apply to imports of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale. With respect to such imports, and with respect to the laws, regulations and requirements referred to in paragraph 8 (*a*) of Article 18, each Member shall accord to the trade of the other Members fair and equitable treatment.

Article 30

Marketing Organizations

If a Member establishes or maintains a marketing board, commission or similar organization, the Member shall be subject:

(*a*) with respect to purchases or sales by any such organization, to the provisions of paragraph 1 of Article 29;

(*b*) with respect to any regulations of any such organization governing the operations of private enterprises, to the other relevant provisions of this Charter.

Article 31

Expansion of Trade

1. If a Member establishes, maintains or authorizes, formally or in effect, a monopoly of the importation or exportation of any product, the Member shall, upon the request of any other Member or Members having a substantial interest in trade with it in the product concerned, negotiate with such other Member or Members in the manner provided for under Article 17 in respect of tariffs, and subject to all the provisions of this Charter with respect to such tariff negotiations, with the object of achieving:

(*a*) in the case of an export monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic users of the monopolized product, or designed to assure exports of the monopolized product in adequate quantities at reasonable prices;

(*b*) in the case of an import monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic producers of the monopolized product, or designed to relax any limitation on imports which is comparable with a limitation made subject to negotiation under other provisions of this Chapter.

2. In order to satisfy the requirements of paragraph 1 (*b*), the Member establishing, maintaining or authorizing a monopoly shall negotiate:

(*a*) for the establishment of the maximum import duty that may be applied in respect of the product concerned; or

(*b*) for any other mutually satisfactory arrangement consistent with the provisions of this Charter, if it is evident to the negotiating parties that to negotiate a maximum import duty under sub-paragraph (*a*) of this paragraph is impracticable or would be ineffective for the achievement of the objectives of paragraph 1: any Member entering into negotiations under this sub-paragraph shall afford to other interested Members an opportunity for consultation.

3. In any case in which a maximum import duty is not negotiated under paragraph 2 (*a*), the Member establishing, maintaining or authorizing the import monopoly shall make public, or notify the Organization of, the maximum import duty which it will apply in respect of the product concerned.

4. The import duty negotiated under paragraph 2, or made public or notified to the Organization under paragraph 3, shall represent the maximum margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of Article 18, transportation, distribution and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) may exceed the landed cost; *Provided* that regard may be had to average landed costs and selling prices over recent periods; and *Provided further* that, where the product concerned is a primary commodity which is the subject of a domestic price stabilization arrangement, provision may be made for adjustment to take account of wide fluctuations or variations in world prices, subject where a maximum duty has been negotiated to agreement between the countries parties to the negotiations.

5. With regard to any product to which the provisions of this Article apply, the monopoly shall, wherever this principle can be effectively applied and subject to the other provisions of this Charter, import and offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand for the imported product, account being taken of any rationing to consumers of the imported and like domestic product which may be in force at that time.

6. In applying the provisions of this Article, due regard shall be had for the fact that some monopolies are established and operated mainly for social, cultural, humanitarian or revenue purposes.

7. This Article shall not limit the use by Members of any form of assistance to domestic producers permitted by other provisions of this Charter.

Article 32

Liquidation of Non-commercial Stocks

1. If a Member holding stocks of any primary commodity accumulated for non-commercial purposes should liquidate such stocks, it shall carry out the liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.

2. Such Member shall:

(*a*) give not less than four months public notice of its intention to liquidate such stocks; or

(*b*) give not less than four months prior notice to the Organization of such intention.

3. Such Member shall, at the request of any Member which considers itself substantially interested, consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interests of several Members might be substantially affected, the Organization may participate in the consultations, and the Member holding the stocks shall give due consideration to its recommendations.

4. The provisions of paragraphs 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.

SECTION E — GENERAL COMMERCIAL PROVISIONS

Article 33

Freedom of Transit

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a Member country, when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the Member country across whose territory the traffic passes. Traffic of this nature is termed in this Article "traffic in transit".

2. There shall be freedom of transit through each Member country, via the routes most convenient for international transit, for traffic in transit to or from other Member countries. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any Member may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to other Member countries shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by Members on traffic in transit to or from other Member countries shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each Member shall accord to traffic in transit to or from any other Member country treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

6. The Organization may undertake studies, make recommendations and promote international agreement relating to the simplification of customs regulations concerning traffic in transit, the equitable use of facilities required for such transit and other measures designed to promote the objectives of this Article. Members shall co-operate with each other directly and through the Organization to this end.

7. Each Member shall accord to goods which have been in transit through any other Member country treatment no less favourable than that which would have been accorded to such goods had they been transported from their place of origin to their destination without going through such other Member country. Any Member shall, however, be free to maintain its requirements of direct consignment existing on the date of this Charter, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the Member's prescribed method of valuation for customs purposes.

8. The provisions of this Article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

Article 34

Anti-dumping and Countervailing Duties

1. The Members recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in a Member country or materially retards the establishment of a domestic industry. For the purposes of this Article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another

(*a*) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or,

(*b*) in the absence of such domestic price, is less than either

(i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a Member may levy on any dumped product an anti-dumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this Article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

3. No countervailing duty shall be levied on any product of any Member country imported into another Member country in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or export of any merchandise.

4. No product of any Member country imported into any other Member country shall be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

5. No product of any Member country imported into any other Member country shall be subject to both anti dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No Member shall levy any anti-dumping or countervailing duty on the importation of any product of another Member country unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The Organization may waive the requirements of this paragraph so as to permit a Member to levy an anti-dumping or countervalling duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in another Member country exporting the product concerned to the importing Member country.

7. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the Members substantially interested in the commodity concerned that:

(*a*) the system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

(*b*) the system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

Article 35

Valuation for Customs Purposes

1. The Members shall work toward the standardization, as far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other charges or restrictions based upon or regulated in any manner by value. With a view to furthering co-operation to this end, the Organization may study and recommend to Members such bases and methods for determining value for customs purposes as would appear best suited to the needs of commerce and most capable of general adoption.

2. The Members recognize the validity of the general principles of valuation set forth in paragraphs 3, 4 and 5, and they undertake to give effect, at the earliest practicable date, to these principles in respect of all products subject to duties or other charges or restrictions on importation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another Member directly affected, review in the light of these principles the operation of any of their laws or regulations relating to value for customs purposes. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this Article.

3. (*a*) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(*b*) "Actual value" should be the price at which, at a time and place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(*c*) When the actual value is not ascertainable in accordance with sub-paragraph (*b*), the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

4. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

5. (*a*) Except as otherwise provided in this paragraph, where it is necessary for the purposes of paragraph 3 for a Member to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to Article 24 of this Charter.

(*b*) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(*c*) The Organization, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by Members of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any Member may apply such rules in respect of such foreign currencies for the purposes of paragraph 3 of this Article as an alternative to the use of par values. Until such rules are adopted by the Organization, any Member may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 3 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

6. Nothing in this Article shall be construed to require any Member to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this Charter, if such alteration would have the effect of increasing generally the amounts of duty payable.

7. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

Article 36

Formalities connected with Importation and Exportation

1. The Members recognize that all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article 18) imposed by governmental authorities on or in connection with importation or exportation should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The Members also recognize the need for reducing the number and diversity of such fees and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The Members shall take action in accordance with the principles and objectives of paragraph 1 at the earliest practicable date. Moreover, they shall, upon request by another Member directly affected, review the operation of any of their laws and regulations in the light of these principles. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this paragraph.

3. The provisions of paragraphs 1 and 2 shall extend to fees, charges, formalities and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

(*a*) consular transactions, such as those relating to consular invoices and certificates;

(*b*) quantitative restrictions;

(*c*) licensing;

(*d*) exchange control;

(*e*) statistical services;

(*f*) documents, documentation and certification;

(*g*) analysis and inspection; and

(*h*) quarantine, sanitation and fumigation.

4. The Organization may study and recommend to Members specific measures for the simplification and standardization of customs formalities and techniques and for the elimination of unnecessary customs requirements, including those relating to advertising matter and samples for use only in taking orders for merchandise.

5. No Member shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

6. The Members recognize that tariff descriptions based on distinctive regional or geographical names should not be used in such a manner as to discriminate against products of Member countries. Accordingly, the Members shall co-operate with each other directly and through the Organization with a view to eliminating at the earliest practicable date practices which are inconsistent with this principle.

Article 37

Marks of Origin

1. The Members recognize that, in adopting and implementing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum.

2. Each Member shall accord to the products of each other Member country treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

3. Whenever it is administratively practicable to do so, Members should permit required marks of origin to be affixed at the time of importation.

4. The laws and regulations of Members relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products or materially reducing their value or unreasonably increasing their cost.

5. The Members agree to work in co-operation through the Organization towards the early elimination of unnecessary marking requirements. The Organization may study and recommend to Members measures directed to this end, including the adoption of schedules of general categories of products, in respect of which marking requirements operate to restrict trade to an extent disproportionate to any proper purpose to be served, and which shall not in any case be required to be marked to indicate their origin.

6. As a general rule no special duty or penalty should be imposed by any Member for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably delayed or deceptive marks have been affixed or the required marking has been intentionally omitted.

7. The Members shall co-operate with each other directly and through the Organization with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of the distinctive regional or geographical names of products of a Member country which are protected by the legislation of such country. Each Member shall accord full and sympathetic consideration to such requests or representations as may be made by any other Member regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other Member. The Organization may recommend a conference of interested Members on this subject.

Article 38

Publication and Administration of Trade Regulations

1. Laws, regulations, judicial decisions and administrative rulings of general application made effective by any Member, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or governmental agency of any Member country and the government or governmental agency of any other country shall also be published. Copies of such laws, regulations, decisions, rulings and agreements shall be communicated promptly to the Organization. The provisions of this paragraph shall not require any Member to divulge confidential information the disclosure of which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any Member effecting an advance in a rate of duty or other charge on imports under an established and uniform practice or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially made public.

3. (*a*) Each Member shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1. Suitable facilities shall be afforded for traders directly affected by any of those matters to consult with the appropriate governmental authorities.

(*b*) Each Member shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, *inter alia*, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; *Provided* that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

(*c*) The provisions of sub-paragraph (*b*) shall not require the elimination or substitution of procedures in force in a Member country on the date of this Charter which in fact provide for an objective and impartial review of administrative action, even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any Member employing such procedures shall, upon request, furnish the Organization with full information thereon in order that the Organization may determine whether such procedures conform to the requirements of this sub-paragraph.

Article 39

Information, Statistics and Trade Terminology

1. The Members shall communicate to the Organization, or to such agency as may be designated for the purpose by the Organization, as promptly and in as much detail as is reasonably practicable:

(*a*) statistics of their external trade in goods (imports, exports and, where applicable, re-exports, transit and trans-shipment and goods in warehouse or in bond);

(*b*) statistics of governmental revenue from import and export duties and other taxes on goods moving in international trade and, in so far as readily ascertainable, of subsidy payments affecting such trade.

2. So far as possible, the statistics referred to in paragraph 1 shall be related to tariff classifications and shall be in such form as to reveal the operation of any restrictions on importation or exportation which are based on or regulated in any manner by quantity or value or amounts of exchange made available.

3. The Members shall publish regularly and as promptly as possible the statistics referred to in paragraph 1.

4. The Members shall give careful consideration to any recommendations which the Organization may make to them with a view to improving the statistical information furnished under paragraph 1.

5. The Members shall make available to the Organization, at its request and in so far as is reasonably practicable, such other statistical information as the Organization may deem necessary to enable it to fulfil its functions, provided that such information is not being furnished to other intergovernmental organizations from which the Organization can obtain it.

6. The Organization shall act as a centre for the collection, exchange and publication of statistical information of the kind referred to in paragraph 1. The Organization, in collaboration with the Economic and Social Council of the United Nations, and with any other organization deemed appropriate, may engage in studies with a view to improving the methods of collecting, analyzing and publishing economic statistics and may promote the international comparability of such statistics, including the possible international adoption of standard tariff and commodity classifications.

7. The Organization, in co-operation with the other organizations referred to in paragraph 6, may also study the question of adopting standards, nomenclatures, terms and forms to be used in international trade and in the official documents and statistics of Members relating thereto, and may recommend the general acceptance by Members of such standards, nomenclatures, terms and forms.

SECTION F — SPECIAL PROVISIONS

Article 40

Emergency Action on Imports of Particular Products

1. (*a*) If, as a result of unforeseen developments and of the effect of the obligations incurred by a Member under or pursuant to this Chapter, including tariff concessions, any product is being imported into the territory of that Member in such relatively increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the Member shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(*b*) If any product which is the subject of a concession with respect to a preference is being imported into the territory of a Member in the circumstances set forth in sub-paragraph (*a*), so as to cause or threaten serious injury to domestic producers of like or directly competitive products in the territory of a Member which receives or received such preference, the importing Member shall be free, if that other Member so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any Member shall take action pursuant to the provisions of paragraph 1, it shall give notice in writing to the Organization as far in advance as may be practicable and shall afford the Organization and those Members having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in regard to a concession relating to a preference, the notice shall name the Member which has requested the action. In circumstances of special urgency, where delay would cause damage which it would be difficult to repair, action under paragraph 1 may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (*a*) If agreement among the interested Members with respect to the action is not reached, the Member which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected Members shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the Organization, the application to the trade of the Member taking such action, or, in the case envisaged in paragraph 1 (*b*), to the trade of the Member requesting such action, of such substantially equivalent obligations or concessions under or pursuant to this Chapter the suspension of which the Organization does not disapprove.

(*b*) Notwithstanding the provisions of sub-paragraph (*a*), where action is taken without prior consultation under paragraph 2 and causes or threatens serious injury in the territory of a Member to the domestic producers of products affected by the action, that Member shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

4. Nothing in this Article shall be construed

(*a*) to require any Member, in connection with the withdrawal or modification by such Member of any concession negotiated pursuant to Article 17, to consult with or obtain the agreement of Members others than those Members which are contracting parties to the General Agreement on Tariffs and Trade, or

(*b*) to authorize any Member which is not a contracting party to that Agreement, to withdraw from or suspend obligations under this Charter by reason of the withdrawal or modification of such concession.

Article 41

Consultation

Each Member shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other Member with respect to the operation of customs regulations and formalities, anti-dumping and countervailing duties, quantitative and exchange regulations, internal price regulations, subsidies, transit regulations and practices, state trading, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally with respect to all matters affecting the operation of this Chapter.

Article 42

Territorial Application of Chapter IV

1. The provisions of Chapter IV shall apply to the metropolitan customs territories of the Members and to any other customs territories in respect of which this Charter has been accepted in accordance with the provisions of Article 104. Each such customs territory shall, exclusively for the purposes of the territorial application of Chapter IV, be treated as though it were a Member; *Provided* that the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this Charter has been accepted by a single Member

2. For the purposes of this Chapter a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories.

Article 43

Frontier Traffic

The provisions of this Chapter shall not be construed to prevent:

(*a*) advantages accorded by any Member to adjacent countries in order to facilitate frontier traffic;

(*b*) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the Treaties of Peace arising out of the Second World War.

Article 44

Customs Unions and Free-Trade Areas

1. Members recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other Member countries with such parties.

2. Accordingly, the provisions of this Chapter shall not prevent, as between the territories of Members, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; *Provided* that:

(*a*) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with Member countries not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(*b*) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or the adoption of such interim agreement to the trade of Member countries not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and

(*c*) any interim agreement referred to in sub-paragraphs (*a*) or (*b*) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

3. (*a*) Any Member deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the Organization and shall make available to it such information regarding the proposed union or area as will enable the Organization to make such reports and recommendations to Members as it may deem appropriate.

(*b*) If, after having studied the plan and schedule provided for in an interim agreement referred to in paragraph 2 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of sub-paragraph (*a*), the Organization finds that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the Organization shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.

(*c*) Any substantial change in the plan or schedule referred to in paragraph 2 (*c*) shall be communicated to the Organization, which may request the Members concerned to consult with it if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

4. For the purposes of this Charter:

(*a*) a customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 45) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 5, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(*b*) a free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 45) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

5. The preferences referred to in paragraph 2 of Article 16 shall not be affected by the formation of a customs union or of a free- trade area but may be eliminated or adjusted by means of negotiations with Members affected. This procedure of negotiations with affected Members shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 4 (*a*) (i) and paragraph 4 (*b*).

6. The Organization may, by a two-thirds majority of the Members present and voting, approve proposals which do not fully comply with the requirements of the preceding paragraphs, provided that such proposals lead to the formation of a customs union or of a free-trade area in the sense of this Article.

Article 45

General Exceptions to Chapter IV

1. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between Member countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Chapter shall be construed to prevent the adoption or enforcement by any Member of measures

(*a*) (i) necessary to protect public morals;

(ii) necessary to the enforcement of laws and regulations relating to public safety;

(iii) necessary to protect human, animal or plant life or health;

(iv) relating to the importation or exportation of gold or silver;

(v) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Chapter, including those relating to customs enforcement, the enforcement of monopolies operated under Section D of this Chapter, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;

(vi) relating to the products of prison labour;

(vii) imposed for the protection of national treasures of artistic, historic or archaeological value;

(viii) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(ix) taken in pursuance of intergovernmental commodity agreements concluded in accordance with the provisions of Chapter VI;

(x) taken in pursuance of any intergovernmental agreement which relates solely to the conservation of fisheries resources, migratory birds or wild animals and which is subject to the requirements of paragraph 1 (*d*) of Article 70; or

(xi) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; *Provided* that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry and shall not depart from the provisions of this Chapter relating to non-discrimination;

(*b*) (i) essential to the acquisition or distribution of products in general or local short supply; *Provided* that any such measures shall be consistent with any general inter-governmental arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all Members are entitled to an equitable share of the international supply of such products;

(ii) essential to the control of prices by a Member country experiencing shortages subsequent to the Second World War; or

(iii) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any Member country, or of industries developed in any Member country owing to the exigencies of the Second World War which it would be uneconomic to maintain in normal conditions; *Provided* that such measures shall not be instituted by any Member except after consultation with other interested Members with a view to appropriate international action.

2. Measures instituted or maintained under paragraph 1 (*b*) which are inconsistent with the other provisions of this Chapter shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than at a date to be specified by the Organization; *Provided* that such date may be deferred for a further period or periods, with the concurrence of the Organization, either generally or in relation to particular measures taken by Members in respect of particular products.

CHAPTER V

RESTRICTIVE BUSINESS PRACTICES

Article 46

General Policy towards Restrictive Business Practices

1. Each Member shall take appropriate measures and shall co-operate with the Organization to prevent, on the part of private or public commercial enterprises, business practices affecting international trade which restrain competition, limit access to markets, or foster monopolistic control, whenever such practices have harmful effects on the expansion of production or trade and interfere with the achievement of any of the other objectives set forth in Article 1.

2. In order that the Organization may decide in a particular instance whether a practice has or is about to have the effect indicated in paragraph 1, the Members agree, without limiting paragraph 1, that complaints regarding any of the practices listed in paragraph 3 shall be subject to investigation in accordance with the procedure regarding complaints provided for in Articles 48 and 50, whenever

(*a*) such a complaint is presented to the Organization, and

(*b*) the practice is engaged in, or made effective, by one or more private or public commercial enterprises or by any combination, agreement or other arrangement between any such enterprises, and

(*c*) such commercial enterprises, individually or collectively, possess effective control of trade among a number of countries in one or more products.

3. The practices referred to in paragraph 2 are the following:

(*a*) fixing prices, terms or conditions to be observed in dealing with others in the purchase, sale or lease of any product;

(*b*) excluding enterprises from, or allocating or dividing, any territorial market or field of business activity, or allocating customers, or fixing sales quotas or purchase quotas;

(*c*) discriminating against particular enterprises;

(*d*) limiting production or fixing production quotas;

(*e*) preventing by agreement the development or application of technology or invention whether patented or unpatented;

(*f*) extending the use of rights under patents, trade marks or copyrights granted by any Member to matters which, according to its laws and regulations, are not within the scope of such grants, or to products or conditions of production, use or sale which are likewise not the subjects of such grants;

(*g*) any similar practices which the Organization may declare, by a majority of two-thirds of the Members present and voting, to be restrictive business practices.

Article 47

Consultation Procedure

Any affected Member which considers that in any particular instance a practice exists (whether engaged in by private or public commercial enterprises) which has or is about to have the effect indicated in paragraph 1 of Article 46 may consult other Members directly or request the Organization to arrange for consultation with particular Members with a view to reaching mutually satisfactory conclusions. If requested by the Member and if it considers such action to be justified, the Organization shall arrange for and assist in such consultation. Action under this Article shall be without prejudice to the procedure provided for in Article 48.

Article 48

Investigation Procedure

1. In accordance with paragraphs 2 and 3 of Article 46, any affected Member on its own behalf or any Member on behalf of any affected person, enterprise or organization within that Member's jurisdiction, may present a written complaint to the Organization that in any particular instance a practice exists (whether engaged in by private or public commercial enterprises) which has or is about to have the effect indicated in paragraph 1 of Article 46; *Provided* that in the case of complaints against a public commercial enterprise acting independently of any other enterprise, such complaints may be presented only by a Member on its own behalf and only after the Member has resorted to the procedure of Article 47.

2. The Organization shall prescribe the minimum information to be included in complaints under this Article. This information shall give substantial indication of the nature and harmful effects of the practices.

3. The Organization shall consider each complaint presented in accordance with paragraph 1. If the Organization deems it appropriate, it shall request Members concerned to furnish supplementary information, for example, information from commercial enterprises within their jurisdiction. After reviewing the relevant information, the Organization shall decide whether an investigation is justified.

4. If the Organization decides that an investigation is justified, it shall inform all Members of the complaint, request any Member to furnish such additional information relevant to the complaint as the Organization may deem necessary, and shall conduct or arrange for hearings on the complaint. Any Member, and any person, enterprise or organization on whose behalf the complaint has been made, as well as the commercial enterprises alleged to have engaged in the practice complained of, shall be afforded reasonable opportunity to be heard.

5. The Organization shall review all information available and decide whether the conditions specified in paragraphs 2 and 3 of Article 46 are present and the practice in question has had, has or is about to have the effect indicated in paragraph 1 of that Article.

6. The Organization shall inform all Members of its decision and the reasons therefor.

7. If the Organization decides that in any particular case the conditions specified in paragraphs 2 and 3 of Article 46 are present and that the practice in question has had, has or is about to have the effect indicated in paragraph 1 of that Article, it shall request each Member concerned to take every possible remedial action, and may also recommend to the Members concerned. remedial measures to be carried out in accordance with their respective laws and procedures.

8. The Organization may request any Member concerned to report fully on the remedial action it has taken in any particular case.

9. As soon as possible after its proceedings in respect of any complaint under this Article have been provisionally or finally closed, the Organization shall prepare and publish a report showing fully the decisions reached, the reasons therefor and any measures recommended to the Members concerned. The Organization shall not, if a Member so requests, disclose confidential information furnished by that Member, which if disclosed would substantially damage the legitimate business interests of a commercial enterprise.

10. The Organization shall report to all Members and make public the remedial action which has been taken by the Members concerned in any particular case.

Article 49

Studies relating to Restrictive Business Practices

1. The Organization is authorized:

(*a*) to conduct studies, either on its own initiative or at the request of any Member or of any organ of the United Nations or of any other inter-governmental organization, relating to

(i) general aspects of restrictive business practices affecting international trade;

(ii) conventions, laws and procedures concerning, for example, incorporation, company registration, investments, securities, prices, markets, fair trade practices, trade marks, copyrights, patents and the exchange and development of technology in so far as they are relevant to restrictive business practices affecting international trade; and

(iii) the registration of restrictive business agreements and other arrangements affecting international trade; and

(*b*) to request information from Members in connection with such studies.

2. The Organization is authorized:

(*a*) to make recommendations to Members concerning such conventions, laws and procedures as are relevant to their obligations under this Chapter; and

(*b*) to arrange for conferences of Members to discuss any matters relating to restrictive business practices affecting international trade.

Article 50

Obligations of Members

1. Each Member shall take all possible measures by legislation or otherwise, in accordance with its constitution or system of law and economic organization, to ensure, within its jurisdiction, that private and public commercial enterprises do not engage in practices which are as specified in paragraphs 2 and 3 of Article 46 and have the effect indicated in paragraph 1 of that Article, and it shall assist the Organization in preventing these practices.

2. Each Member shall make adequate arrangements for presenting complaints, conducting investigations and preparing information and reports requested by the Organization.

3. Each Member shall furnish to the Organization, as promptly and as fully as possible, such information as is requested by the Organization for its consideration and investigation of complaints and for its conduct of studies under this Chapter; *Provided* that any Member on notification to the Organization, may withhold information which the Member considers is not essential to the Organization in conducting an adequate investigation and which, if disclosed, would substantially damage the legitimate business interests of a commercial enterprise. In notifying the Organization that it is withholding information pursuant to this clause, the Member shall indicate the general character of the information withheld and the reason why it considers it not essential.

4. Each Member shall take full account of each request, decision and recommendation of the Organization under Article 48 and, in accordance with its constitution or system of law and economic organization, take in the particular case the action it considers appropriate having regard to its obligations under this Chapter.

5. Each Member shall report fully any action taken, independently or in concert with other Members, to comply with the requests and carry out the recommendations of the Organization and, when no action has been taken, inform the Organization of the reasons therefor and discuss the matter further with the Organization if it so requests.

6. Each Member shall, at the request of the Organization, take part in consultations and conferences provided for in this Chapter with a view to reaching mutually satisfactory conclusions.

Article 51

Co-operative Remedial Arrangements

1. Members may co-operate with each other for the purpose of making more effective within their respective jurisdictions any remedial measures taken in furtherance of the objectives of this Chapter and consistent with their obligations under other provisions of this Charter.

2. Members shall keep the Organization informed of any decision to participate in any such co-operative action and of any measures taken.

Article 52

Domestic Measures against Restrictive Business Practices

No act or omission to act on the part of the Organization shall preclude any Member from enforcing any national statute or decree directed towards preventing monopoly or restraint of trade.

Article 53

Special Procedures with respect to Services

1. The Members recognize that certain services, such as transportation, telecommunications, insurance and the commercial services of banks, are substantial elements of international trade and that any restrictive business practices by enterprises engaged in these activities in international trade may have harmful effects similar to those indicated in paragraph 1 of Article 46. Such practices shall be dealt with in accordance with the following paragraphs of this Article.

2. If any Member considers that there exist restrictive business practices in relation to a service referred to in paragraph 1 which have or are about to have such harmful effects, and that its interests are thereby seriously prejudiced, the Member may submit a written statement explaining the situation to the Member or Members whose private or public enterprises are engaged in the services in question. The Member or Members concerned shall give sympathetic consideration to the statement and to such proposals as may be made and shall afford adequate opportunities for consultation, with a view to effecting a satisfactory adjustment.

3. If no adjustment can be effected in accordance with the provisions of paragraph 2, and if the matter is referred to the Organization, it shall be transferred to the appropriate inter-governmental organization, if one exists, with such observations as the Organization may wish to make. If no such inter-governmental organization exists, and if Members so request, the Organization may, in accordance with the provisions of paragraph 1 (*c*) of Article 72, make recommendations for, and promote international agreement on, measures designed to remedy the particular situation so far as it comes within the scope of this Charter.

4. The Organization shall, in accordance with paragraph 1 of Article 87, co-operate with other inter-governmental organizations in connection with restrictive business practices affecting any field coming within the scope of this Charter and those organizations shall be entitled to consult the Organization, to seek advice, and to ask that a study of a particular problem be made.

Article 54

Interpretation and Definition

1. The provisions of this Chapter shall be construed with due regard for the rights and obligations of Members set forth elsewhere in this Charter and shall not therefore be so interpreted as to prevent the adoption and enforcement of any measures in so far as they are specifically permitted under other Chapters of this Charter. The Organization may, however, make recommendations to Members or to any appropriate inter governmental organization concerning any features of these measures which may have the effect indicated in paragraph 1 of Article 46.

2. For the purposes of this Chapter

(*a*) the term "business practice" shall not be so construed as to include an individual contract between two parties as seller and buyer, lessor and lessee, or principal and agent, provided that such contract is not used to restrain competition, limit access to markets or foster monopolistic control;

(*b*) the term "public commercial enterprises" means

(i) agencies of governments in so far as they are engaged in trade, and

(ii) trading enterprises mainly or wholly owned by public authority, provided the Member concerned declares that for the purposes of this Chapter it has effective control over or assumes responsibility for the enterprises;

(*c*) the term "private commercial enterprises" means all commercial enterprises other than public commercial enterprises;

(*d*) the terms "decide" and "decision" as used in Articles 46, 48 (except in paragraphs 3 and 4) and 50 do not determine the obligations of Members, but mean only that the Organization reaches a conclusion.

CHAPTER VI

INTER-GOVERNMENTAL COMMODITY AGREEMENTS

SECTION A — INTRODUCTORY CONSIDERATIONS

Article 55

Difficulties relating to Primary Commodities

The Members recognize that the conditions under which some primary commodities are produced, exchanged and consumed are such that international trade in these commodities may be affected by special difficulties such as the tendency towards persistent disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuations in prices. These special difficulties may have serious adverse effects on the interests of producers and consumers, as well as widespread repercussions jeopardizing the general policy of economic expansion. The Members recognize that such difficulties may, at times, necessitate special treatment of the international trade in such commodities through inter-governmental agreement.

Article 56

Primary and Related Commodities

1. For the purposes of this Charter, the term "primary commodity" means any product of farm, forest or fishery or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade.

2. The term shall also, for the purposes of this Chapter, cover a group of commodities, of which one is a primary commodity as defined in paragraph 1 and the others are commodities, which are so closely related, as regards conditions of production or utilization, to the other commodities in the group, that it is appropriate to deal with them in a single agreement.

3. If, in exceptional circumstances, the Organization finds that the conditions set forth in Article 62 exist in the case of a commodity which does not fall precisely under paragraphs 1 or 2 of this Article, the Organization may decide that the provisions of this Chapter, together with any other requirements it may establish, shall apply to inter-governmental agreements regarding that commodity.

Article 57

Objectives of Inter-governmental Commodity Agreements

The Members recognize that inter-governmental commodity agreements are appropriate for the achievement of the following objectives:

(*a*) to prevent or alleviate the serious economic difficulties which may arise when adjustments between production and consumption cannot be effected by normal market forces alone as rapidly as the circumstances require;

(*b*) to provide, during the period which may be necessary, a framework for the consideration and development of measures which have as their purpose economic adjustments designed to promote the expansion of consumption or a shift of resources and man-power out of over expanded industries into new and productive occupations, including as far as possible in appropriate cases, the development of secondary industries based upon domestic production of primary commodities;

(*c*) to prevent or moderate pronounced fluctuations in the price of a primary commodity with a view to achieving a reasonable degree of stability on a basis of such prices as are fair to consumers and provide a reasonable return to producers, having regard to the desirability of securing long-term equilibrium between the forces of supply and demand;

(*d*) to maintain and develop the natural resources of the world and protect them from unnecessary exhaustion;

(*e*) to provide for the expansion of the production of a primary commodity where this can be accomplished with advantage to consumers and producers, including in appropriate cases the distribution of basic foods at special prices;

(*f*) to assure the equitable distribution of a primary commodity in short supply.

SECTION B — INTER-GOVERNMENTAL COMMODITY AGREEMENTS IN GENERAL

Article 58

Commodity Studies

1. Any Member which considers itself substantially interested in the production or consumption of, or trade in, a particular primary commodity, and which considers that international trade in that commodity is, or is likely to be, affected by special difficulties, shall be entitled to ask that a study of the commodity be made.

2. Unless the Organization decides that the case put forward in support of the request does not warrant such action, it shall promptly invite each Member to appoint representatives to a study group for the commodity, if the Member considers itself substantially interested in the production or consumption of, or trade in, the commodity. Non-Members may also be invited.

3. The study group shall promptly investigate the production, consumption and trade situation in regard to the commodity, and shall report to the participating governments and to the Organization its findings and its recommendations as to how best to deal with any special difficulties which exist or may be expected to arise. The Organization shall promptly transmit to the Members these findings and recommendations.

Article 59

Commodity Conferences

1. The Organization shall promptly convene an inter-governmental conference to discuss measures designed to meet the special difficulties which exist or are expected to arise concerning a particular primary commodity:

(*a*) on the basis of the recommendations of a study group, or

(*b*) at the request of Members whose interests represent a significant part of world production or consumption of, or trade in, that commodity, or

(*c*) at the request of Members which consider that their economies are dependent to an important extent on that commodity, unless the Organization considers that no useful purpose could be achieved by convening the conference, or

(*d*) on its own initiative, on the basis of information agreed to be adequate by the Members substantially interested in the production or consumption of, or trade in, that commodity.

2. Each Member which considers itself substantially interested in the production or consumption of, or trade in, the commodity concerned, shall be invited to participate in such a conference. Non-Members may also be invited to participate.

Article 60

General Principles governing Commodity Agreements

1. The Members shall observe the following principles in the conclusion and operation of all types of inter-governmental commodity agreements:

(*a*) Such agreements shall be open to participation, initially by any Member on terms no less favourable than those accorded to any other country, and thereafter in accordance with such procedure and upon such terms as may be established in the agreement, subject to approval by the Organization.

(*b*) Non-Members may be invited by the Organization to participate in such agreements and the provisions of sub-paragraph (*a*) applying to Members shall also apply to any non-Member so invited.

(*c*) Under such agreements there shall be equitable treatment as between participating countries and non-participating Members, and the treatment accorded by participating countries to non-participating Members shall be no less favourable than that accorded to any non-participating non-Member, due consideration being given in each case to policies adopted by non-participants in relation to obligations assumed and advantages conferred under the agreement.

(*d*) Such agreements shall include provision for adequate participation of countries substantially interested in the importation or consumption of the commodity as well as those substantially interested in its exportation or production.

(*e*) Full publicity shall be given to any inter-governmental commodity agreement proposed or concluded, to the statements of considerations and objectives advanced by the proposing Members, to the nature and development of measures adopted to correct the underlying situation which gave rise to the agreement and, periodically, to the operation of the agreement.

2. The Members, including Members not parties to a particular commodity agreement, shall give favourable consideration to any recommendation made under the agreement for expanding consumption of the commodity in question.

Article 61

Types of Agreements

1. For the purposes of this Chapter, there are two types of inter-governmental commodity agreements:

(*a*) commodity control agreements as defined in this Article; and

(*b*) other inter-governmental commodity agreements.

2. Subject to the provisions of paragraph 5, a commodity control agreement is an inter-governmental agreement which involves:

(*a*) the regulation of production or the quantitative control of exports or imports of a primary commodity and which has the purpose or might have the effect of reducing, or preventing an increase in, the production of, or trade in, that commodity; or

(*b*) the regulation of prices.

3. The Organization shall, at the request of a Member, a study group or a commodity conference, decide whether an existing or proposed inter-governmental agreement is a commodity control agreement within the meaning of paragraph 2.

4. (*a*) Commodity control agreements shall be subject to all the provisions of this Chapter.

(*b*) Other inter-governmental commodity agreements shall be subject to the provisions of this Chapter other than those of Section C. If, however, the Organization decides that an agreement which involves the regulation of production or the quantitative control of exports or imports is not a commodity control agreement within the meaning of paragraph 2, it shall prescribe the provisions of Section C, if any, to which that agreement shall conform.

5. An existing or proposed inter-governmental agreement the purpose of which is to secure the co-ordinated expansion of aggregate world production and consumption of a primary commodity may be treated by the Organization as not being a commodity control agreement, even though the agreement provides for the future application of price provisions, provided that

(*a*) at the time the agreement is entered into, a commodity conference finds that the conditions contemplated are in accordance with the provisions of Article 62, and

(*b*) from the date on which the price provisions become operative, the agreement shall conform to all the provisions of Section C, except that no further finding will be required under Article 62.

6. Members shall enter into any new commodity control agreement only through a conference called in accordance with the provisions of Article 59 and after an appropriate finding has been made under Article 62. If, in an exceptional case, there has been unreasonable delay in the convening or in the proceedings of the study group or of the commodity conference Members which consider themselves substantially interested in the production or consumption of, or trade in, a particular primary commodity, may proceed by direct negotiation to the conclusion of an agreement, provided that the situation is one contemplated in Article 62 (*a*) or (*b*) and that the agreement conforms to the other provisions of this Chapter.

SECTION C — INTER-GOVERNMENTAL COMMODITY CONTROL AGREEMENTS

Article 62

Circumstances governing the Use of Commodity Control Agreements

The Members agree that commodity control agreements may be entered into only when a finding has been made through a commodity conference or through the Organization by consultation and general agreement among Members substantially interested in the commodity, that:

(*a*) a burdensome surplus of a primary commodity has developed or is expected to develop, which, in the absence of specific governmental action, would cause serious hardship to producers among whom are small producers who account for a substantial portion of the total output, and that these conditions could not be corrected by normal market forces in time to prevent such hardship, because, characteristically in the case of the primary commodity concerned, a substantial reduction in price does not readily lead to a significant increase in consumption or to a significant decrease in production; or

(*b*) widespread unemployment or under-employment in connection with a primary commodity, arising out of difficulties of the kind referred to in Article 55, has developed or is expected to develop, which, in the absence of specific governmental action, would not be corrected by normal market forces in time to prevent widespread and undue hardship to workers because, characteristically in the case of the industry concerned, a substantial reduction in price does not readily lead to a significant increase in consumption but to a reduction of employment, and because areas in which the commodity is produced in substantial quantity do not afford alternative employment opportunities for the workers involved.

Article 63

Additional Principles governing Commodity Control Agreements

The Members shall observe the following principles governing the conclusion and operation of commodity control agreements, in addition to those stated in Article 60:

(*a*) Such agreements shall be designed to assure the availability of supplies adequate at all times for world demand at prices which are in keeping with the provisions of Article 57 (*c*), and, when practicable, shall provide for measures designed to expand world consumption of the commodity.

(*b*) Under such agreements, participating countries which are mainly interested in imports of the commodity concerned shall, in decisions on substantive matters, have together a number of votes equal to that of those mainly interested in obtaining export markets for the commodity. Any participating country, which is interested in the commodity but which does not fall precisely under either of the above classes, shall have an appropriate voice within such classes.

(*c*) Such agreements shall make appropriate provision to afford increasing opportunities for satisfying national consumption and world market requirements from sources, from which such requirements can be supplied in the most effective and economic manner, due regard being had to the need for preventing serious economic and social dislocation and to the position of producing areas suffering from abnormal disabilities.

(*d*) Participating countries shall formulate and adopt programmes of internal economic adjustment believed to be adequate to ensure as much progress as practicable within the duration of the agreement towards solution of the commodity problem involved.

Article 64

Administration of Commodity Control Agreements

1. Each commodity control agreement shall provide for the establishment of a governing body, herein referred to as a Commodity Council, which shall operate in conformity with the provisions of this Article.

2. Each participating country shall be entitled to have one representative on the Commodity Council. The voting power of the representatives shall be determined in conformity with the provisions of Article 63 (*b*).

3. The Organization shall be entitled to appoint a non-voting representative to each Commodity Council and may invite any competent inter-governmental organization to nominate a non-voting representative for appointment to a Commodity Council.

4. Each Commodity Council shall appoint a non-voting chairman who, if the Council so requests, may be nominated by the Organization.

5. The Secretariat of each Commodity Council shall be appointed by the Council after consultation with the Organization.

6. Each Commodity Council shall adopt appropriate rules of procedure and regulations regarding its activities. The Organization may at any time require their amendment if it considers that they are inconsistent with the provisions of this Chapter.

7. Each Commodity Council shall make periodic reports to the Organization on the operation of the agreement which it administers. It shall also make such special reports as the Organization may require or as the Council itself considers to be of value to the Organization.

8. The expenses of a Commodity Council shall be borne by the participating countries.

9. When an agreement is terminated, the Organization shall take charge of the archives and statistical material of the Commodity Council.

Article 65

Initial Term, Renewal and Review of Commodity Control Agreements

1. Commodity control agreements shall be concluded for a period of not more than five years. Any renewal of a commodity control agreement, including agreements referred to in paragraph 1 of Article 68, shall be for a period not exceeding five years. The provisions of such renewed agreements shall conform to the provisions of this Chapter.

2. The Organization shall prepare and publish periodically, at intervals not greater than three years, a review of the operation of each agreement in the light of the principles set forth in this Chapter.

3. Each commodity control agreement shall provide that, if the Organization finds that its operation has failed substantially to conform to the principles laid down in this Chapter, participating countries shall either revise the agreement to conform to the principles or terminate it.

4. Commodity control agreements shall include provisions relating to withdrawal of any party.

Article 66

Settlement of Disputes

Each commodity control agreement shall provide that:

(*a*) any question or difference concerning the interpretation of the provisions of the agreement or arising out of its operation shall be discussed originally by the Commodity Council; and

(*b*) if the question or difference cannot be resolved by the Council in accordance with the terms of the agreement, it shall be referred by the Council to the Organization, which shall apply the procedure set forth in Chapter VIII with appropriate adjustments to cover the case of non-Members.

SECTION D — MISCELLANEOUS PROVISIONS

Article 67

Relations with Inter-governmental Organizations

With the object of ensuring appropriate co-operation in matters relating to inter-governmental commodity agreements, any inter-governmental organization which is deemed to be competent by the Organization, such as the Food and Agriculture Organization, shall be entitled:

(*a*) to attend any study group or commodity conference;

(*b*) to ask that a study of a primary commodity be made;

(*c*) to submit to the Organization any relevant study of a primary commodity, and to recommend to the Organization that further study of the commodity be made or that a commodity conference be convened.

Article 68

Obligations of Members regarding Existing and Proposed Commodity Agreements

1. Members shall transmit to the Organization the full text of each inter-governmental commodity agreement in which they are participating at the time they become Members of the Organization, together with appropriate information regarding the formulation, provisions and operation of any such agreement. If, after review, the Organization finds that any such agreement is inconsistent with the provisions of this Chapter, it shall communicate such finding to the Members concerned in order to secure promptly the adjustment of the agreement to bring it into conformity with the provisions of this Chapter.

2. Members shall transmit to the Organization appropriate information regarding any negotiations for the conclusion of an inter-governmental commodity agreement in which they are participating at the time they become Members of the Organization. If, after review, the Organization finds that any such negotiations are inconsistent with the provisions of this Chapter, it shall communicate such finding to the Members concerned in order to secure prompt action with regard to their participation in such negotiations. The Organization may waive the requirement of a study group or a commodity conference, if it finds it unnecessary in the light of the negotiations.

Article 69

Territorial Application

For the purposes of this Chapter, the terms "Member" and "non-Member" shall include the dependent territories of a Member and non-Member of the Organization respectively. If a Member or non-Member and its dependent territories form a group, of which one or more units are mainly interested in the export of a commodity and one or more in the import of the commodity, there may be either joint representation for all the territories within the group or, where the Member or non-Member so wishes, separate representation for the territories mainly interested in exportation and separate representation for the territories mainly interested in importation.

Article 70

Exceptions to Chapter VI

1. The provisions of this Chapter shall not apply:

(*a*) to any bilateral inter-governmental agreement relating to the purchase and sale of a commodity falling under Section D of Chapter IV;

(*b*) to any inter-governmental commodity agreement involving no more than one exporting country and no more than one importing country and not covered by sub-paragraph (*a*) above; *Provided* that if, upon complaint by a non-participating Member, the Organization finds that the interests of that Member are seriously prejudiced by the agreement, the agreement shall become subject to such provisions of this Chapter as the Organization may prescribe;

(*c*) to those provisions of any inter-governmental commodity agreement which are necessary for the protection of public morals or of human, animal or plant life or health, provided that such agreement is not used to accomplish results inconsistent with the objectives of Chapter V or Chapter VI;

(*d*) to any inter-governmental agreement relating solely to the conservation of fisheries resources, migratory birds or wild animals, provided that such agreement is not used to accomplish results inconsistent with the objectives of this Chapter or the purpose and objectives set forth in Article 1 and is given full publicity in accordance with the provisions of paragraph 1 (*e*) of Article 60; if the Organization finds, upon complaint by a non-participating Member, that the interests of that Member are seriously prejudiced by the agreement, the agreement shall become subject to such provisions of this Chapter as the Organization may prescribe.

2. The provisions of Articles 58 and 59 and of Section C of this Chapter shall not apply to inter-governmental commodity agreements found by the Organization to relate solely to the equitable distribution of commodities in short supply.

3. The provisions of Section C of this Chapter shall not apply to commodity control agreements found by the Organization to relate solely to the conservation of exhaustible natural resources.

CHAPTER VII

THE INTERNATIONAL TRADE ORGANIZATION

SECTION A STRUCTURE AND FUNCTIONS

Article 71

Membership

1. The original Members of the Organization shall be:

(*a*) those States invited to the United Nations Conference on Trade and Employment whose governments accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, by September 30, 1949 or, if the Charter shall not have entered into force by that date, those States whose governments agree to bring the Charter into force in accordance with the provisions of paragraph 2 (*b*) of Article 103;

(*b*) those separate customs territories invited to the United Nations Conference on Trade and Employment on whose behalf the competent Member accepts this Charter, in accordance with the provisions of Article 104, by September 30, 1949 or, if the Charter shall not have entered into force by that date, such separate customs territories which agree to bring the Charter into force in accordance with the provisions of paragraph 2 (*b*) of Article 103 and on whose behalf the competent Member accepts the Charter in accordance with the provisions of Article 104. If any of these customs territories shall have become fully responsible for the formal conduct of its diplomatic relations by the time it wishes to deposit an instrument of acceptance, it shall proceed in the manner set forth in sub-paragraph (*a*) of this paragraph.

2. Any other State whose membership has been approved by the Conference shall become a Member of the Organization upon its acceptance, in accordance with the provisions of paragraph 1 of Article 103, of the Charter as amended up to the date of such acceptance.

3. Any separate customs territory not invited to the United Nations Conference on Trade and Employment, proposed by the competent Member having responsibility for the formal conduct of its diplomatic relations and which is autonomous in the conduct of its external commercial relations and of the other matters provided for in this Charter and whose admission is approved by the Conference, shall become a Member upon acceptance of the Charter on its behalf by the competent Member in accordance with the provisions of Article 104 or, in the case of a territory in respect of which the Charter has already been accepted under that Article, upon such approval by the Conference after it has acquired such autonomy.

4. The Conference shall determine, by a two-thirds majority of the Members present and voting, the conditions upon which, in each individual case, membership rights and obligations shall be extended to:

(*a*) the Free Territory of Trieste;

(*b*) any Trust Territory administered by the United Nations; and

(*c*) any other special regime established by the United Nations.

5. The Conference, on application by the competent authorities, shall determine the conditions upon which rights and obligations under this Charter shall apply to such authorities in respect of territories under military occupation and shall determine the extent of such rights and obligations.

Article 72

Functions

1. The Organization shall perform the functions attributed to it elsewhere in this Charter. In addition, the Organization shall have the following functions:

(*a*) to collect, analyze and publish information relating to international trade, including information relating to commercial policy, business practices, commodity problems and industrial and general economic development;

(*b*) to encourage and facilitate consultation among Members on all questions relating to the provisions of this Charter;

(*c*) to undertake studies, and, having due regard to the objectives of this Charter and the constitutional and legal systems of Members, make recommendations, and promote bilateral or multilateral agreements concerning, measures designed

(i) to assure just and equitable treatment for foreign nationals and enterprises;

(ii) to expand the volume and to improve the bases of international trade, including measures designed to facilitate commercial arbitration and the avoidance of double taxation;

(iii) to carry out, on a regional or other basis, having due regard to the activities of existing regional or other inter-governmental organizations, the functions specified in paragraph 2 of Article 10;

(iv) to promote and encourage establishments for the technical training that is necessary for progressive industrial and economic development; and,

(v) generally, to achieve any of the objectives set forth in Article 1;

(*d*) in collaboration with the Economic and Social Council of the United Nations and with such inter-governmental organizations as may be appropriate, to undertake studies on the relationship between world prices of primary commodities and manufactured products, to consider and, where appropriate, to recommend international agreements on, measures designed to reduce progressively any unwarranted disparity in those prices;

(*e*) generally, to consult with and make recommendations to the Members and, as necessary, furnish advice and assistance to them regarding any matter relating to the operation of this Charter, and to take any other action necessary and appropriate to carry out the provisions of the Charter;

(*f*) to co operate with the United Nations and other inter-governmental organizations in furthering the achievement of the economic and social objectives of the United Nations and the maintenance or restoration of international peace and security.

2. In the exercise of its functions the Organization shall have due regard to the economic circumstances of Members, to the factors affecting these circumstances and to the consequences of its determinations upon the interests of the Member or Members concerned.

Article 73

Structure

The Organization shall have a Conference, an Executive Board, Commissions as established under Article 82, and such other organs as may be required. There shall also be a Director-General and Staff.

SECTION B — THE CONFERENCE

Article 74

Composition

1. The Conference shall consist of all the Members of the Organization.

2. Each Member shall have one representative in the Conference and may appoint alternates and advisers to its representative.

Article 75

Voting

1. Each Member shall have one vote in the Conference.

2. Except as otherwise provided in this Charter, decisions of the Conference shall be taken by a majority of the Members present and voting; *Provided* that the rules of procedure of the Conference may permit a Member to request a second vote if the number of votes cast is less than half the number of the Members, in which case the decision reached on the second vote shall be final whether or not the total of the votes cast comprises more than half the number of the Members.

Article 76

Sessions, Rules of Procedure and Officers

1. The Conference shall meet at the seat of the Organization in regular annual session and in such special sessions as may be convoked by the Director-General at the request of the Executive Board or of one-third of the Members. In exceptional circumstances, the Executive Board may decide that the Conference shall be held at a place other than the seat of the Organization.

2. The Conference shall establish rules of procedure which may include rules appropriate for the carrying out of its functions during the intervals between its sessions. It shall annually elect its President and other officers.

Article 77

Powers and Duties

1. The powers and duties attributed to the Organization by this Charter and the final authority to determine the policies of the Organization shall be vested in the Conference.

2. The Conference may, by a vote of a majority of the Members, assign to the Executive Board any power or duty of the Organization except such specific powers and duties as are expressly conferred or imposed upon the Conference by this Charter.

3. In exceptional circumstances not elsewhere provided for in this Charter, the Conference may waive an obligation imposed upon a Member by the Charter; *Provided* that any such decision shall be approved by a two-thirds majority of the votes cast and that such majority shall comprise more than half of the Members. The Conference may also by such a vote define certain categories of exceptional circumstances to which other voting requirements shall apply for the waiver of obligations.

4. The Conference may prepare or sponsor agreements with respect to any matter within the scope of this Charter and, by a two-thirds majority of the Members present and voting, recommend such agreements for acceptance. Each Member shall within a period specified by the Conference, notify the Director-General of its acceptance or non-acceptance. In the case of non-acceptance, a statement of the reasons therefor shall be forwarded with the notification.

5. The Conference may make recommendations to inter governmental organizations on any subject within the scope of this Charter.

6. The Conference shall approve the budget of the Organization and shall apportion the expenditures of the Organization among the Members in accordance with a scale of contributions to be fixed from time to time by the Conference following such principles as may be applied by the United Nations. If a maximum limit is established on the contribution of a single Member with respect to the budget of the United Nations, such limit shall also be applied with respect to contributions to the Organization.

7. The Conference shall determine the seat of the Organization and shall establish such branch offices as it may consider desirable.

SECTION C — THE EXECUTIVE BOARD

Article 78

Composition of the Executive Board

1. The Executive Board shall consist of eighteen Members of the Organization selected by the Conference.

2. (*a*) The Executive Board shall be representative of the broad geographical areas to which the Members of the Organization belong.

(*b*) A customs union, as defined in paragraph 4 of Article 44, shall be considered eligible for selection as a member of the Executive Board on the same basis as a single Member of the Organization if all of the members of the customs union are Members of the Organization and if all its members desire to be represented as a unit.

(*c*) In selecting the members of the Executive Board, the Conference shall have regard to the objective of ensuring that the Board includes Members of chief economic importance, in the determination of which particular regard shall be paid to their shares in international trade, and that it is representative of the different types of economies or degrees of economic development to be found within the membership of the Organization.

3. (*a*) At intervals of three years the Conference shall determine, by a two-thirds majority of the Members present and voting, the eight Members of chief economic importance, in the determination of which particular regard shall be paid to their shares in international trade. The Members so determined shall be declared members of the Executive Board.

(*b*) The other members of the Executive Board shall be elected by the Conference by a two-thirds majority of the Members present and voting.

(*c*) If on two consecutive ballots no member is elected, the remainder of the election shall be decided by a majority of the Members present and voting.

4. Subject to the provisions of Annex L, the term of office of a member of the Executive Board shall be three years, and any vacancy in the membership of the Board may be filled by the Conference for the unexpired term of the vacancy.

5. The Conference shall establish rules for giving effect to this Article.

Article 79

Voting

1. Each member of the Executive Board shall have one vote.

2. Decisions of the Executive Board shall be made by a majority of the votes cast.

Article 80

Sessions, Rules of Procedure and Officers

1. The Executive Board shall adopt rules of procedure, which shall include rules for the convening of its sessions, and which may include rules appropriate for the carrying out of its functions during the intervals between its sessions. The rules of procedure shall be subject to confirmation by the Conference.

2. The Executive Board shall annually elect its Chairman and other officers, who shall be eligible for re-election.

3. The Chairman of the Executive Board shall be entitled *ex officio* to participate, without the right to vote, in the deliberations of the Conference.

4. Any Member of the Organization which is not a member of the Executive Board shall be invited to participate in the discussion by the Board of any matter of particular and substantial concern to that Member and shall, for the purpose of such discussion, have all the rights of a member of the Board, except the right to vote.

Article 81

Powers and Duties

1. The Executive Board shall be responsible for the execution of the policies of the Organization and shall exercise the powers and perform the duties assigned to it by the Conference. It shall supervise the activities of the Commissions and shall take such action upon their recommendations as it may deem appropriate.

2. The Executive Board may make recommendations to the Conference, or to inter-governmental organizations, on any subject within the scope of this Charter.

SECTION D — THE COMMISSIONS

Article 82

Establishment and Functions

The Conference shall establish such Commissions as may be required for the performance of the functions of the Organization. The Commissions shall have such functions as the Conference may decide. They shall report to the Executive Board and shall perform such tasks as the Board may assign to them. They shall consult each other as necessary for the exercise of their functions.

Article 83

Composition and Rules of Procedure

1. The Commissions shall be composed of persons whose appointment, unless the Conference decides otherwise, shall be made by the Executive Board. In all cases, these persons shall be qualified by training and experience to carry out the functions of the Commission to which they are appointed.

2. The number of members, which for each Commission shall normally not exceed seven, and the conditions of service of such members shall be determined in accordance with regulations prescribed by the Conference.

3. Each Commission shall elect a Chairman. It shall adopt rules of procedure which shall be subject to approval by the Executive Board.

4. The rules of procedure of the Conference and of the Executive Board shall provide as appropriate for the participation in their deliberations, without the right to vote, of the chairmen of Commissions.

5. The Organization shall arrange for representatives of the United Nations and of other intergovernmental organizations which are considered by the Organization to have a special competence in the field of activity of any of the Commissions, to participate in the work of such Commission.

SECTION E — THE DIRECTOR-GENERAL AND STAFF

Article 84

The Director-General

1. The chief administrative officer of the Organization shall be the Director-General. He shall be appointed by the Conference upon the recommendation of the Executive Board, and shall be subject to the general supervision of the Board. The powers, duties, conditions of service and terms of office of the Director-General shall conform to regulations approved by the Conference.

2. The Director-General or his representative shall be entitled to participate, without the right to vote, in all meetings of any organ of the Organization.

3. The Director-General shall present to the Conference an annual report on the work of the Organization, and the annual budget estimates and financial statements of the Organization.

Article 85

The Staff

1. The Director-General, having first consulted with and having obtained the agreement of the Executive Board, shall have authority to appoint Deputy Directors-General in accordance with regulations approved by the Conference. The Director-General shall also appoint such additional members of the Staff as may be required and shall fix the duties and conditions of service of the members of the Staff, in accordance with regulations approved by the Conference.

2. The selection of the members of the Staff, including the appointment of the Deputy Directors-General, shall as far as possible be made on a wide geographical basis and with due regard to the various types of economy represented by Member countries. The paramount consideration in the selection of candidates and in determining the conditions of service of the Staff shall be the necessity of securing the highest standards of efficiency, competence, impartiality and integrity.

3. The regulations concerning the conditions of service of members of the Staff, such as those governing qualifications, salary, tenure and retirement, shall be fixed, so far as practicable, in conformity with those for members of the Secretariat of the United Nations and of specialized agencies.

SECTION F — OTHER ORGANIZATIONAL PROVISIONS

Article 86

Relations with the United Nations

1. The Organization shall be brought into relationship with the United Nations as soon as practicable as one of the specialized agencies referred to in Article 57 of the Charter of the United Nations. This relationship shall be effected by agreement approved by the Conference.

2. Any such agreement shall, subject to the provisions of this Charter, provide for effective co-operation and the avoidance of unnecessary duplication in the activities of these organizations, and for co-operation in furthering the maintenance or restoration of international peace and security.

3. The Members recognize that the Organization should not attempt to take action which would involve passing judgment in any way on essentially political matters. Accordingly, and in order to avoid conflict of responsibility between the United Nations and the Organization with respect to such matters, any measure taken by a Member directly in connection with a political matter brought before the United Nations in accordance with the provisions of Chapters IV or VI of the United Nations Charter shall be deemed to fall within the scope of the United Nations, and shall not be subject to the provisions of this Charter.

4. No action, taken by a Member in pursuance of its obligations under the United Nations Charter for the maintenance or restoration of international peace and security, shall be deemed to conflict with the provisions of this Charter.

Article 87

Relations with other Organizations

1. The Organization shall make arrangements with other inter-governmental organizations, which have related responsibilities, to provide for effective co-operation and the avoidance of unnecessary duplication in the activities of these organizations. The Organization may for this purpose arrange for joint committees, reciprocal representation at meetings and establish such other working relationships as may be necessary.

2. The Organization may make suitable arrangements for consultation and co-operation with non-governmental organizations concerned with matters within the scope of this Charter.

3. Whenever the Conference and the competent authorities of any inter-governmental organization whose purposes and functions lie within the scope of this Charter deem it desirable

(*a*) to incorporate such inter-governmental organization into the Organization, or

(*b*) to transfer all or part of its functions and resources to the Organization, or

(*c*) to bring it under the supervision or authority of the Organization,

the Director-General, subject to the approval of the Conference, may enter into an appropriate agreement. The Members shall, in conformity with their international obligations, take the action necessary to give effect to any such agreement.

Article 88

International Character of the Responsibilities of the Director-General, Staff and Members of Commissions

1. The responsibilities of the Director-General and of the members of the Staff shall be exclusively international in character. In the discharge of their duties, they shall not seek or receive instructions from any government or from any other authority external to the Organization. They shall refrain from any action which might reflect on their position as international officials.

2. The provisions of paragraph 1 shall also apply to the members of the Commissions.

3. The Members shall respect the international character of the responsibilities of these persons and shall not seek to influence them in the discharge of their duties.

Article 89

International Legal Status of the Organization

The Organization shall have legal personality and shall enjoy such legal capacity as may be necessary for the exercise of its functions.

Article 90

Status of the Organization in the Territory of Members

1. The Organization shall enjoy in the territory of each of its Members such legal capacity, privileges and immunities as may be necessary for the exercise of its functions.

2. The representatives of Members and the officials of the Organization shall similarly enjoy such privileges and immunities as may be necessary for the independent exercise of their functions in connection with the Organization.

3. When the Organization has been brought into relationship with the United Nations as provided for in paragraph 1 of Article 86, the legal capacity of the Organization and the privileges and immunities provided for in the preceding paragraphs shall be defined by the General Convention on Privileges and Immunities of the Specialized Agencies, adopted by the General Assembly of the United Nations, as from time to time amended, and as supplemented by an annex relating to the International Trade Organization.

Article 91

Contributions

Each Member shall contribute promptly to the Organization its share of the expenditure of the Organization as apportioned by the Conference. A Member which is in arrears in the payment of its contributions shall have no vote in the organs of the Organization, if the amount of its arrears equals or exceeds the amount of the contributions due from it in respect of the preceding two complete years. The Conference may, nevertheless, permit such a Member to vote, if it is satisfied that the failure to pay is due to circumstances beyond the control of the Member.

CHAPTER VIII

SETTLEMENT OF DIFFERENCES

Article 92

Reliance on the Procedures of the Charter

1. The Members undertake that they will not have recourse, in relation to other Members and to the Organization, to any procedure other than the procedures envisaged in this Charter for complaints and the settlement of differences arising out of its operation.

2. The Members also undertake, without prejudice to any other international agreement, that they will not have recourse to unilateral economic measures of any kind contrary to the provisions of this Charter.

Article 93

Consultation and Arbitration

1. If any Member considers that any benefit accruing to it directly or indirectly, implicitly or explicitly, under any of the provisions of this Charter other than Article 1, is being nullified or impaired as a result of

(*a*) a breach by a Member of an obligation under this Charter by action or failure to act, or

(*b*) the application by a Member of a measure not conflicting with the provisions of this Charter, or

(*c*) the existence of any other situation

the Member may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to such other Member or Members as it considers to be concerned, and the Members receiving them shall give sympathetic consideration thereto.

2. The Members concerned may submit the matter arising under paragraph 1 to arbitration upon terms agreed between them; *Provided* that the decision of the arbitrator shall not be binding for any purpose upon the Organization or upon any Member other than the Members participating in the arbitration.

3. The Members concerned shall inform the Organization generally of the progress and outcome of any discussion, consultation or arbitration undertaken under this Charter.

Article 94

Reference to the Executive Board

1. Any matter arising under sub-paragraphs (*a*) or (*b*) of paragraph 1 of Article 93 which is not satisfactorily settled and any matter which arises under paragraph 1 (*c*) of Article 93 may be referred by any Member concerned to the Executive Board.

2. The Executive Board shall promptly investigate the matter and shall decide whether any nullification or impairment within the terms of paragraph 1 of Article 93 in fact exists. It shall then take such of the following steps as may be appropriate:

(*a*) decide that the matter does not call for any action;

(*b*) recommend further consultation to the Members concerned;

(*c*) refer the matter to arbitration upon such terms as may be agreed between the Executive Board and the Members concerned;

(*d*) in any matter arising under paragraph 1 (*a*) of Article 93, request the Member concerned to take such action as may be necessary for the Member to conform to the provisions of this Charter;

(*e*) in any matter arising under sub-paragraph (*b*) or (*c*) of paragraph 1 of Article 93, make such recommendations to Members as will best assist the Members concerned and contribute to a satisfactory adjustment.

3. If the Executive Board considers that action under sub-paragraphs (*d*) and (*e*) of paragraph 2 is not likely to be effective in time to prevent serious injury, and that any nullification or impairment found to exist within the terms of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may, subject to the provisions of paragraph 1 of Article 95, release the Member or Members affected from obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired.

4. The Executive Board may, in the course of its investigation, consult with such Members or inter-governmental organizations upon such matters within the scope of this Charter as it deems appropriate. It may also consult any appropriate commission of the Organization on any matter arising under this Chapter.

5. The Executive Board may bring any matter, referred to it under this Article, before the Conference at any time during its consideration of the matter.

Article 95

Reference to the Conference

1. The Executive Board shall, if requested to do so within thirty days by a Member concerned, refer to the Conference for review any action, decision or recommendation by the Executive Board under paragraphs 2 or 3 of Article 94. Unless such review has been asked for by a Member concerned, Members shall be entitled to act in accordance with any action, decision or recommendation of the Executive Board under paragraphs 2 or 3 of Article 94. The Conference shall confirm, modify or reverse such action, decision or recommendation referred to it under this paragraph.

2. Where a matter arising under this Chapter has been brought before the Conference by the Executive Board, the Conference shall follow the procedure set out in paragraph 2 of Article 94 for the Executive Board.

3. If the Conference considers that any nullification or impairment found to exist within the terms of paragraph 1 (*a*) of Article 93 is sufficiently serious to justify such action, it may release the Member or Members affected from obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired. If the Conference considers that any nullification or impairment found to exist within the terms of sub-paragraphs (*b*) or (*c*) of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may similarly release a Member or Members to the extent and upon such conditions as will best assist the Members concerned and contribute to a satisfactory adjustment.

4. When any Member or Members, in accordance with the provisions of paragraph 3, suspend the performance of any obligation or the grant of any concession to another Member, the latter Member shall be free, not later than sixty days after such action is taken, or if an opinion has been requested from the International Court of Justice pursuant to the provisions of Article 96, after such opinion has been delivered, to give written notice of its withdrawal from the Organization. Such withdrawal shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

Article 96

Reference to the International Court of Justice

1. The Organization may, in accordance with arrangements made pursuant to paragraph 2 of Article 96 of the Charter of the United Nations, request from the International Court of Justice advisory opinions on legal questions arising within the scope of the activities of the Organization.

2. Any decision of the Conference under this Charter shall, at the instance of any Member whose interests are prejudiced by the decision, be subject to review by the International Court of Justice by means of a request, in appropriate form, for an advisory opinion pursuant to the Statute of the Court.

3. The request for an opinion shall be accompanied by a statement of the question upon which the opinion is required and by all documents likely to throw light upon the question. This statement shall be furnished by the Organization in accordance with the Statute of the Court and after consultation with the Members substantially interested.

4. Pending the delivery of the opinion of the Court, the decision of the Conference shall have full force and effect; *Provided* that the Conference shall suspend the operation of any such decision pending the delivery of the opinion where, in the view of the Conference, damage difficult to repair would otherwise be caused to a Member concerned.

5. The Organization shall consider itself bound by the opinion of the Court on any question referred by it to the Court. In so far as it does not accord with the opinion of the Court, the decision in question shall be modified.

Article 97

Miscellaneous Provisions

1. Nothing in this Chapter shall be construed to exclude other procedures provided for in this Charter for consultation and the settlement of differences arising out of its operation. The Organization may regard discussion, consultation or investigation undertaken under any other provisions of this Charter as fulfilling, either in whole or in part, any similar procedural requirement in this Chapter.

2. The Conference and the Executive Board shall establish such rules of procedure as may be necessary to carry out the provisions of this Chapter.

CHAPTER IX

GENERAL PROVISIONS

Article 98

Relations with Non-Members

1. Nothing in this Charter shall preclude any Member from maintaining economic relations with non-Members.

2. The Members recognize that it would be inconsistent with the purpose of this Charter for a Member to seek any arrangements with non-Members for the purpose of obtaining for the trade of its country preferential treatment as compared with the treatment accorded to the trade of other Member countries, or so to conduct its trade with non-Member countries as to result in injury to other Member countries. Accordingly,

(*a*) no Member shall enter into any new arrangement with a non-Member which precludes the non-Member from according to other Member countries any benefit provided for by such arrangement;

(*b*) subject to the provisions of Chapter IV, no Member shall accord to the trade of any non-Member country treatment which, being more favourable than that which it accords to the trade of any other Member country, would injure the economic interests of a Member country.

3. Notwithstanding the provisions of paragraph 2, Members may enter into agreements with non-Members in accordance with the provisions of paragraph 3 of Article 15 or of paragraph 6 of Article 44.

4. Nothing in this Charter shall be interpreted to require a Member to accord to non-Member countries treatment as favourable as that which it accords to Member countries under the provisions of the Charter, and failure to accord such treatment shall not be regarded as inconsistent with the terms or the spirit of the Charter.

5. The Executive Board shall make periodic studies of general problems arising out of the commercial relations between Member and non-Member countries and, with a view to promoting the purpose of the Charter, may make recommendations to the Conference with respect to such relations. Any recommendation involving alterations in the provisions of this Article shall be dealt with in accordance with the provisions of Article 100.

Article 99

General Exceptions

1. Nothing in this Charter shall be construed

(*a*) to require a Member to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(*b*) to prevent a Member from taking, either singly or with other States, any action which it considers necessary for the protection of its essential security interests, where such action

(i) relates to fissionable materials or to the materials from which they are derived, or

(ii) relates to the traffic in arms, ammunition or implements of war, or to traffic in other goods and materials carried on directly or indirectly for the purpose of supplying a military establishment of the Member or of any other country, or

(iii) is taken in time of war or other emergency in international relations; or

(*c*) to prevent a Member from entering into or carrying out any inter-governmental agreement (or other agreement on behalf of a government for the purpose specified in this sub-paragraph) made by or for a military establishment for the purpose of meeting essential requirements of the national security of one or more of the participating countries; or

(*d*) to prevent action taken in accordance with the provisions of Annex M to this Charter.

2. Nothing in this Charter shall be construed to override

(*a*) any of the provisions of peace treaties or permanent settlements resulting from the Second World War which are or shall be in force and which are or shall be registered with the United Nations, or

(*b*) any of the provisions of instruments creating Trust Territories or any other special regimes established by the United Nations.

Article 100

Amendments

1. Any amendment to this Charter which does not alter the obligations of Members shall become effective upon approval by the Conference by a two-thirds majority of the Members.

2. Any amendment which alters the obligations of Members shall, after receiving the approval of the Conference by a two-thirds majority of the Members present and voting, become effective for the Members accepting the amendment upon the ninetieth day after two-thirds of the Members have notified the Director-General of their acceptance, and thereafter for each remaining Member upon acceptance by it. The Conference may, in its decision approving an amendment under this paragraph and by one and the same vote, determine that the amendment is of such a nature that the Members which do not accept it within a specified period after the amendment becomes effective shall be suspened from membership in the Organization; *Provided* that the Conference may, at any time, by a two-thirds majority of the Members present and voting, determine the conditions under which such suspension shall not apply with respect to any such Member.

3. A Member not accepting an amendment under paragraph 2 shall be free to withdraw from the Organization at any time after the amendment has become effective; *Provided*, that the Director-General has received from such Member sixty days' written notice of withdrawal; and *provided further* that the withdrawal of any Member suspended under the provisions of paragraph 2 shall become effective upon the receipt by the Director-General of written notice of withdrawal.

4. The Conference shall, by a two-thirds majority of the Members present and voting, determine whether an amendment falls under paragraph 1 or paragraph 2, and shall establish rules with respect to the reinstatement of Members suspended under the provisions of paragraph 2, and any other rules required for carrying out the provisions of this Article.

5. The provisions of Chapter VIII may be amended within the limits and in accordance with the procedure set forth in Annex N.

Article 101

Review of the Charter

1. The Conference shall carry out a general review of the provisions of this Charter at a special session to be convened in conjunction with the regular annual session nearest the end of the fifth year after the entry into force of the Charter.

2. At least one year before the special session referred to in paragraph 1, the Director-General shall invite the Members to submit any amendments or observations which they may wish to propose and shall circulate them for consideration by the Members.

3. Amendments resulting from such review shall become effective in accordance with the procedure set forth in Article 100.

Article 102

Withdrawal and Termination

1. Without prejudice to any special provision in this Charter relating to withdrawal, any Member may withdraw from the Organization, either in respect of itself or of a separate customs territory on behalf of which it has accepted the Charter in accordance with the provisions of Article 104, at any time after three years from the day of the entry into force of the Charter.

2. A withdrawal under paragraph 1 shall become effective upon the expiration of six months from the day on which written notice of such withdrawal is received by the Director-General. The Director-General shall immediately notify all the Members of any notice of withdrawal which he may receive under this or other provisions of the Charter.

3. This Charter may be terminated at any time by agreement of three-fourths of the Members.

Article 103

Entry into Force and Registration

1. The government of each State accepting this Charter shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all governments represented at the United Nations Conference on Trade and Employment and all Members of the United Nations not so represented of the date of deposit of each instrument of acceptance and of the day on which the Charter enters into force. Subject to the provisions of Annex O, after the entry into force of the Charter in accordance with the provisions of paragraph 2, each instrument of acceptance so deposited shall take effect on the sixtieth day following the day on which it is deposited.

2. (*a*) This Charter shall enter into force

(i) on the sixtieth day following the day on which a majority of the governments signing the Final Act of the United Nations Conference on Trade and Employment have deposited instruments of acceptance in accordance with the provisions of paragraph 1; or

(ii) if, at the end of one year from the date of signature of the said Final Act, it has not entered into force in accordance with the provisions of sub-paragraph (*a*) (i), then on the sixtieth day following the day on which the number of governments represented at the United Nations Conference on Trade and Employment which have deposited instruments of acceptance in accordance with the provisions of paragraph 1 shall reach twenty; *Provided* that if twenty such governments have deposited acceptances more than sixty days before the end of such year, it shall not enter into force until the end of that year.

(*b*) If this Charter shall not have entered into force by September 30, 1949, the Secretary-General of the United Nations shall invite those governments which have deposited instruments of acceptance to enter into consultation to determine whether and on what conditions they desire to bring the Charter into force.

3. Until September 30, 1949, no State or separate customs territory, on behalf of which the said Final Act has been signed, shall be deemed to be a non-Member for the purposes of Article 98.

4. The Secretary-General of the United Nations is authorized to register this Charter as soon as it enters into force.

Article 104

Territorial Application

1. Each government accepting this Charter does so in respect of its metropolitan territory and of the other territories for which it has international responsibility, except such separate customs territories as it shall notify to the Organization at the time of its own acceptance.

2. Any Member may at any time accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, on behalf of any separate customs territory excepted under the provisions of paragraph 1.

3. Each Member shall take such reasonable measures as may be available to it to ensure observance of the provisions of this Charter by the regional and local governments and authorities within its territory.

Article 105

Annexes

The Annexes to this Charter form an integral part thereof.

Article 106

Deposit and Authenticity of Texts

Title and Date of the Charter

1. The original texts of this Charter in the official languages of the United Nations shall be deposited with the Secretary-General of the United Nations, who will furnish certified copies of the texts to all interested governments. Subject to the provisions of the Statute of the International Court of Justice, such texts shall be equally authoritative for the purposes of the interpretation of the Charter, and any discrepancy between texts shall be settled by the Conference.

2. The date of this Charter shall be March 24, 1948.

3. This Charter for an International Trade Organization shall be known as the Havana Charter.

ANNEX A

LIST OF TERRITORIES REFERRED TO IN PARAGRAPH 2 (*a*) OF ARTICLE 16

United Kingdom of Great Britain and Northern Ireland

Dependent territories of the United Kingdom of Great Britain and Northern Ireland

Canada

Commonwealth of Australia

Dependent territories of the Commonwealth of Australia

New Zealand

Dependent territories of New Zealand

Union of South Africa including South West Africa

Ireland

India (as at April 10, 1947)

Newfoundland

Southern Rhodesia

Burma

Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other Members which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution.

The preferential arrangements referred to in paragraph 5 (*b*) of Article 23 are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. Without prejudice to any action taken under paragraph 1 (*a*) (ix) of Article 45, negotiations shall be entered into when practicable among the countries substantially concerned or involved, in the manner provided for in Article 17, for the elimination of these arrangements or their replacement by tariff preferences. If after such negotiations have taken place a tariff preference is created or an existing tariff preference is increased to replace these arrangements such action shall not be considered to contravene the provisions of Article 16 or Article 17.

The film hire tax in force in New Zealand on April 10, 1947 shall, for the purpose of this Charter, be treated as a customs duty falling under Articles 16 and 17. The renters' film quota in force in New Zealand on April 10, 1947, shall for the purposes of this Charter be treated as a screen quota falling under Article 19.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.

ANNEX B

LIST OF TERRITORIES OF THE FRENCH UNION REFERRED TO IN PARAGRAPH 2 (*b*) OF ARTICLE 16

France

French Equatorial Africa (Treaty Basin of the Congo* and other territories)

French West Africa

Cameroons under French Mandate*

French Somali Coast and Dependencies

French Establishments in India*

French Establishments in Oceania

French Establishments in the Condominium of the New Hebrides*

Guadeloupe and Dependencies

French Guiana

Indo-China

Madagascar and Dependencies

Morocco (French zone)*

Martinique

New Caledonia and Dependencies

Reunion

Saint-Pierre and Miquelon

Togo under French Mandate*

Tunisia

* For imports into Metropolitan France and territories of the French Union.

ANNEX C

LIST OF TERRITORIES OF THE CUSTOMS UNION OF BELGIUM, LUXEMBOURG AND THE NETHERLANDS REFERRED TO IN PARAGRAPH 2 (*b*) OF ARTICLE 16

The Economic Union of Belgium and Luxembourg

Belgian Congo

Ruanda Urundi

The Netherlands

Netherlands Indies

Surinam

Curaçao

(For imports into the metropolitan territories of the Customs Union.)

ANNEX D

LIST OF TERRITORIES OF THE UNITED STATES OF AMERICA REFERRED TO IN PARAGRAPH 2 (*b*) OF ARTICLE 16

United States of America (customs territory)

Dependent territories of the United States of America

ANNEX E

LIST OF PORTUGUESE TERRITORIES REFERRED TO IN PARAGRAPH 2 (*b*) OF ARTICLE 16

Portugal and the Archipelagoes of Madeira and the Azores

Archipelago of Cape Verde

Guinea

St. Tome and Principe and Dependencies

S. Joao Batista de Ajuda

Cabinda

Angola

Mozambique

State of India and Dependencies

Macao and Dependencies

Timor and Dependencies

ANNEX F

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN CHILE AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (*e*) OF ARTICLE 16

Preferences in force exclusively between, on the one hand,

Chile

and, on the other hand,

1. Argentina
2. Bolivia
3. Peru,

respectively.

ANNEX G

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN THE SYRO-LEBANESE CUSTOMS UNION AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (*e*) OF ARTICLE 16

Preferences in force exclusively between, on the one hand,

The Syro-Lebanese Customs Union

and, on the other hand,

1. Palestine
2. Transjordan,

respectively.

ANNEX H

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS AMONG COLOMBIA, ECUADOR AND VENEZUELA REFERRED TO IN PARAGRAPH 2 *(e)* OF ARTICLE 16

Preferences in force exclusively between two or more of the following countries:

Colombia

Ecuador

Venezuela

Notwithstanding the provisions of Article 16, Venezuela may provisionally maintain the special surcharges which on November 21, 1947, were levied on products imported via certain territories: *Provided* that such surcharges shall not be increased above the level in effect on that date and shall be eliminated not later than five years from the date of this Charter.

ANNEX I

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS AMONG THE REPUBLICS OF CENTRAL AMERICA REFERRED TO IN PARAGRAPH 2 *(e)* OF ARTICLE 16

Preferences in force exclusively between two or more of the following countries:

Costa Rica

El Salvador

Guatemala

Honduras

Nicaragua

ANNEX J

LIST OF TERRITORIES COVERED BY PREFERENTIAL ARRANGEMENTS BETWEEN ARGENTINA AND NEIGHBOURING COUNTRIES REFERRED TO IN PARAGRAPH 2 (*e*) OF ARTICLE 16

Preferences in force exclusively between, on the one hand,

Argentina

and, on the other hand,

1. Bolivia
2. Chile
3. Paraguay,

respectively.

ANNEX K

EXCEPTIONS TO THE RULE OF NON-DISCRIMINATION

(Applicable to Members who so elect, in accordance with paragraph 1 (*d*) of Article 23, in lieu of paragraphs 1 (*b*) and 1 (*c*) of Article 23.)

1. (*a*) A Member applying import restrictions under Article 21 may relax such restrictions in a manner which departs from the provisions of Article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (*a*) and 3 (*b*) of Article 21 if its restrictions were fully consistent with the provisions of Article 22; *Provided* that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other Member countries, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the Member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the Member currently receives directly or indirectly from its exports to other Members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

(*b*) Any Member taking action under this paragraph shall observe the principles of sub-paragraph (*a*). A Member shall desist from transactions which prove to be inconsistent with that sub-paragraph but the Member shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

2. Any Member taking action under paragraph 1 of this Annex shall keep the Organization regularly informed regarding such action and shall provide such available relevant information as the Organization may request.

3. If at any time the Organization finds that import restrictions are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Annex, the Member shall, within sixty days, remove the discrimination or modify it as specified by the Organization; *Provided* that any action under paragraph 1 of this Annex, to the extent that it has been approved by the Organization at the request of a Member under a procedure analogous to that of paragraph 5 (*c*) of Article 21, shall not be open to challenge under this paragraph or under paragraph 5 (*d*) of Article 21 on the ground that it is inconsistent with the provisions of Article 22.

ANNEX L

RELATING TO ARTICLE 78

Selection of the Members of the First Executive Board

To facilitate the work of the Conference at its first session, the following rules shall apply with respect to the selection of the members of the first Executive Board under the provisions of Article 78:

1. Six seats on the Board shall be filled under sub-paragraphs (*a*) and (*b*) of paragraph 3 of Article 78 by Member countries of the Western Hemisphere *. If five or more countries of the Western Hemisphere, eligible for election under paragraph 3 (*b*) of Article 78, have not become Members of the Organization at the time of the election, only three seats shall be filled under paragraph 3 (*b*). If ten or more of the countries of the Western Hemisphere, eligible for election under paragraph 3 (*b*), have not become Members of the Organization at the time of the election, only two seats shall be filled under paragraph 3 (*b*). The seat or seats thus unoccupied shall not be filled unless the Conference otherwise decides by a two-thirds majority of the Members present and voting.

2. In order to ensure a selection in accordance with the provisions of paragraph 3 (*a*) of Article 78, the following countries and customs unions shall be deemed to fulfil the conditions set out therein:

(*a*) the two countries in the Western Hemisphere and the three countries or customs unions in Europe with the largest external trade, which participated in the Havana Conference; and

(*b*) in view of their potential importance in international trade, the three countries with the largest population in the world.

Should any of these countries, including any country participating in a customs union, not be a Member of the Organization at the time of the election, the Conference shall review the situation; however, the unoccupied seat or seats shall not be filled, unless the Conference otherwise decides by a two-thirds majority of the Members present and voting.

3. In the election of members of the Executive Board under the provisions of paragraph 3 (*b*) of Article 78, the Conference shall have due regard to the provisions of paragraph 2 of that Article and to the fact that certain relationships existing among a geographical group of countries may in certain cases give such a group a distinctive and unified character.

4. The members selected under paragraph 3 (*a*) of Article 78 shall serve for a term of three years. Of the members elected under paragraph 3 (*b*), half, as determined by lot, shall serve for a term of two years, and the other half for a term of four years. However, if an uneven number of Members has been elected, the Conference shall determine the number to serve for two and for four years respectively.

* That is, North, Central and South America

ANNEX M

REFERRED TO IN PARAGRAPH 1 (*d*) OF ARTICLE 99

Special Provisions regarding India and Pakistan

In view of the special circumstances arising out of the establishment as independent States of India and Pakistan, which have long constituted an economic unit, the provisions of this Charter shall not prevent the two countries from entering into special interim agreements with respect to the trade between them, pending the establishment of their reciprocal trade relations on a definitive basis. When these relations have been established, measures adopted by these countries in order to carry out definitive agreements with respect to their reciprocal trade relations, may depart from particular provisions of the Charter, provided that such measures are in general consistent with the objectives of the Charter.

ANNEX N

REFERRED TO IN PARAGRAPH 5 OF ARTICLE 100

Special Amendment of Chapter VIII

Any amendment to the provisions of Chapter VIII which may be recommended by the Interim Commission for the International Trade Organization after consultation with the International Court of Justice and which relates to review by the Court of matters which arise out of the Charter but which are not already covered in Chapter VIII, shall become effective upon approval by the Conference, at its first regular session, by a vote of a majority of the Members; *Provided* that such amendment shall not provide for review by the Court of any economic or financial fact as established by or through the Organization; and *Provided further* that such amendment shall not affect the obligation of Members to accept the advisory opinion of the Court as binding on the Organization upon the points covered by such opinion; and *Provided further* that, if such amendment alters the obligations of Members, any Member which does not accept the amendment may withdraw from the Organization upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General.

ANNEX O

REFERRED TO IN PARAGRAPH 1 OF ARTICLE 103

Acceptances within sixty days of the First Regular Session

For the purpose of the first regular session of the Conference, any government which has deposited an instrument of acceptance in accordance with the provisions of paragraph 1 of Article 103 prior to the first day of the session, shall have the same right to participate in the Conference as a Member.

ANNEX P

INTERPRETATIVE NOTES

ad Article 13

Paragraphs 7 (a) (ii) and (iii)

The word "processing", as used in these sub-paragraphs, means the transformation of a primary commodity or of a by-product of such transformation into semi-finished or finished goods but does not refer to highly developed industrial processes.

ad Article 15

Paragraph 1

The special circumstances referred to in paragraph 1 are those set forth in Article 15.

Paragraph 4(a)

The Organization need not interpret the term "economic region" to require close geographical proximity if it is satisfied that a sufficient degree of economic integration exists between the countries concerned.

Paragraph 6 (d)

The words "the prospective parties to a regional preferential agreement have, prior to November 21, 1947, obtained from countries representing at least two-thirds of their import trade the right to depart from most-favoured-nation treatment in the cases envisaged in the agreement" cover rights to conclude preferential agreements which may have been recognized in respect of mandated territories which became independent prior to November 21, 1947, in so far as these rights have not been specifically denounced before that date.

ad Article 16

Note 1

The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would be 12 per cent ad valorem, and not one-third of the most-favoured-nation rate.

2. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad valorem.

3. If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

Note 2

The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to the binding of margins of preference under paragraph 4:

(i) the re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.

ad Article 17

An internal tax (other than a general tax uniformly applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under Article 17 in any case in which a tariff concession on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax.

Paragraph 2 (d)

In the event of the devaluation of a Member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be a matter for consideration during negotiations in order to determine, first, the change, if any, in the protective incidence of the specific duties of the Member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

ad Article 18

Any internal tax or other internal charge, or any law, regulation or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of Article 18.

Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a Member is subject to the provisions of paragraph 3 of Article 104. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorizing local governments to impose internal taxes which, although technically inconsistent with the letter of Article 18, are not in fact inconsistent with its spirit, if such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of Article 18, the term "reasonable measures" would permit a Member to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.

Paragraph 2

A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product and on the other hand, a directly competitive or substitutable product which was not similarly taxed.

Paragraph 5

Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.

ad Article 20

Paragraph 2 (a)

In the case of products which are basic to diet in the exporting country and which are subject to alternate annual shortages and surpluses, the provisions of paragraph 2 (*a*) do not preclude such export prohibitions or restrictions as are necessary to maintain from year to year domestic stocks sufficient to avoid critical shortages.

Paragraph 2 (c)

The expression "agricultural and fisheries product, imported in any form" means the product in the form in which it is originally sold by its producer and such processed forms of the product as are so closely related to the original product as regards utilization that their unrestricted importation would make the restriction on the original product ineffective.

Paragraph 3 (b)

The provisions for prior consultation would not prevent a Member which had given other Members a reasonable period of time for such consultation from introducing the restrictions at the date intended. It is recognized that, with regard to import restrictions applied under paragraph 2 (*c*) (ii), the period of advance notice provided would in some cases necessarily be relatively short.

Paragraph 3 (d)

The term "special factors" in paragraph 3 (*d*) includes among other factors changes in relative productive efficiency as between domestic and foreign producers which may have occurred since the representative period.

ad Article 21

With regard to the special problems that might be created for Members which, as a result of their programmes of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign trade, it was considered that the text of Article 21, together with the provision for export controls in certain parts of this Charter, for example, in Article 45, fully meet the position of these economies.

ad Article 22

Paragraphs 2 (d) and 4

The term "special factors" as used in Article 22 includes among other factors the following changes, as between the various foreign producers, which may have occurred since the representative period:

1. changes in relative productive efficiency;
2. the existence of new or additional ability to export; and
3. reduced ability to export.

Paragraph 3

The first sentence of paragraph 3 (*b*) is to be understood as requiring the Member in all cases to give, not later than the beginning of the relevant period, public notice of any quota fixed for a specified future period, but as permitting a Member, which for urgent balance-of-payments reasons is under the necessity of changing the quota within the course of a specified period, to select the time of its giving public notice of the change. This in no way affects the obligation of a Member under the provisions of paragraph 3 (*a*), where applicable.

ad Article 23

Paragraph 1 (g)

The provisions of paragraph 1 (*g*) shall not authorize the Organization to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the Organization shall, if the Member so requests, consider the transaction, not individually, but in relation to the Member's policy regarding imports of the product in question taken as a whole

Paragraph 2

One of the situations contemplated in paragraph 2 is that of a Member holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination.

ad Article 24

Paragraph 8

For example, a Member which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its exports in its own currency or in the currency of one or more members of the Fund would not thereby be deemed to contravene the provisions of Articles 20 or 22. Another example would be that of a Member which specifies on an import licence the country from which the goods may be imported for the purpose, not of introducing any additional element of discrimination in its import licensing system, but of enforcing permissible exchange controls.

ad Article 29

Paragraph 1

Note 1

Different prices for sales and purchases of products in different markets are not precluded by the provisions of Article 29, provided that such different prices are charged or paid for commercial reasons, having regard to differing conditions, including supply and demand, in such markets.

Note 2

Sub-paragraphs (*a*) and (*b*) of paragraph 1 shall not be construed as applying to the trading activities of enterprises to which a Member has granted licences or other special privileges

(*a*) solely to ensure standards of quality and efficiency in the conduct of its external trade; or

(*b*) for the exploitation of its natural resources;

provided that the Member does not thereby establish or exercise effective control or direction of the trading activities of the enterprises in question, or create a monopoly whose trading activities are subject to effective governmental control or direction.

ad Article 31

Paragraphs 2 and 4

The maximum import duty referred to in paragraphs 2 and 4 would cover the margin which has been negotiated or which has been published or notified to the Organization, whether or not collected, wholly or in part, at the custom house as an ordinary customs duty.

Paragraph 4

With reference to the second proviso, the method and degree of adjustment to be permitted in the case of a primary commodity which is the subject of a domestic price stabilization arrangement should normally be a matter for agreement at the time of the negotiations under paragraph 2 (*a*).

ad Article 33

Paragraph 1

The assembly of vehicles and mobile machinery arriving in a knocked-down condition or the disassembly (or disassembly and subsequent reassembly) of bulky articles shall not be held to render the passage of such goods outside the scope of "traffic in transit", provided that any such operation is undertaken solely for convenience of transport.

Paragraphs 3, 4 and 5

The word "charges" as used in the English text of paragraphs 3, 4 and 5 shall not be deemed to include transportation charges.

Paragraph 6

If, as a result of negotiations in accordance with paragraph 6, a Member grants to a country which has no direct access to the sea more ample facilities than those already provided for in other paragraphs of Article 33, such special facilities may be limited to the land locked country concerned unless the Organization finds, on the complaint of any other Member, that the withholding of the special facilities from the complaining Member contravenes the most-favoured-nation provisions of this Charter.

ad Article 34

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price in the exporting country) constitutes a form of price dumping with respect to which the margin of dumping may be calculated on the basis of the price at which the goods are resold by the importer.

Paragraphs 2 and 3

Note 1

As in many other cases in customs administration, a Member may require reasonable security (bond or cash deposit) for the payment of anti-dumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

Note 2

Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

ad Article 35

Paragraph 3

Note 1

It would be in conformity with Article 35 to presume that "actual value" may be represented by the invoice price (or in the case of government contracts in respect of primary products, the contract price), plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount, or any reduction from the ordinary competitive price.

Note 2

If on the date of this Charter a Member has in force a system under which ad valorem duties are levied on the basis of fixed values, the provisions of paragraph 3 of Article 35 shall not apply:

1. in the case of values not subject to periodical revision in regard to a particular product, as long as the value established for that product remains unchanged;

2. in the case of values subject to periodical revision, on condition that the revision is based on the average "actual value" established by reference to an immediately preceding period of not more than twelve months and that such revision is made at any time at the request of the parties concerned or of Members. The revision shall apply to the importation or importations in respect of which the specific request for revision was made, and the revised value so established shall remain in force pending further revision.

Note 3

It would be in conformity with paragraph 3 (*b*) for a Member to construe the phrase "in the ordinary course of trade", read in conjunction with "under fully competitive conditions", as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

Note 4

The prescribed standard of "fully competitive conditions" permits Members to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

Note 5

The wording of sub paragraphs (*a*) and (*b*) permits a Member to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

Paragraph 5

If compliance with the provisions of paragraph 5 would result in decreases in amounts of duty payable on products with respect to which the rates of duty have been bound by an international agreement, the term "at the earliest practicable date" in paragraph 2 allows the Member concerned a reasonable time to obtain adjustment of the agreement.

ad Article 36

Paragraph 3

While Article 36 does not cover the use of multiple rates of exchange as such, paragraphs 1 and 3 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a Member is using multiple currency exchange fees for balance-of-payment reasons not inconsistently with the Articles of Agreement of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ad Article 40

It is understood that any suspension, withdrawal or modification under paragraphs 1 (*a*), 1 (*b*) and 3 (*b*) must not discriminate against imports from any Member country, and that such action should avoid, to the fullest extent possible, injury to other supplying Member countries.

ad Article 41

The provisions for consultation require Members, subject to the exceptions specifically set forth in this Charter, to supply to other Members, upon request, such information as will enable a full and fair appraisal of the matters which are the subject of such consultation, including the operation of sanitary laws and regulations for the protection of human, animal or plant life or health, and other matters affecting the application of Chapter IV.

ad Article 44

Paragraph 5

It is understood that the provisions of Article 16 would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is re-exported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favoured-nation rate.

ad Article 53

The provisions of this Article shall not apply to matters relating to shipping services which are subject to the Convention of the Inter-governmental Maritime Consultative Organization.

ad Article 86

Paragraph 3

Note 1

If any Member raises the question whether a measure is in fact taken directly in connection with a political matter brought before the United Nations in accordance with the provisions of Chapters IV or VI of the United Nations Charter, the responsibility for making a determination on the question shall rest with the Organization. If, however, political issues beyond the competence of the Organization are involved in making such a determination, the question shall be deemed to fall within the scope of the United Nations.

Note 2

If a Member which has no direct political concern in a matter brought before the United Nations considers that a measure taken directly in connection therewith and falling within the scope of paragraph 3 of Article 86 constitutes a nullification or impairment within the terms of paragraph 1 of Article 93, it shall seek redress only by recourse to the procedures set forth in Chapter VIII of this Charter.

ad Article 98

Nothing in this Article shall be construed to prejudice or prevent the operation of the provisions of paragraph 1 of Article 60 regarding the treatment to be accorded to non-participating countries under the terms of a commodity control agreement which conforms to the requirements of Chapter VI.

ad Article 104

Note 1

In the case of a condominium, where the codomini are Members of the Organization, they may, if they so desire and agree, jointly accept this Charter in respect of the condominium.

Note 2

Nothing in this Article shall be construed as prejudicing the rights which may have been or may be invoked by States in connection with territorial questions or disputes concerning territorial sovereignty.

ad Annex K

It is understood that the fact that a Member is operating under the provisions of paragraph 1 (*b*) (i) of Article 45 does not preclude that Member from operation under this Annex, but that the provisions of Article 23 (including this Annex) do not in any way limit the rights of Members under paragraph 1 (*b*) (i) of Article 45.

RESOLUTIONS

ADOPTED BY THE CONFERENCE

RESOLUTIONS ADOPTED BY THE CONFERENCE

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RESOLUTION ESTABLISHING AN INTERIM COMMISSION FOR THE INTERNATIONAL TRADE ORGANIZATION

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

HAVING prepared the Havana Charter for an International Trade Organization (hereinafter referred to as "the Charter" and "the Organization" respectively),

CONSIDERING that pending the establishment of the Organization certain interim functions should be performed,

HEREBY RESOLVES to establish an Interim Commission for the International Trade Organization (hereinafter called "the Commission") consisting of the governments the representatives of which have approved this resolution and which are entitled to original membership of the Organization under Article 71 of the Charter. The terms of reference and structure of the Commission are set out in the Annex to this resolution which forms an integral part thereof.

☆ ☆ ☆

The following delegations approved the resolution establishing the Interim Commission:

Afghanistan	Iran
Argentina	Iraq
Australia	Italy
Austria	Lebanon
Belgium	Liberia
Brazil	Luxembourg
Burma	Mexico
Canada	Netherlands
Ceylon	New Zealand
Chile	Nicaragua
China	Norway
Colombia	Pakistan
Costa Rica	Panama
Cuba	Peru
Czechoslovakia	Philippines
Denmark	Poland
Dominican Republic	Southern Rhodesia
Ecuador	Sweden
Egypt	Syria
El Salvador	Transjordan
France	Turkey
Greece	South Africa
Guatemala	United Kingdom
Haiti	United States
India	Uruguay
Republic of Indonesia	Venezuela

☆ ☆ ☆

ANNEX

1. The Commission shall elect an Executive Committee of eighteen members to exercise any or all of its functions as the Commission may determine on electing the Committee.

2. The Commission shall have the following functions:

(*a*) to convoke the first regular session of the Conference of the Organization (hereinafter referred to as "the Conference") not less than four months and, as far as practicable, not more than six months after the receipt of the last acceptance needed to bring the Charter into force;

(*b*) to submit the provisional agenda for the first regular session of the Conference, together with documents and recommendations relating to all matters upon this agenda, including:

(i) proposals as to the programme and budget for the first year of the Organization;

(ii) studies regarding selection of headquarters of the Organization;

(iii) draft financial and staff regulations.

(*c*) to prepare, in consultation with the United Nations, a draft agreement of relationship as contemplated in paragraph 1 of Article 86 of the Charter for consideration by the first regular session of the Conference;

(*d*) to prepare, in consultation with inter-governmental organizations other than the United Nations, for presentation to the first regular session of the Conference, documents and recommendations regarding the implementation of the provisions of paragraphs 1 and 3 of Article 87 of the Charter;

(*e*) to prepare in consultation with non-governmental organizations, for presentation to the first regular session of the Conference recommendations regarding the implementation of the provisions of paragraph 2 of Article 87 of the Charter;

(*f*) to prepare, with a view to recommendation by the Economic and Social Council to the first regular session of the Conference, the Annex referred to in paragraph 3 of Article 90 of the Charter;

(*g*) to carry out the functions and responsibilities referred to in the following documents of the United Nations Conference on Trade and Employment.

1. Paragraph 2 of the Final Act of the United Nations Conference on Trade and Employment (to which the present resolution is annexed).

2. The Resolution of the Conference regarding the relation of the International Trade Organization and the International Court of Justice (annexed to the Final Act).

3. The Resolution of the Conference relating to Economic Development and Reconstruction (annexed to the Final Act).

4. The Report of Sub-committee G of the Third Committee on the Proposal made by the Delegation of Switzerland (E/CONF.2/C.3/78) together with the sections relating to that matter in the Report of the Third Committee (E/CONF.2/70).

(*h*) to enter into consultations with the Secretary-General of the United Nations regarding the expenses incurred by the Preparatory Committee of the United Nations Conference on Trade and Employment and by that Conference and, in the light of such consultations, to present a report to the first regular session of the Conference;

(*i*) generally to perform such other functions as may be ancillary and necessary to the effective carrying out of the provisions of this annex.

3. The Commission shall elect an Executive Secretary who shall be its chief administrative officer. The Executive Secretary shall appoint the staff of the Commission observing, as far as possible, the principles of paragraph 2 of Article 85 of the Charter and using, as he considers desirable, such assistance as may be extended to him by the Secretary-General of the United Nations. The Executive Secretary shall also perform such other functions and duties as the Commission may determine.

4. The Commission shall approve the budget estimates for the operation of the Commission. The Executive Secretary shall prepare the draft of such estimates. The expenses of the Commission shall be met from funds provided by the United Nations and for this purpose the Commission shall make the necessary arrangements with the Secretary-General of the United Nations for the advance of such funds and for their reimbursement. Should these funds be insufficient, the Commission may accept advances from Governments. Such advances from Governments may be set off against the contributions of the Governments concerned to the Organization.

5. Arrangements may be made with the Secretary-General of the United Nations regarding the provision of such personnel as may be required to carry on the work of the Interim Co-ordinating Committee for International Commodity Arrangements.

6. The Executive Committee shall hold its first meeting in Havana immediately after its establishment. Its subsequent meetings shall be held in Geneva unless it decides otherwise.

7. The Executive Committee shall submit a report of the activities of the Commission to the first regular session of the Conference.

8. The benefit of the privileges and immunities provided in the Convention on Privileges and Immunities of the Specialized Agencies adopted by the General Assembly of the United Nations shall, as far as possible, be extended to and in connection with the Commission.

9. The Commission shall cease to exist upon the appointment of the Director-General of the Organization, at which time the property and records of the Commission shall be transferred to the Organization.

RESOLUTION CONCERNING RELATION OF THE INTERNATIONAL TRADE ORGANIZATION AND THE INTERNATIONAL COURT OF JUSTICE

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

HAVING considered the relation of the International Trade Organization and the International Court of Justice; and

HAVING provided in Chapter VIII of the Charter, procedures for review by the International Court of legal questions arising out of decisions and recommendations of the Organization,

RESOLVES that the Interim Commission of the International Trade Organization, through such means as may be appropriate, shall consult with appropriate officials of the International Court or with the Court itself, and after such consultation report to the first regular session of the Conference of the International Trade Organization upon the questions of:

(*a*) whether such procedures need to be changed to ensure that decisions of the Court on matters referred to it by the Organization should, with respect to the Organization, have the nature of a judgment; and

(*b*) whether an amendment should be presented to the Conference pursuant to and in accordance with the provisions of the annex to Article 100 of the Charter.

RESOLUTION CONCERNING THE INTERIM CO-ORDINATING COMMITTEE FOR INTERNATIONAL COMMODITY ARRANGEMENTS

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

TAKING note of the resolution adopted by the Economic and Social Council on March 28, 1947, establishing an Interim Co-ordinating Committee for International Commodity Arrangements with a chairman representing the Preparatory Committee of the United Nations Conference on Trade and Employment;

NOTING that, with the commencement of the United Nations Conference on Trade and Employment on November 21, 1947, the Preparatory Committee ceased to exist, and that an interim commission is expected to be established at the conclusion of the Conference; and

RECOGNIZING that it is desirable to avoid any interruption of the interim arrangements for co-ordinating action in this field; accordingly

RECOMMENDS that the Economic and Social Council amend the composition of the Interim Co-ordinating Committee for International Commodity Arrangements to provide that the Chairman of that Committee be nominated by the Interim Commission for the International Trade Organization or, in the event that an interim commission is not established, by such other body as the United Nations Conference on Trade and Employment may designate.

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

Having recognized in drawing up the Charter for an International Trade Organization that future prosperity and peace must be founded on full and productive employment and large and steadily growing effective demand which, although primarily dependent upon internal measures taken by individual countries, also require consultation and concerted action as well as asssistance from intergovernmental agencies;

Recognizing that different measures may be appropriate for different countries, according, for example, to the stage of economic development or reconstruction and the availability of the various factors of production;

Recognizing that inflationary as well as deflationary tendencies may need to be combatted;

Taking note of the resolution adopted by the Second Session of the General Assembly which approved the initiation of surveys of economic conditions and trends and requested recommendations by the Economic and Social Council on appropriate measures relating thereto:

1. Notes that the Economic and Employment Commission and its Sub-Commission on Employment and Economic Stability have been instructed to consider the draft resolution on international action relating to employment prepared by the First Session of the Preparatory Committee; and

AFFIRMS its interest in the four measures specifically recommended for study in that draft resolution.

2. Considers that the studies which have been initiated dealing with the achievement and maintenance of full and productive employment should be advanced as rapidly as possible and that attention should be given now to methods of ensuring that high levels of employment and economic activity shall be maintained even when special factors of temporary duuration now prevailing in many countries have ceased to operate, and accordingly

SUGGESTS THAT, with a view to making appropriate recommendations, the Economic and Social Council, in addition to the investigations which it has already undertaken,

(*a*) Request the submission at an early date, by Members of the United Nations and by non-Members represented at the present Conference, of information concerning action which they are now taking to achieve or maintain full employment and economic stability and the nature of any prepared plans to prevent a future decline, and

(*b*) Request the various specialized agencies to indicate the nature and extent of the assistance they are preparing to provide if a decline in employment and economic activity threatens.

3. Considers that, in many countries, the problems of persistent surplus or shortage of manpower are linked with the attainment of full and productive employment and that their solution would advance the aims of the International Trade Organization; and accordingly

SUGGESTS THAT the Economic and Social Council initiate or encourage studies and recommend appropriate action in connection with international aspects of population problems as these relate to employment, production and demand.

4. Considers that, in relation to the maintenance of full employment, it is advantageous to countries which require or receive and to countries which supply workers on a seasonal or temporary basis to adopt regulations which will mutually safeguard their interests and also protect both the migrants and the domestic workers against unfair competition or treatment; and accordingly

SUGGESTS THAT the Economic and Social Council, in conjunction with appropriate agencies such as the International Labour Organisation and its Permanent Migration Committee, consider the problems of temporary or seasonal migration of workers, taking into account existing treaties and long established customs and usages pertaining thereto, for the purpose of formulating, in consultation with Members directly affected, conventions and model bilateral agreements on the basis of which individual governments may concert their actions to ensure mutually advantageous arrangements for their countries and fair conditions for the workers concerned.

RESOLUTION RELATING TO ECONOMIC DEVELOPMENT AND RECONSTRUCTION

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

Having considered the problems of the industrial and general economic development and reconstruction of the Members of the International Trade Organization; and

Having noted the related activities of other inter-governmental organizations and specialized agencies; and

Having determined that positive measures for the promotion of the economic development and reconstruction of Members are an essential condition for the realization of the purpose stated in Article 1 of the Charter of the International Trade Organization and to the accomplishment of the objectives therein set forth; and

Having regard to the provisions of Articles 10, 72, 86 and 87 of the Charter

THEREFORE RESOLVES:

1. That the Interim Commission of the International Trade Organization is hereby directed to examine

(i) the powers, responsibilities and activities in the field of industrial and general economic development and reconstruction of the United Nations, of the specialized agencies and of other inter-governmental organizations, including regional organizations;

(ii) the availability of facilities for technical surveys or studies of: the natural resources of underdeveloped countries; or the possibilities of their industrial development, whether general or in relation to the processing of locally produced raw materials or other particular industries; or for the improvement of their systems of transportation and communications; or with respect to the manner in which investment of foreign capital may contribute to their economic development;

and in the light of this examination to report to the Organization upon

(*a*) the structure and administrative methods,

(*b*) the working relations with the United Nations, the specialized agencies and other inter-governmental organizations including regional organizations

which will enable the International Trade Organization most effectively to carry out its positive functions for the promotion of the economic development and reconstruction of Members.

2. That the report and recommendations of the Interim Commission shall be submitted in such a manner and at such a time as will enable the Conference of the International Trade Organization to take appropriate action at its first session.

RESOLUTION OF GRATITUDE TO THE CUBAN GOVERNMENT AND PEOPLE

THE UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

On reaching the termination of its deliberations in the city of Havana,

Recalling with appreciation the generous invitation of the Cuban Government to hold the Conference in Havana,

Recognizing the singularly friendly and effective assistance which it has received at all times from the Cuban Government and people

Has the honour and deep pleasure to convey the expressions of its heart-felt gratitude

To His Excellency the President of the Republic, Dr. Ramón Grau San Martín, whose benevolent interest and goodwill have been throughout a source of encouragement to the Conference;

To His Excellency Señor Don Rafael González Muñoz, Minister of State, who honoured the Conference by accepting its Honorary Presidency;

To the President of the Cuban Senate and to the President of the Cuban Chamber of Representatives who, together with their parliamentary colleagues, have cheerfully borne considerable inconvenience in order that the work of the Conference might proceed unimpeded at the Capitol Building;

To the President and Secretary-General of the Cuban Auxiliary Commission of the United Nations Conference on Trade and Employment whose untiring efforts are in a high degree responsible for the smooth functioning of the Conference;

To the numerous government departments and private organizations which have assisted unstintingly in furthering the activities of the Conference;

To the press representatives of all countries, who have laboured with great energy and conscientiousness to keep world opinion informed of the progress of the Conference;

And to the very many individuals and social organizations which, having contributed so generously to the enjoyment and well-being of the representatives and to the general success of the Conference, have won the lasting gratitude and goodwill of all those who came to Cuba to participate in the Conference.

RELATED PUBLICATIONS

The following publications represent the successive steps in the develop ment of the plan for an International Trade Organization, which begai with the United States Proposals for Expansion of World Trade anc Employment and culminated in the Havana Charter of March 24, 1948 The publications listed may be obtained from the Superintendent o Documents, U. S. Government Printing Office, Washington 25, D. C

Proposals for Expansion of World Trade and Employment
Publication 2411. Commercial Policy Series 79. 1945. 28 pp. 10¢.

Suggested Charter for an International Trade Organization of the Unitec Nations, September 1946
Publication 2598. Commercial Policy Series 93. 1946. 47 pp. 15¢.

Preliminary Draft Charter for the International Trade Organizatior of the United Nations, December 1946
Publication 2728. Commercial Policy Series 98. 1947. xiv, 68 pp. 20¢.

Draft Charter for the International Trade Organization of the Unitec Nations. Embodied in the Report of the Second Session of th Preparatory Committee of the United Nations Conference on Trad and Employment at Geneva, Switzerland, Apr.–Aug. 1947
Publication 2927. Commercial Policy Series 106. 1947. 87 pp. 30¢.

The Geneva Charter for an International Trade Organization. A Commentary
Publication 2950. Commercial Policy Series 107. 1947. 27 pp. 15¢.

A Constitution for World Trade
Publication 2964. Commercial Policy Series 108. 1947. 14 pp. 5¢.

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March 24, 1948

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A Guide to the Study of the ITO Charter[1]

INTRODUCTION

THE Charter of the International Trade Organization is a code under which countries that become members of the organization will conduct their mutual, commercial relations. It is the result of years of work by economic and legal experts and discussions among the representatives of many countries. These discussions culminated in the United Nations Conference on Trade and Employment in which 57 nations participated at Havana, Cuba, from November 1947 to March 1948.

Although the Charter is lengthy and complex, it can be studied with ease if its main features are made clear. Accordingly, the purpose of this Guide is to acquaint the reader with the plan of the Charter. As a further aid to the reader, the more difficult articles are briefly summarized. Other articles, which can be readily understood, are not individually discussed. It should be understood throughout that this Guide is not an official interpretation of the Charter.

The Charter contains three "key" provisions which express its basic economics in terms of the actual problems of world trade. Most articles that deal with the international exchange of goods are closely related to these three provisions. Certain articles support and extend them, while others qualify them to take account of exceptional circumstances. The Guide divides these articles into two main classes and explains their relation to the "key" provisions.

Half of the 106 articles of the Charter can be covered in this way. The remainder are concerned with special problems and are treated separately. This arrangement has been chosen because it is convenient for purposes of study; it does not imply that any part of the Charter is more or less important than others.

The outline of the Guide presented below may be sufficient for the purposes of many readers; others may find the following brief explanation of further assistance.

[1] Prepared by Robert P. Terrill, Adviser on Commercial Policy, Division of Commercial Policy, Department of State.

OUTLINE

I. KEY PROVISIONS

1. Article 16—Equal treatment (non-discrimination)
2. Article 17—Reduction of tariffs and elimination of preferences
3. Article 20—General elimination of quantitative restrictions (quotas)

II. SUPPORTING PROVISIONS

1. Provisions related to Article 16
   a. Article 19 (moving pictures)
   b. Article 22 (administration of quantitative restrictions)
   c. Articles 29–30 (state trading enterprises)
2. Provisions related to Article 17
   a. Article 18 (internal taxes and regulations)
   b. Article 31 (state trading enterprises)
3. Provisions related to Article 20
   a. Article 18 (mixing regulations)
4. Provisions related to Articles 16, 17, and 20
   a. Articles 33 39 (invisible tariffs)
   b. Articles 46–54 (restrictive business practices)
   c. Articles 25 28 and 34 (subsidies and counter measures)

III. QUALIFYING PROVISIONS

1. Qualifications related to Article 16
   a. Article 44 (customs unions and free-trade areas)
   b. Article 15 (preferences for economic development)
   c. Article 23 (scarce currency provisions)
2. Qualifications related to Article 17
   a. Article 40 (modification of tariff concessions)
3. Qualifications related to Article 20
   a. Articles 13 and 14 (quotas for economic development)
   b. Articles 21 and 24 (quota systems for monetary purposes)
   c. Articles 55–70 (intergovernmental commodity agreements)
4. Qualifications related to Articles 16, 17, and 20
   a. Article 45 (general commercial policy exceptions)
   b. Article 99 (national security exceptions)

IV. SPECIAL PROVISIONS

1. Chapter II: Employment and Economic Activity
2. Chapter III: Economic Development
3. Chapters VII, VIII, and IX: The Organization

SUMMARY OF CHARTER PROVISIONS

I. KEY PROVISIONS

The Charter of the International Trade Organization (ITO) has one over-all purpose which should be borne in mind in any study of the provisions of this document: to establish and maintain by mutual agreement, an "open" or multilateral system of trade relations between members of the organization, and to expand on businesslike principles the trade of each member with all other members. The opposite state of affairs calls for numerous "closed" economies, each of which conducts foreign trade under strict governmental control in accordance with short-term agreements based on planned "barter" with politically selected countries. The United States has traditionally favored the open or multilateral system as opposed to this bilateral approach. Most other countries share our objective as indicated, for example, by their pledges in article VII of the lend-lease agreements out of which the present Charter grew through a series of international conferences.

This purpose of the Charter is reflected in three "key" provisions of chapter IV in which members agree to grant equal treatment to each other with respect to tariffs and other foreign trade matters (article 16); to reduce tariffs on a selective basis (article 17); and to refrain from using quantitative restrictions, i.e. quotas, on imports or exports to protect particular industries from competition or for other purposes detrimental to international trade (article 20). A study of the Charter may, accordingly, begin with a summary of these provisions.

1. ARTICLE 16. EQUAL TREATMENT (*Non-discrimination*)

In this article each member agrees to apply, in its import and export trade with every other member, the same customs duties and the same laws and regulations concerning customhouse procedures generally. No special privileges can be given in the future and existing discriminations must be abolished, except as to tariff rates on certain products based on historic agreements. Most important are those agreements between countries of the British Empire and between the United States on the one hand and Cuba and the Philippines on the other. However these tariff rate differentials cannot be increased,

and they are subject to reduction in the future in accordance with the selective bargaining procedures of article 17.

2. ARTICLE 17. REDUCTION OF TARIFFS AND ELIMINATION OF PREFERENCES

In article 17, members undertake to enter into and carry out negotiations with each other directed to the substantial reduction of tariffs and the elimination of preferences. The procedures contemplated are similar to those under the Trade Agreements Act which has been in force in the United States since 1934. Tariff cuts are not made by reducing all existing rates by some uniform percentage. Instead, a country bargains individually with other countries, one at a time, concerning tariff reductions on those articles of which each country is the chief or an important supplier of the other and which each elects to put up for bargaining. In effect, countries agree to "swap" tariff concessions on a "product-by-product" basis.

This procedure was actually carried out on a large scale at Geneva in 1947 when the United States negotiated tariff reductions with 22 other countries, and many of these countries likewise negotiated with each other. The resulting tariff rates were then incorporated into one inclusive document known as the "General Agreement on Tariffs and Trade".[1]

At this point, article 17 ties in closely with article 16 which obliges each member to extend to all other members its lowest tariff rates including all tariff concessions negotiated in trade agreements. The members who participated in the Geneva negotiations must extend to other countries joining ITO the same reduced tariff rates on every product included in the General Agreement. However article 17 requires that if these other countries are to continue to be entitled to receive "bargain" rates, they must also, within two years, negotiate tariff reductions with countries now parties to the General Agreement.

3. ARTICLE 20. GENERAL ELIMINATION OF QUANTITATIVE RESTRICTIONS (*Quotas*)

This article concerns quantitative restrictions, trade barriers that consist of governmental regulations specifying the amounts of any product that can enter or leave the country during a certain period of time. Article 20 lays down the general rule that members shall not use quantitative restrictions to regulate the import or export of any product, save under exceptional circumstances.

The chief exception to the rule against *export* restrictions in this article relates to the case of a critical shortage of foodstuffs or other essential products. The chief exception to the rule against *import* restrictions in the article relates to agricultural products, where the

[1] Department of State publication 3107. Commercial Policy Series 111.

domestic supply is also subject to governmental restrictions. When used in conjunction with such domestic programs, however, quantitative restrictions on imports cannot be used as a protective device to increase the share of domestic producers in their national market.

II. SUPPORTING ARTICLES

The basic rules of the Charter with regard to equal treatment, the reduction of tariffs, and the elimination of quantitative restrictions are directly involved in some 50 related articles. Approximately half of these articles may be regarded as supporting or extending the basic provisions, while the remainder may be considered as qualifying them.

1. PROVISIONS RELATED TO ARTICLE 16

(a) *Moving Pictures*

Under article 19, movie films, a large U.S. export item, are guaranteed fair treatment in the theaters of each member country as against the competing film exports of other members. A member is allowed to reserve a portion of the total screen time in its theaters for films of domestic origin but must allow competition as between producers in other member countries for the remainder of the business. Moreover the proportion of time thus reserved is subject to reduction or elimination in accordance with the bargaining procedures of article 17.

(b) *Non-discriminatory Administration of Quantitative Restrictions*

Article 22, as indicated by its title, likewise deals with the same general subject as does article 16. Under certain circumstances, a member may be permitted to use quantitative restrictions. However this article insures that such restrictions as are permitted will be applied equitably to give fair treatment to exporters situated in all other member countries. It prescribes a general rule to this effect and sets forth a number of requirements to give the rule precision and enable it to be enforced.

(c) *State Trading Enterprises*

Articles 29 and 30 concern the behavior of state trading enterprises (i.e. those operated or controlled by governments) in world markets. These articles, also, are related to article 16 as indicated by the expression "Non-discriminatory Treatment" in their title. In article 16, it will be recalled members are pledged not to discriminate against the trade of other members in customs matters. This pledge could be completely nullified, however, by the actions of state enterprises. They could be directed to discriminate against the commerce

of other members in their sales and purchases abroad if it were not for the provisions of article 29 which expressly prohibits such conduct. This article prescribes, moreover, that the buying and selling activities of state enterprises must conform to the same commercial considerations as govern the operations of private firms and must afford potential buyers and sellers abroad a reasonable opportunity to compete for the business of such enterprises.

2. PROVISIONS RELATED TO ARTICLE 17

(a) *Internal Taxation and Regulations*

Tariff reductions, as provided for in article 17, could be entirely nullified if a member were free to impose special regulations or taxes on trade in foreign products after they have entered its territory. The purpose of article 18 is to guarantee that this will not occur, and, accordingly, its provisions are basic in the structure of the Charter. Whereas article 16 prescribes most-favored-nation treatment, this article requires that when imported goods have duly passed into domestic trade, they can be subject only to the same taxes, laws, and regulations as apply to similar domestic goods. This principle of "national treatment" is expressed in the following words: "The products of any Member country imported into any other Member country shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use."

(b) *State Trading Enterprises*

In article 31, state trading enterprises again figure, this time in relation to protective tariffs. The governments of some countries have decreed by law that all foreign trade in certain products, such as tobacco or some essential foodstuff, is to be conducted only by a designated company, usually a government-owned enterprise. Such monopoly enterprises can buy on the world market any required imports, resell them on the domestic market at a higher price, and thereby afford protection to domestic producers of the product. The effect is the same as that of a tariff duty. Article 31, therefore, subjects such protective margins established through state monopolies to the same bargaining rules as apply to tariffs under article 17. Article 31 also covers other aspects of the operations of state monopolies, including export monopolies, to insure that they are not conducted in a manner that would disrupt world commerce.

3. PROVISIONS RELATED TO ARTICLE 20

(a) *Mixing Requirements*

Article 18 (paragraph 5) forbids the adoption in the future of internal quantitative regulations commonly known as "mixing regu-

lations". These are requirements imposed by governments that a certain percentage of a domestic product must be used in conjunction with an imported product (e.g., domestic alcohol with imported gasoline). Existing requirements of this kind, which are comparatively rare at the present time, are specifically exempted from this prohibition. However it is provided that they shall be subject to negotiations for their reduction in the same manner as tariffs under article 17.

4. PROVISIONS RELATED TO ALL THREE KEY ARTICLES

Consideration may next be given to some twenty articles which relate to the entire group of "key" provisions and whose purpose is likewise to avoid discriminatory treatment and to remove or reduce trade barriers. In addition, they are intended to prevent many governmental actions that might counteract or nullify the beneficial effects of the "key" provisions. These related articles are found in three major groups which may be conveniently studied as follows: articles 33 to 39 (section E of chapter IV); articles 46 to 54 (chapter V); and articles 25 to 28 (section C of chapter IV).

(a) *"Invisible Tariffs"*

Section E of chapter IV, "General Commercial Provisions," governs the detailed regulations that countries apply to the handling of foreign trade shipments. These requirements, commonly known as "invisible tariffs", are detailed and complex; moreover, they are quite different in various countries both as to substance and administration. They constitute the "red tape" which traders frequently regard as more burdensome to their operations than many tariffs. The object of articles 33 to 39, which cannot here be reviewed individually, is to simplify these requirements and, where possible, make them uniform in all member countries; to reduce the costs of handling shipments; to ensure the just and impartial administration of all regulations; and otherwise to make it as convenient as possible for traders to move their goods in world commerce. These provisions thus mark an important advance in a field where previous attempts have been unsatisfactory.

(b) *Restrictive Business Practices*

Chapter V, "Restrictive Business Practices", concerns a subject commonly known as "international cartels". It would be largely futile to remove the discriminations and reduce or eliminate the trade barriers imposed on a product by governments if business enterprises were free under the Charter to create them. Indeed, if this were the case, governments might deliberately guide enterprises, private as well as public, to pursue policies or enter into agreements precisely contrary in effect to the rules laid down in articles 16, 17, and 20.

Moreover these rules presuppose that effective competition will prevail in world markets so that the flow of trade will respond to market forces, thus avoiding its regimentation under government-to-government deals. Chapter V accordingly requires members to prevent public or private commercial enterprises from engaging in restrictive or discriminatory business practices which limit trade or production and interfere with the objectives of the Charter. The provisions of chapter V establish the detailed obligations of members, create certain rights of complaint against particular cases of restrictive practices, and empower ITO to make decisions and recommendations in respect of such complaints.

(c) *Subsidies and Counter Measures*

Section C of chapter IV deals with export subsidies and with domestic subsidies. A domestic subsidy consists of special payments by a government to producers of a product to stimulate its output. Unlike an export subsidy, such a domestic payment does not result in a difference between the selling price of the product on the home market and on the export market, in case a portion is sold abroad. Accordingly, members are not prohibited from granting a domestic subsidy but are obliged under article 25 to consult with other members or the organization upon request, with a view to agreeing upon limitations of the subsidy if this is necessary to avoid serious prejudice to the trade of others.

Export subsidies consist of special payments or bonuses by a government on the export of a product enabling it to be sold in foreign markets at a lower price than it is sold at home, thus capturing markets which could not be obtained under ordinary competitive conditions. Moreover the subsidy payments may be so administered as to discriminate between different foreign markets. Competing producers in other countries usually consider this form of subsidy to be particularly destructive and, in retaliation, other governments frequently resort to higher tariffs, quantitative restrictions, or other trade barriers. Thus, export subsidies tend to defeat the objectives of articles 16, 17, and 20. Accordingly, section C of chapter IV limits the use of this device. Export subsidies are prohibited (article 26) except in the case of a primary commodity (article 27). Even when permitted, the subsidy must not result in the acquisition of more than a fair share of the world market by the member in question (article 28). In cases of conflict with other members interested in the same primary commodity, the ITO will determine, in accordance with certain rules, what constitutes a fair share of the market. Finally, other members are permitted under article 34 to impose countervailing duties on imports of products which are subject to export subsidies or domestic subsidies by another member.

III. QUALIFYING PROVISIONS

In the drafting and negotiation of the Charter among the representatives of 57 countries, it was found necessary at certain points to qualify the basic rules of the "key" provisions laid down in articles 16, 17, and 20. Such qualifications or exceptions were required in the interest of promoting customs unions or free-trade areas, promoting the development of "under-developed" countries, protecting a country's monetary reserves in the face of serious balance-of-payments difficulties, and furthering the requirements of national security. It will be noted, as a matter of great importance in connection with the fundamental purpose of the Charter, that the ITO is given substantial powers of review and determination, or recommendation, to ensure that these various qualifications and exceptions to the general rules will be applied only if necessary and for the time and to the extent they are necessary and that their administration will be fair and reasonable in the light of the interests of other members.

1. QUALIFICATIONS RELATED TO ARTICLE 16

(a) *Customs Unions and Free-Trade Areas*

Article 44 permits members to form customs unions or free-trade areas even though such action would be contrary to the strict terms of article 16 requiring nondiscriminatory treatment by each member of the trade of all other members. Customs unions have been almost universally regarded as legitimate exceptions to the principle of most-favored-nation treatment because of the economic benefits to the parties concerned and, indirectly, to the other countries of the world. Accordingly, the Charter recognizes that the rule of nondiscriminatory treatment should not be allowed to stand in the way if two or more members are willing to face the adjustments that may be required by the wholesale abolition of all barriers to trade between their respective territories. The Charter also recognizes that it may not be feasible to put a customs union into effect in a single step. Transitional arrangements are therefore permitted but ITO must approve them in advance to ensure that a complete customs union will be achieved within a reasonable time.

(b) *Preferences for Economic Development*

Article 15 also qualifies article 16 by permitting neighboring countries to grant to each other on certain products lower tariff rates than apply to imports of these same products from other countries, in order to ensure an adequate market for the development of new industries. To prevent abuse of this departure from the principle of equal treatment, it is provided that preferential arrangements under this article either must be expressly authorized by a two-thirds

vote of ITO or must be based upon a finding by ITO that the arrangement in question meets a number of rigorous conditions and requirements which are set out in detail. These include limitations on the size of the margin of preference, the duration of the agreement, etc., as well as notice and consultation with affected members and the organization.

(c) *Scarce Currency Provisions*

Article 23 qualifies the general rule laid down in article 22 (discussed earlier on page 5) that import quotas, when permitted, must be administered in a nondiscriminatory manner. Article 23 is therefore related to article 16, since it concerns the subject of discrimination. It is also one of the most important and highly technical in the entire Charter since it involves international monetary questions. In a general way this article owes its existence to the present state of world finance in which only the U.S. dollar and a few other currencies are "convertible", as opposed to other national currencies which can be used for purchases in the country of issue, but cannot be freely "converted" into, or exchanged for, other currencies. This condition reflects the abnormally large demand for imports from the United States and the few other "hard-currency" countries. Article 23 permits a member which is in balance-of-payments difficulties and therefore rationing its supplies of foreign currencies, to discriminate among supplying countries in its purchases to best conserve the foreign currencies of which it is short. A member can require the purchase of some or all of a product in a "soft-currency" country even though it would be somewhat cheaper to buy in a "hard-currency" country. Discriminations of this kind are typically found in bilateral trading agreements under which two governments undertake reciprocal purchase and sales programs for a given period. They can severely disrupt the normal and most economical pattern of world trade. Accordingly, the provisions of article 23 (and annex K) provide for their virtual elimination after the end of the postwar "transition period" as determined for each country by the International Monetary Fund. Moreover, after March 1, 1952, a member applying such measures must consult the ITO or the Fund, or both, regarding their continued use.

2. QUALIFICATIONS RELATED TO ARTICLE 17

(a) *Modification of Tariff Concessions*

Article 40 corresponds to the "escape" clause in recent trade agreements negotiated by the United States. It provides that a member may reduce or withdraw a tariff concession granted to another member on a particular product if imports of that product increase to such an extent and under such conditions as to cause or threaten

serious injury to domestic producers. Such action may be necessary because of an unexpected change in conditions of production or demand at home or abroad. The member taking the action must, however, give notice to the ITO as soon as practicable concerning the intent to suspend a concession, and it is obliged to consult with other affected members. If they are not satisfied and the concession is nevertheless suspended, these members may within 90 days suspend an equivalent concession granted to the member taking the action.

3. QUALIFICATIONS RELATED TO ARTICLE 20

Article 20, it will be recalled, is the third of the fundamental rules of the Charter; it prohibits the use of quantitative restrictions for protective purposes. It has already been noted that deviations from this general rule may be permitted in certain exceptional circumstances.

There are, in addition, two other qualifications of importance which are to be found in articles 13 and 21.

(a) *Quotas for Economic Development*

Article 13 is written in the interest of members who may wish, for a limited period, to impose a measure of protection against the imports of some product in the hope of promoting a new industry. The "underdeveloped" countries attach great importance to it as a means of ensuring that the rules of the Charter will not be so applied as to prevent the industrialization of their economies in future years.

It is expressly recognized in the article that if a product has been included in a trade agreement with another member, there is no "escape" available on these grounds except by negotiation and agreement. The member in question must persuade the other member to whom the commitment was made to allow it to impose a quota on the product, or to increase the tariff, in exchange for an equivalent bargain.

If, however, the product in question is not the subject of a previous trade agreement, article 13 (section C, paragraphs 6–10) provides a possible escape from the rules forbidding the use of quantitative restrictions on imports for protective purposes (article 20) and the use of internal mixing regulations (article 18). The article sets forth three alternative possibilities: (1) the members whose trade would be affected by the action may consent to it, subject to whatever conditions are agreed upon; (2) the organization may grant prior approval, subject to certain findings and limitations; or (3) the organization shall grant such exemptions if it finds that certain highly detailed conditions and requirements are fulfilled. In this latter case, however, a time limit must be specified for the protective measure which, moreover, is not renewable. The measure must also be so administered as to avoid unnecessary damage to the commercial or economic

interests of other members, including their economic development and domestic employment.

Article 14 permits, as a transitional measure, the maintenance by a member of existing quotas for economic development purposes provided that a list of the products and quotas in question has been notified to the other members prior to the time the member maintaining the quota ratifies the Charter. Such quotas are to be reviewed by ITO in the light of the rules and principles laid down in article 13 and in no case may quotas be maintained, even transitionally, with respect to products which have been the subject of tariff agreements.

(b) *Quota Systems for Monetary Purposes*

Article 21 constitutes the major exception to the rule of article 20 against the use of quantitative restrictions. It allows such restrictions to be imposed upon the whole or part of its imports by a member in balance-of-payments difficulties which threaten its monetary reserves. In other words, if a member is going broke in its foreign exchange accounts, it may "ration" its expenditures for foreign goods. However, ITO must be consulted by the member if any new quantitative restrictions are imposed or if existing restrictions are increased. All members imposing quantitative restrictions under this article when the Charter comes into force are obliged to get rid of them as quickly as possible, and ITO must within its first two years review any that may exist. Moreover, under article 24, the International Monetary Fund is given exclusive authority to determine the facts about the condition of the member's reserves.

(c) *Intergovernmental Commodity Agreements*

Chapter VI, which includes articles 55 to 70 and covers the subject of intergovernmental commodity agreements, may likewise be regarded as a qualification of article 20. Chapter VI is included in the Charter in view of special difficulties that appear to exist in the case of certain primary commodities. The supply and demand characteristics of some of these commodities give rise to the possibility of exaggerated price declines and severe distress to producers. When governments take certain measures to relieve this distress, such as export subsidies in conjunction with domestic price support programs, international trade may become disorganized and producers in other countries may be adversely affected. Accordingly, chapter VI permits members to enter into multilateral agreements relating to the exports and imports of a primary commodity. Such agreements are subject to special requirements when they regulate prices or when they regulate production or impose any controls on imports or exports which might have restrictive effects. They may be used only in situations (*a*) in which a burdensome surplus is expected, threatening severe hardship to numerous small producers, or

(*b*) in which severe unemployment is expected owing to lack of other opportunities for jobs (article 62). Such agreements, although renewable, must also be limited in duration to five years or less and must be accompanied by a program of economic adjustment designed to remedy the underlying difficulties. Moreover, countries which are principally consumers must have a voice equal to that of producing countries in the operation of such agreements, and ITO has the right to determine whether a given agreement meets the standards specified in chapter VI.

4. QUALIFICATIONS RELATED TO ARTICLES 16, 17, AND 20

(a) *General Commercial Policy Exceptions*

Article 45 lists a number of exceptions commonly found in commercial treaties and agreements and relating to such things as sanitary measures, customs enforcement, patent protection, gold and silver, etc. Provision is also made for temporary measures essential to allow members to deal with shortages of commodities through price control and rationing. There is included a general safe-guarding provision to prevent the abuse of these exceptions for purposes other than those for which they are intended.

(b) *National Security Exceptions*

Article 99 is a general exception for reasons of national security, applicable to Articles 16, 17, and 20 and to all other articles of the Charter. It provides that no member shall be required to disclose any information which would be contrary to its essential security interests. Moreover the Charter shall not prevent a member from taking any action it considers necessary to protect its security interests in relation to fissionable materials or traffic in war materials. In time of war or other emergency in international relations, a member may take any action which it considers necessary to protect its security interest.

IV. SPECIAL PROVISIONS

The articles concerned directly with the international exchange of goods have now been accounted for in relation to the "key" provisions of the Charter. The remaining articles bear upon the special subjects of employment (chapter II); economic development and investment (chapter III); and the functions of the organization as an international agency (chapters VII, VIII, and IX). A brief explanation of some fundamental points in these chapters follows.

1. CHAPTER II. EMPLOYMENT AND ECONOMIC ACTIVITY

Economic depressions and national measures to counteract them profoundly affect foreign commerce. Hence provisions on this sub-

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ject may properly find a place in a Charter whose primary purpose is the expansion of international trade. In article 3 each member agrees to take measures, appropriate to its own political and economic institutions, designed to maintain full and productive employment within its territory. This objective is consistent with the policy and purpose of the Employment Act of 1946, a postwar program laid down by the United States Congress for this country. Such measures must, of course, be compatible with the Charter, and the member must try to avoid spreading its depression to other countries.

If a depression occurs in one country while others remain relatively prosperous, its imports are likely to drop while its exports temporarily remain high. Since this creates difficulties for the other countries, chapter II provides that the member in question shall make its full contribution toward correcting the situation and that other members shall also take appropriate action to avoid a general shrinkage of world trade.

Finally, the chapter provides that each member shall seek to eliminate unfair labor standards, particularly in its export industries, and that appropriate consultation and cooperation with the International Labor Organization will be established.

2. CHAPTER III. ECONOMIC DEVELOPMENT AND INTERNATIONAL INVESTMENT

It is a significant fact that more than two thirds of the world's two billion people live in countries which consider that they are underdeveloped relative to the industrialized nations of western Europe and North America. The Charter recognizes that the development through sound measures of economic and industrial resources in underdeveloped countries will raise standards of living and expand international trade. Accordingly, provision is made for ITO, in cooperation with other international agencies, to advise members as to their plans for economic development and help them procure further advice and assistance. Also, members within whose boundaries there exist disposable capital funds, equipment, and technology agree not to impose unreasonable or unjustifiable impediments that would prevent other members from obtaining on equitable terms such facilities for their economic development.

The general economic progress and industrialization of underdeveloped countries, the Charter recognizes, would be stimulated if private foreign investment were encouraged in these areas through proper protection and security. Accordingly, members agree under article 11 to take no unreasonable or unjustifiable action injurious to the rights or interests of nationals of other members in the enter-

prise, skills, capital, arts, or technology which they have supplied. Members also agree, in article 12, to provide adequate security for existing and future investments, but they may take measures to ensure that such investments are not used as a basis for interference in internal political affairs. Likewise, members retain full right to determine the conditions under which new investments, if any, may be made by foreign nationals. They have the further right to impose, on just terms, requirements as to the ownership of existing as well as future investments.

None of the above provisions, however, can override any obligations toward foreign investors that a member may assume under any other international agreement. If, for example, a treaty between the United States and another member imposes greater limitations than does the charter upon freedom of governmental action toward investments owned in either country by citizens of the other, these treaty obligations will prevail. In this regard, article 12 also provides that a member will, if requested by another member, participate in negotiations for an agreement relating to investment opportunities and security for investments.

In summary, articles 11 and 12 require that no unreasonable or unjustifiable action can be taken toward foreign investments, that ownership requirements must be imposed on just terms, and that in general the treatment of foreign investors must be reasonable. If disputes occur between members concerning the application of these requirements, such as the determination of just compensation to foreign owners whose property has been nationalized, the ITO has power to make decisions, and the issue may be further carried to the International Court of Justice under appropriate circumstances. (These procedures are described in the following section of this Guide). In this manner, principles of equity and of international law may be applied to the highly complex and varied circumstances of individual cases. Finally, ITO may formulate and promote agreement among members on a foreign investment code which would be more detailed than the provisions of the Charter concerning this subject.

3. CHAPTERS VII, VIII, AND IX. THE ORGANIZATION

An organization to administer the provisions of the Charter is provided in chapter VII. It is governed by a general conference consisting of all members, each of whom has one vote and none the right of veto. Many functions of the conference are, or may be, delegated to an executive board consisting of 18 members, including as permanent members the eight states of chief economic importance. Under this arrangement the United States would have a permanent seat on the Board; among the remaining seven entitled to

permanent seats would initially be Canada, the United Kingdom, France, Benelux (the customs union of Belgium, Netherlands, and Luxembourg), China, and India. Commissions, composed of highly trained experts, will be established to advise the Board and the conference on the complex technical problems which will arise in ITO's various fields of activity.

One of the major functions of the organization is set forth in chapter VIII. It relates to the settlement of differences between members, without resort to "economic warfare" which frequently results from retaliatory measures taken by one country against the actions of another. Article 92 provides that members will not have recourse to such unilateral measures and will settle their differences in accordance with the procedures provided for in the Charter. They will consult with each other when necessary and may use the good offices of ITO to help settle their differences.

If a dispute cannot be settled by agreement between the parties, any member concerned may refer it to the Executive Board. The Board must then investigate and decide whether a complaining member has in fact been injured through a loss of benefits under the Charter because of action or nonaction of another member. The Board must next determine whether the action or nonaction was in violation of obligations assumed by members under the Charter. If an obligation has been breached, the Board may request the offending member to take the steps necessary to conform to its obligation. If no obligation has been breached, the Board may make recommendations to the members to help them adjust their differences. In either case the Board may also release the injured member from obligations or concessions granted to the offending member, to the extent that benefits under the Charter have been nullified or impaired by the action of the offending member. Members aggrieved by the action of the Board may appeal to the conference which can confirm, modify, or reverse the Board's action. Finally, any decision by ITO may be brought, at the request of any member whose interests are prejudiced, to the attention of the International Court of Justice by a request for an advisory opinion under the Statute of the Court.

The second main function of ITO concerns the administration of provisions which set forth qualifications or exceptions to the basic rules of the Charter. As noted under section III of this Guide, there are numerous instances calling for the exercise of discretion by ITO, in accordance with prescribed standards, in order that it may be determined whether a member may or may not take certain proposed measures. This introduces a necessary and desirable element of flexibility into the Charter and enables it to be adapted to the numerous and changing conditions of the modern world.

Final Act

of the

United Nations Conference on Trade and Employment

Final Act of the United Nations Conference on Trade and Employment

The Economic and Social Council of the United Nations, by a resolution dated February 18, 1946, resolved to call an International Conference on Trade and Employment for the purpose of promoting the expansion of the production, exchange and consumption of goods.

The Conference, which met at Havana on November 21, 1947, and ended on March 24, 1948, drew up the Havana Charter for an International Trade Organization to be submitted to the Governments represented. The text of the Charter in the English and French languages is annexed hereto and is hereby authenticated. The authentic text of the Charter in the Chinese, Russian and Spanish languages will be established by the Interim Commission of the International Trade Organization, in accordance with the procedure approved by the Conference.

There are also annexed to this Final Act a resolution of the Conference establishing an Interim Commission of the International Trade Organization and the other resolutions of the Conference.

This Final Act and the documents annexed shall be deposited with the Secretary-General of the United Nations, who will send certified copies to each of the Governments represented at the Conference.

IN WITNESS WHEREOF, the duly authorized representatives of their Governments have subscribed their names below.

DONE at Havana, this twenty-fourth day of March, one thousand nine hundred and forty-eight, in a single copy in the Chinese, English, French, Russian and Spanish languages.

For Afghanistan:
A. HOSAYN AZIZ

For Australia:
H. C. COOMBS

For the Republic of Austria:
MATSCH

For the Kingdom of Belgium:
M. SUETENS

For Bolivia:
G. GUTIÉRREZ V. M.

For Brazil:
A. DE VILHENA FERREIRA BRAGA

For the Union of Burma:
M. MYAT TUN

For Canada:
L. D. WILGRESS

For Ceylon:
B. MAHADEVA

For Chile:
W. MÜLLER
F. GARCÍA OLDINI

For China:
WUNSZ KING

For Colombia:
F. LEQUERICA VÉLEZ

For Costa Rica:
V. M. DE LA GUARDIA

For Cuba:
GUSTAVO GUTIÉRREZ

For Czechoslovakia:
Z. AUGENTHALER

For Denmark:
E. WAERUM

For the Dominican Republic:
LUIS JULIÁN P.

For Ecuador:
E. CHIRIBOGA

For Egypt:
ANIS AZER

For El Salvador:
R. JIMÉNEZ C.

For France:
PHILIPPE GROUSSET

For Greece:
ATH. POLITIS

For Guatemala:
DR. ANGEL ARTURO RIVERA

For Haiti:
F. MORISSEAU LEROY

For India:
HARDIT SINGH MALIK

For the Republic of Indonesia:
A. K. GANI

For Iran:
NASROLLAH ENTEZAM

For Iraq:
S. HAIDER
A. JADDOU

For Ireland:
J. C. B. MACCARTHY

For the Republic of Italy:
CARMELO LA ROSA

For Lebanon:
GEORGES HAKIM

For Liberia:
JOHN A. DUNAWAY

For the Grand Duchy of Luxembourg.
J. WOULBROUN

For Mexico:
R. BETETA
C. NOVOA

For the Kingdom of the Netherlands:
A. B. SPEEKENBRINK

For New Zealand:
W. NASH
J. P. D. JOHNSEN

For Nicaragua:
J. SÁNCHEZ R.

For the Kingdom of Norway:
ERIK COLBAN

For Pakistan:
A. H. ISPAHANI

For Panama:
JUVENAL A. CASTRELLÓN

For Peru:
RÓMULO F. FERRERO
MANUEL B. LLOSA

For the Philippine Republic:
URBANO A. ZAFRA

For Portugal:
ALVARO D. L. MARQUES

For Southern Rhodesia:
S. ROWE

For Sweden:
R. KUMLIN

For Switzerland:
FRITZ REAL

For Syria:
HUSNI SAWWAI

For Transjordan:
S. HAIDER
A. JADDOU

For the Union of South Africa:
H. T. ANDREWS

For the United Kingdom of Great Britain and Northern Ireland:
STEPHEN L. HOLMES
J. L. DODDS
R. J. SHACKLE

For the United States of America:
W. L. CLAYTON
CLAIR WILCOX

For Uruguay:
ARIOSTO D. GONZÁLEZ

For Venezuela:
CARLOS A. D'ASCOLI

For the United Nations:
A. D. K. OWEN
for the Secretary-General

For the United Nations Conference on Trade and Employment
ERIC WYNDHAM WHITE
Executive Secretary

Havana Charter
for an
International Trade Organization

Havana Charter

For An International Trade Organization

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CHAPTER I

PURPOSE AND OBJECTIVES

Article 1

RECOGNIZING the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations,

THE PARTIES to this Charter undertake in the fields of trade and employment to co-operate with one another and with the United Nations

For the Purpose of

REALIZING the aims set forth in the Charter of the United Nations, particularly the attainment of the higher standards of living, full employment and conditions of economic and social progress and development, envisaged in Article 55 of that Charter.

TO THIS END they pledge themselves, individually and collectively, to promote national and international action designed to attain the following objectives:

1. To assure a large and steadily growing volume of real income and effective demand, to increase the production, consumption and exchange of goods, and thus to contribute to a balanced and expanding world economy.

2. To foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development, and to encourage the international flow of capital for productive investment.

3. To further the enjoyment by all countries, on equal terms, of access to the markets, products and productive facilities which are needed for their economic prosperity and development.

4. To promote on a reciprocal and mutually advantageous basis the reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce.

5. To enable countries, by increasing the opportunities for their trade and economic development, to abstain from measures which would disrupt world commerce, reduce productive employment or retard economic progress.

6. To facilitate through the promotion of mutual understanding,

consultation and co-operation the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy.

ACCORDINGLY they hereby establish the INTERNATIONAL TRADE ORGANIZATION through which they shall co-operate as Members to achieve the purpose and the objectives set forth in this Article.

CHAPTER II

EMPLOYMENT AND ECONOMIC ACTIVITY

Article 2

Importance of Employment, Production and Demand in relation to the Purpose of this Charter

1. The Members recognize that the avoidance of unemployment or underemployment, through the achievement and maintenance in each country of useful employment opportunities for those able and willing to work and of a large and steadily growing volume of production and effective demand for goods and services, is not of domestic concern alone, but is also a necessary condition for the achievement of the general purpose and the objectives set forth in Article 1, including the expansion of international trade, and thus for the well-being of all other countries.

2. The Members recognize that, while the avoidance of unemployment or underemployment must depend primarily on internal measures taken by individual countries, such measures should be supplemented by concerted action under the sponsorship of the Economic and Social Council of the United Nations in collaboration with the appropriate inter-governmental organizations, each of these bodies acting within its respective sphere and consistently with the terms and purposes of its basic instrument.

3. The Members recognize that the regular exchange of information and views among Members is indispensable for successful co-operation in the field of employment and economic activity and should be facilitated by the Organization.

Article 3

Maintenance of Domestic Employment

1. Each Member shall take action designed to achieve and maintain full and productive employment and large and steadily growing demand within its own territory through measures appropriate to its political, economic and social institutions.

2. Measures to sustain employment, production and demand shall

be consistent with the other objectives and provisions of this Charter. Members shall seek to avoid measures which would have the effect of creating balance-of-payments difficulties for other countries.

Article 4

Removal of Maladjustments within the Balance of Payments

1. In the event that a persistent maladjustment within a Member's balance of payments is a major factor in a situation in which other Members are involved in balance-of-payments difficulties which handicap them in carrying out the provisions of Article 3 without resort to trade restrictions, the Member shall make its full contribution, while appropriate action shall be taken by the other Members concerned, towards correcting the situation.

2. Action in accordance with this Article shall be taken with due regard to the desirability of employing methods which expand rather than contract international trade.

Article 5

Exchange of Information and Consultation

1. The Members and the Organization shall participate in arrangements made or sponsored by the Economic and Social Council of the United Nations, including arrangements with appropriate intergovernmental organizations:

(*a*) for the systematic collection, analysis and exchange of information on domestic employment problems, trends and policies, including as far as possible information relating to national income, demand and the balance of payments;

(*b*) for studies, relevant to the purpose and objectives set forth in Article 1, concerning international aspects of population and employment problems;

(*c*) for consultation with a view to concerted action on the part of governments and inter-governmental organizations in order to promote employment and economic activity.

2. The Organization shall, if it considers that the urgency of the situation so requires, initiate consultations among Members with a view to their taking appropriate measures against the international spread of a decline in employment, production or demand.

Article 6

Safeguards for Members subject to External Inflationary or Deflationary Pressure

The Organization shall have regard, in the exercise of its functions under other Articles of this Charter, to the need of Members to take

action within the provisions of this Charter to safeguard their economies against inflationary or deflationary pressure from abroad. In case of deflationary pressure special consideration shall be given to the consequences for any Member of a serious or abrupt decline in the effective demand of other countries.

Article 7

Fair Labour Standards

1. The Members recognize that measures relating to employment must take fully into account the rights of workers under inter-governmental declarations, conventions and agreements. They recognize that all countries have a common interest in the achievement and maintenance of fair labour standards related to productivity, and thus in the improvement of wages and working conditions as productivity may permit. The Members recognize that unfair labour conditions, particularly in production for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory.

2. Members which are also members of the International Labour Organisation shall co-operate with that organization in giving effect to this undertaking.

3. In all matters relating to labour standards that may be referred to the Organization in accordance with the provisions of Articles 94 or 95, it shall consult and co-operate with the International Labour Organisation.

CHAPTER III

ECONOMIC DEVELOPMENT AND RECONSTRUCTION

Article 8

Importance of Economic Development and Reconstruction in Relation to the Purpose of this Charter

The Members recognize that the productive use of the world's human and material resources is of concern to and will benefit all countries, and that the industrial and general economic development of all countries, particularly of those in which resources are as yet relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, will improve opportunities for employment, enhance the productivity of labour, increase the demand for goods and services, contribute to economic balance, expand international trade and raise levels of real income.

Article 9

Development of Domestic Resources and Productivity

Members shall within their respective territories take action designed progressively to develop, and where necessary to reconstruct, industrial and other economic resources and to raise standards of productivity through measures not inconsistent with the other provisions of this Charter.

Article 10

Co-operation for Economic Development and Reconstruction

1. Members shall co-operate with one another, with the Economic and Social Council of the United Nations, with the Organization and with other appropriate inter-governmental organizations, in facilitating and promoting industrial and general economic development, as well as the reconstruction of those countries whose economies have been devastated by war.

2. With a view to facilitating and promoting industrial and general economic development and consequently higher standards of living, especially of those countries which are still relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, and subject to any arrangements which may be entered into between the Organization and the Economic and Social Council of the United Nations and appropriate inter-governmental organizations, the Organization shall, within its powers and resources, at the request of any Member:

(*a*) (i) study the Member's natural resources and potentialities for industrial and general economic development, and assist in the formulation of plans for such development;

(ii) furnish the Member with appropriate advice concerning its plans for economic development or reconstruction and the financing and carrying out of its programmes for economic development or reconstruction; or

(*b*) assist the Member to procure such advice or study.

These services shall be provided on terms to be agreed and in such collaboration with appropriate regional or other inter-governmental organizations as will use fully the competence of each of them. The Organization shall also, upon the same conditions, aid Members in procuring appropriate technical assistance.

3. With a view to facilitating and promoting industrial and general economic development, especially of those countries which are still relatively undeveloped, as well as the reconstruction of those countries whose economies have been devastated by war, the Organization

shall co-operate with the Economic and Social Council of the United Nations and appropriate inter-governmental organizations on all phases, within their special competence, of such development and reconstruction, and, in particular, in respect of finance, equipment, technical assistance and managerial skills.

Article 11

Means of Promoting Economic Development and Reconstruction

1. Progressive industrial and general economic development, as well as reconstruction, requires among other things adequate supplies of capital funds, materials, modern equipment and technology and technical and managerial skills. Accordingly, in order to stimulate and assist in the provision and exchange of these facilities:

(*a*) Members shall co-operate, in accordance with Article 10, in providing or arranging for the provision of such facilities within the limits of their power, and Members shall not impose unreasonable or unjustifiable impediments that would prevent other Members from obtaining on equitable terms any such facilities for their economic development or, in the case of Member countries whose economies have been devastated by war, for their reconstruction;

(*b*) no Member shall take unreasonable or unjustifiable action within its territory injurious to the rights or interests of nationals of other Members in the enterprise, skills, capital, arts or technology which they have supplied.

2. The Organization may, in such collaboration with other inter-governmental organizations as may be appropriate:

(*a*) make recommendations for and promote bilateral or multilateral agreements on measures designed:

(i) to assure just and equitable treatment for the enterprise, skills, capital, arts and technology brought from one Member country to another;

(ii) to avoid international double taxation in order to stimulate foreign private investments;

(iii) to enlarge to the greatest possible extent the benefits to Members from the fulfilment of the obligations under this Article;

(*b*) make recommendations and promote agreements designed to facilitate an equitable distribution of skills, arts, technology, materials and equipment, with due regard to the needs of all Members;

(*c*) formulate and promote the adoption of a general agreement or statement of principles regarding the conduct, practices and treatment of foreign investment.

Article 12

International Investment for Economic Development and Reconstruction

1. The Members recognize that:

(*a*) international investment, both public and private, can be of great value in promoting economic development and reconstruction, and consequent social progress;

(*b*) the international flow of capital will be stimulated to the extent that Members afford nationals of other countries opportunities for investment and security for existing and future investments;

(*c*) without prejudice to existing international agreements to which Members are parties, a Member has the right:

(i) to take any appropriate safeguards necessary to ensure that foreign investment is not used as a basis for interference in its internal affairs or national policies;

(ii) to determine whether and to what extent and upon what terms it will allow future foreign investment;

(iii) to prescribe and give effect on just terms to requirements as to the ownership of existing and future investments;

(iv) to prescribe and give effect to other reasonable requirements with respect to existing and future investments;

(*d*) the interests of Members whose nationals are in a position to provide capital for international investment and of Members who desire to obtain the use of such capital to promote their economic development or reconstruction may be promoted if such Members enter into bilateral or multilateral agreements relating to the opportunities and security for investment which the Members are prepared to offer and any limitations which they are prepared to accept of the rights referred to in subparagraph (*c*).

2. Members therefore undertake:

(*a*) subject to the provisions of paragraph 1 (*c*) and to any agreements entered into under paragraph 1 (*d*).

(i) to provide reasonable opportunities for investments acceptable to them and adequate security for existing and future investments, and

(ii) to give due regard to the desirability of avoiding discrimination as between foreign investments;

(*b*) upon the request of any Member and without prejudice to existing international agreements to which Members are parties, to enter into consultation or to participate in negotiations directed to the conclusion, if mutually acceptable, of an agreement of the kind referred to in paragraph 1 (*d*).

3. Members shall promote co-operation between national and foreign enterprises or investors for the purpose of fostering economic development or reconstruction in cases where such co-operation appears to the Members concerned to be appropriate.

Article 13

Governmental Assistance to Economic Development and Reconstruction

1. The Members recognize that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries or branches of agriculture, and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified. At the same time they recognize that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade, and might increase unnecessarily the difficulties of adjustment for the economies of other countries.

2. The Organization and the Members concerned shall preserve the utmost secrecy in respect of matters arising under this Article.

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3. If a Member, in the interest of its economic development or reconstruction, or for the purpose of increasing a most-favoured-nation rate of duty in connection with the establishment of a new preferential agreement in accordance with the provisions of Article 15, considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with an obligation which the Member has assumed in respect of any product through negotiations with any other Member or Members pursuant to Chapter IV but which would not conflict with that Chapter, such Member

(*a*) shall enter into direct negotiations with all the other Members which have contractual rights. The Members shall be free to proceed in accordance with the terms of any agreement resulting from such negotiations, provided that the Organization is informed thereof; or

(*b*) shall initially or may, in the event of failure to reach agreement under sub-paragraph (*a*), apply to the Organization. The

Organization shall determine, from among Members which have contractual rights, the Member or Members materially affected by the proposed measure and shall sponsor negotiations between such Member or Members and the applicant Member with a view to obtaining expeditious and substantial agreement. The Organization shall establish and communicate to the Members concerned a time schedule for such negotiations, following as far as practicable any time schedule which may have been proposed by the applicant Member. The Members shall commence and proceed continuously with such negotiations in accordance with the time schedule established by the Organization. At the request of a Member, the Organization may, where it concurs in principle with the proposed measure, assist in the negotiations. Upon substantial agreement being reached, the applicant Member may be released by the Organization from the obligation referred to in this paragraph, subject to such limitations as may have been agreed upon in the negotiations between the Members concerned.

4. (*a*) If as a result of action initiated under paragraph 3, there should be an increase in imports of any product concerned, including products which can be directly substituted therefor, which if continued would be so great as to jeopardize the establishment, development or reconstruction of the industry, or branch of agriculture concerned, and if no preventive measures consistent with the provisions of this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, provided that such measures do not restrict imports more than necessary to offset the increase in imports referred to in this sub-paragraph; except in unusual circumstances, such measures shall not reduce imports below the level obtaining in the most recent representative period preceding the date on which the Member initiated action under paragraph 3.

(*b*) The Organization shall determine, as soon as practicable, whether any such measure should be continued, discontinued or modified. It shall in any case be terminated as soon as the Organization determines that the negotiations are completed or discontinued.

(*c*) It is recognized that the contractual relationships referred to in paragraph 3 involve reciprocal advantages, and therefore any Member which has a contractual right in respect of the product to which such action relates, and whose trade is materially affected by the action, may suspend the application to the trade of the applicant Member of substantially equivalent obligations or concessions under or pursuant to Chapter IV, provided that the Member concerned has

consulted the Organization before taking such action and the Organization does not disapprove.

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5. In the case of any non-discriminatory measure affecting imports which would conflict with Chapter IV and which would apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, the provisions of sub-paragraph (*b*) of paragraph 3 shall apply; *Provided* that before granting a release the Organization shall afford adequate opportunity for all Members which it determines to be materially affected to express their views. The provisions of paragraph 4 shall also be applicable in this case.

—C—

6. If a Member in the interest of its economic development or reconstruction considers it desirable to adopt any non-discriminatory measure affecting imports which would conflict with Chapter IV, but which would not apply to any product in respect of which the Member has assumed an obligation through negotiations with any other Member or Members pursuant to Chapter IV, such Member shall notify the Organization and shall transmit to the Organization a written statement of the considerations in support of the adoption, for a specified period, of the proposed measure.

7. (*a*) On application by such Member the Organization shall concur in the proposed measure and grant the necessary release for a specified period if, having particular regard to the applicant Member's need for economic development or reconstruction, it is established that the measure

(i) is designed to protect a particular industry, established between January 1, 1939 and the date of this Charter, which was protected during that period of its development by abnormal conditions arising out of the war; or

(ii) is designed to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, when the external sales of such commodity have been materially reduced as a result of new or increased restrictions imposed abroad; or

(iii) is necessary, in view of the possibilities and resources of the applicant Member to promote the establishment or development of a particular industry for the processing of an indigenous primary commodity, or for the processing of a by-product of such industry, which would otherwise be wasted, in order to achieve a fuller and more economic use of the applicant

Member's natural resources and manpower and, in the long run, to raise the standard of living within the territory of the applicant Member, and is unlikely to have a harmful effect, in the long run, on international trade; or

(iv) is unlikely to be more restrictive of international trade than any other practicable and reasonable measure permitted under this Charter, which could be imposed without undue difficulty, and is the one most suitable for the purpose having regard to the economics of the industry or branch of agriculture concerned and to the applicant Member's need for economic development or reconstruction.

The foregoing provisions of this sub-paragraph are subject to the following conditions:

(1) any proposal by the applicant Member to apply any such measure, with or without modification, after the end of the initial period, shall not be subject to the provisions of this paragraph; and

(2) the Organization shall not concur in any measure under the provisions of (i), (ii) or (iii) above which is likely to cause serious prejudice to exports of a primary commodity on which the economy of another Member country is largely dependent.

(*b*) The applicant Member shall apply any measure permitted under sub-paragraph (*a*) in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under the provisions of Articles 3 and 9.

8. If the proposed measure does not fall within the provisions of paragraph 7, the Member

(*a*) may enter into direct consultations with the Member or Members which, in its judgment, would be materially affected by the measure. At the same time, the Member shall inform the Organization of such consultations in order to afford it an opportunity to determine whether all materially affected Members are included within the consultations. Upon complete or substantial agreement being reached, the Member interested in taking the measure shall apply to the Organization. The Organization shall promptly examine the application to ascertain whether the interests of all the materially affected Members have been duly taken into account. If the Organization reaches this conclusion, with or without further consultations between the Members concerned, it shall release the applicant Member from its obligations under the relevant provision of

Chapter IV, subject to such limitations as the Organization may impose; or

(*b*) may initially, or in the event of failure to reach complete or substantial agreement under sub-paragraph (*a*), apply to the Organization. The Organization shall promptly transmit the statement submitted under paragraph 6 to the Member or Members which are determined by the Organization to be materially affected by the proposed measure. Such Member or Members shall, within the time limits prescribed by the Organization, inform it whether, in the light of the anticipated effects of the proposed measure on the economy of such Member country or countries, there is any objection to the proposed measure. The Organization shall,

(i) if there is no objection to the proposed measure on the part of the affected Member or Members, immediately release the applicant Member from its obligations under the relevant provision of Chapter IV; or

(ii) if there is objection, promptly examine the proposed measure, having regard to the provisions of this Charter, to the considerations presented by the applicant Member and its need for economic development or reconstruction, to the views of the Member or Members determined to be materially affected, and to the effect which the proposed measure, with or without modification, is likely to have, immediately and in the long run, on international trade, and, in the long run, on the standard of living within the territory of the applicant Member. If, as a result of such examination, the Organization concurs in the proposed measure, with or without modification, it shall release the applicant Member from its obligations under the relevant provision of Chapter IV, subject to such limitations as it may impose.

9. If, in anticipation of the concurrence of the Organization in the adoption of a measure referred to in paragraph 6, there should be an increase or threatened increase in the imports of any product concerned, including products which can be directly substituted therefor, so substantial as to jeopardize the establishment, development or reconstruction of the industry or branch of agriculture concerned, and if no preventive measures consistent with this Charter can be found which seem likely to prove effective, the applicant Member may, after informing, and when practicable consulting with, the Organization, adopt such other measures as the situation may require, pending a decision by the Organization on the Member's application;

Provided that such measures do not reduce imports below the level obtaining in the most recent representative period preceding the date on which notification was given under paragraph 6.

10. The Organization shall, at the earliest opportunity but ordinarily within fifteen days after receipt of an application under the provisions of paragraph 7 or sub-paragraphs (*a*) or (*b*) of paragraph 8, advise the applicant Member of the date by which it will be notified whether or not it is released from the relevant obligation. This shall be the earliest practicable date and not later than ninety days after receipt of such application; *Provided* that, if unforeseen difficulties arise before the date set, the period may be extended after consultation with the applicant Member. If the applicant Member is not so notified by the date set, it may, after informing the Organization, institute the proposed measure.

Article 14

Transitional Measures

1. Any Member may maintain any non-discriminatory protective measure affecting imports which has been imposed for the establishment, development or reconstruction of a particular industry or branch of agriculture and which is not otherwise permitted by this Charter, provided that notification has been given of such measure and of each product to which it relates:

(*a*) in the case of a Member signatory to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, not later than October 10, 1947, in respect of measures in force on September 1, 1947, subject to decisions made under paragraph 6 of Article XVIII of the General Agreement on Tariffs and Trade; except that if in special circumstances the CONTRACTING PARTIES to that Agreement agree to dates other than those specified in this sub-paragraph, such other dates shall apply;

(*b*) in the case of any other Member, not later than the day on which it deposits its instrument of acceptance of this Charter, in respect of measures in force on that day or on the day of the entry into force of the Charter, whichever is the earlier;

and provided further that notification has been given under sub-paragraph (*a*) to the other signatories to the Final Act of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment and under sub-paragraph (*b*) to the Organization, or, if the Charter has not entered into force on the day of such notification, to the signatories to the Final Act of the United Nations Conference on Trade and Employment.

2. Any Member maintaining any such measure, other than a measure approved by the CONTRACTING PARTIES to the General Agreement under paragraph 6 of Article XVIII of that Agreement, shall, within one month of becoming a Member of the Organization, submit to it a statement of the considerations in support of the maintenance of the measure and the period for which it wishes to maintain it. The Organization shall, as soon as possible, but in any case within twelve months of such Member becoming a Member of the Organization, examine and give a decision concerning the measure as if it had been submitted to the Organization for its concurrence under Article 13.

3. Any measure, approved in accordance with the provisions of Article XVIII of the General Agreement, and which is in effect at the time this Charter enters into force, may remain in effect thereafter, subject to the conditions of any such approval and, if the Organization so decides, to review by the Organization.

4. This Article shall not apply to any measure relating to a product in respect of which the Member has assumed an obligation through negotiations pursuant to Chapter IV.

5. In cases where the Organization decides that a measure should be modified or withdrawn by a specified date, it shall have regard to the possible need of a Member for a period of time in which to make such modification or withdrawal.

Article 15

Preferential Agreements for Economic Development and Reconstruction

1. The Members recognize that special circumstances, including the need for economic development or reconstruction, may justify new preferential agreements between two or more countries in the interest of the programmes of economic development or reconstruction of one or more of them.

2. Any Member contemplating the conclusion of such an agreement shall communicate its intention to the Organization and provide it with the relevant information to enable it to examine the proposed agreement. The Organization shall promptly communicate such information to all Members.

3. The Organization shall examine the proposal and, by a two-thirds majority of the Members present and voting, may grant, subject to such conditions as it may impose, an exception to the provisions of Article 16 to permit the proposed agreement to become effective.

4. Notwithstanding the provisions of paragraph 3, the Organization shall authorize, in accordance with the provisions of paragraphs 5 and 6, the necessary departure from the provisions of Article 16 in respect of a proposed agreement between Members for the establish-

ment of tariff preferences which it determines to fulfil the following conditions and requirements:

(*a*) the territories of the parties to the agreement are contiguous one with another, or all parties belong to the same economic region;

(*b*) any preference provided for in the agreement is necessary to ensure a sound and adequate market for a particular industry or branch of agriculture which is being, or is to be, created or reconstructed or substantially developed or substantially modernized;

(*c*) the parties to the agreement undertake to grant free entry for the products of the industry or branch of agriculture referred to in sub-paragraph (*b*) or to apply customs duties to such products sufficiently low to ensure that the objectives set forth in that sub-paragraph will be achieved;

(*d*) any compensation granted to the other parties by the party receiving preferential treatment shall, if it is a preferential concession, conform with the provisions of this paragraph;

(*e*) the agreement contains provisions permitting, on terms and conditions to be determined by negotiation with the parties to the agreement, the adherence of other Members, which are able to qualify as parties to the agreement under the provisions of this paragraph, in the interest of their programmes of economic development or reconstruction. The provisions of Chapter VIII may be invoked by such a Member in this respect only on the ground that it has been unjustifiably excluded from participation in such an agreement;

(*f*) the agreement contains provisions for its termination within a period necessary for the fulfilment of its purposes but, in any case, not later than at the end of ten years; any renewal shall be subject to the approval of the Organization and no renewal shall be for a longer period than five years.

5. When the Organization, upon the application of a Member and in accordance with the provisions of paragraph 6, approves a margin of preference as an exception to Article 16 in respect of the products covered by the proposed agreement, it may, as a condition of its approval, require a reduction in an unbound most-favoured-nation rate of duty proposed by the Member in respect of any product so covered, if in the light of the representations of any affected Member it considers that rate excessive.

6. (*a*) If the Organization finds that the proposed agreement fulfils the conditions and requirements set forth in paragraph 4 and

that the conclusion of the agreement is not likely to cause substantial injury to the external trade of a Member country not party to the agreement, it shall within two months authorize the parties to the agreement to depart from the provisions of Article 16, as regards the products covered by the agreement. If the Organization does not give a ruling within the specified period, its authorization shall be regarded as having been automatically granted.

(*b*) If the Organization finds that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to cause substantial injury to the external trade of a Member country not party to the agreement, it shall inform interested Members of its findings and shall require the Members contemplating the conclusion of the agreement to enter into negotiations with that Member. When agreement is reached in the negotiations, the Organization shall authorize the Members contemplating the conclusion of the preferential agreement to depart from the provisions of Article 16 as regards the products covered by the preferential agreement. If, at the end of two months from the date on which the Organization suggested such negotiations, the negotiations have not been completed and the Organization considers that the injured Member is unreasonably preventing the conclusion of the negotiations, it shall authorize the necessary departure from the provisions of Article 16 and at the same time shall fix a fair compensation to be granted by the parties to the agreement to the injured Member or, if this is not possible or reasonable, prescribe such modification of the agreement as will give such Member fair treatment. The provisions of Chapter VIII may be invoked by such Member only if it does not accept the decision of the Organization regarding such compensation.

(*c*) If the Organization finds that the proposed agreement, while fulfilling the conditions and requirements set forth in paragraph 4, is likely to jeopardize the economic position of a Member in world trade, it shall not authorize any departure from the provisions of Article 16 unless the parties to the agreement have reached a mutually satisfactory understanding with that Member.

(*d*) If the Organization finds that the prospective parties to a regional preferential agreement have, prior to November 21, 1947, obtained from countries representing at least two-thirds of their import trade the right to depart from most-favoured-nation treatment in the cases envisaged in the agreement, the Organization shall, without prejudice to the conditions governing the recognition of such right, grant the authorization provided for in paragraph 5 and in sub-paragraph (*a*) of this paragraph, provided that the conditions and requirements set out in sub-paragraphs (*a*), (*e*) and (*f*) of paragraph 4 are fulfilled. Nevertheless, if the Organization finds that the external

trade of one or more Member countries, which have not recognized this right to depart from most-favoured-nation treatment, is threatened with substantial injury, it shall invite the parties to the agreement to enter into negotiations with the injured Member, and the provisions of sub-paragraph (*b*) of this paragraph shall apply.

CHAPTER IV

COMMERCIAL POLICY

SECTION A—TARIFFS, PREFERENCES, AND INTERNAL TAXATION AND REGULATION

Article 16

General Most-favoured-nation Treatment

1. With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and with respect to the method of levying such duties and charges, and with respect to all rules and formalities in connection with importation and exportation, and with respect to all matters within the scope of paragraphs 2 and 4 of Article 18, any advantage, favour, privilege or immunity granted by any Member to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for all other Member countries.

2. The provisions of paragraph 1 shall not require the elimination, except as provided in Article 17, of any preferences in respect of import duties or charges which do not exceed the margins provided for in paragraph 4 and which fall within the following descriptions:

(*a*) preferences in force exclusively between two or more of the territories listed in Annex A, subject to the conditions set therein;

(*b*) preferences in force exclusively between two or more territories which on July 1, 1939 were connected by common sovereignty or relations of protection or suzerainty and which are listed in Annexes B, C, D and E;

(*c*) preferences in force exclusively between the United States of America and the Republic of Cuba;

(*d*) preferences in force exclusively between the Republic of the Philippines and the United States of America, including the dependent territories of the latter;

(*e*) preferences in force exclusively between neighbouring countries listed in Annexes F, G, H, I and J.

3. The provisions of paragraph 1 shall not apply to preferences between the countries formerly a part of the Ottoman Empire and detached from it on July 24, 1923, provided such preferences fulfil the applicable requirements of Article 15.

4. The margin of preference on any product in respect of which a preference is permitted under paragraph 2 shall not exceed (*a*) the maximum margin provided for under the General Agreement on Tariffs and Trade or any subsequent operative agreement resulting from negotiations under Article 17, or (*b*) if not provided for under such agreements, the margin existing either on April 10, 1947, or on any earlier date established for a Member as a basis for negotiating the General Agreement on Tariffs and Trade, at the option of such Member.

5. The imposition of a margin of tariff preference not in excess of the amount necessary to compensate for the elimination of a margin of preference in an internal tax existing on April 10, 1947, exclusively between two or more of the territories in respect of which preferential import duties or charges are permitted under paragraph 2, shall not be deemed to be contrary to the provisions of this Article, it being understood that any such margin of tariff preference shall be subject to the provisions of Article 17.

Article 17

Reduction of Tariffs and Elimination of Preferences

1. Each Member shall, upon the request of any other Member or Members, and subject to procedural arrangements established by the Organization, enter into and carry out with such other Member or Members negotiations directed to the substantial reduction of the general levels of tariffs and other charges on imports and exports, and to the elimination of the preferences referred to in paragraph 2 of Article 16, on a reciprocal and mutually advantageous basis.

2. The negotiations provided for in paragraph 1 shall proceed in accordance with the following rules:

(*a*) Such negotiations shall be conducted on a selective product-by-product basis which will afford adequate opportunity to take into account the needs of individual countries and individual industries. Members shall be free not to grant concessions on particular products and, in the granting of a concession, they may reduce the duty, bind it at its then existing level, or undertake not to raise it above a specified higher level.

(*b*) No Member shall be required to grant unilateral concessions, or to grant concessions to other Members without receiving adequate concessions in return. Account shall be taken of the value to any Member of obtaining in its own right and by direct obligation the indirect concessions which it would otherwise enjoy only by virtue of Article 16.

(*c*) In negotiations relating to any specific product with respect to which a preference applies,

(i) when a reduction is negotiated only in the most-favoured-nation rate, such reduction shall operate automatically to reduce or eliminate the margin of preference applicable to that product;

(ii) when a reduction is negotiated only in the preferential rate, the most-favoured-nation rate shall automatically be reduced to the extent of such reduction;

(iii) when it is agreed that reductions will be negotiated in both the most-favoured-nation rate and the preferential rate, the reduction in each shall be that agreed by the parties to the negotiations;

(iv) no margin of preference shall be increased.

(*d*) The binding against increase of low duties or of duty-free treatment shall in principle be recognized as a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

(*e*) Prior international obligations shall not be invoked to frustrate the requirement under paragraph 1 to negotiate with respect to preferences, it being understood that agreements which result from such negotiations and which conflict with such obligations shall not require the modification or termination of such obligations except (i) with the consent of the parties to such obligations, or, in the absence of such consent, (ii) by modification or termination of such obligations in accordance with their terms.

3. The negotiations leading to the General Agreement on Tariffs and Trade, concluded at Geneva on October 30, 1947, shall be deemed to be negotiations pursuant to this Article. The concessions agreed upon as a result of all other negotiations completed by a Member pursuant to this Article shall be incorporated in the General Agreement on terms to be agreed with the parties thereto. If any Member enters into any agreement relating to tariffs or preferences which is not concluded pursuant to this Article, the negotiations leading to

such agreement shall nevertheless conform to the requirements of paragraph 2 (*c*).

4. (*a*) The provisions of Article 16 shall not prevent the operation of paragraph 5 (*b*) of Article XXV of the General Agreement on Tariffs and Trade, as amended at the First Session of the CONTRACTING PARTIES.

(*b*) If a Member has failed to become a contracting party to the General Agreement within two years from the entry into force of this Charter with respect to such Member, the provisions of Article 16 shall cease to require, at the end of that period, the application to the trade of such Member country of the concessions granted, in the appropriate Schedule annexed to the General Agreement, by another Member which has requested the first Member to negotiate with a view to becoming a contracting party to the General Agreement but has not successfully concluded negotiations; *Provided* that the Organization may, by a majority of the votes cast, require the continued application of such concessions to the trade of any Member country which has been unreasonably prevented from becoming a contracting party to the General Agreement pursuant to negotiations in accordance with the provisions of this Article.

(*c*) If a Member which is a contracting party to the General Agreement proposes to withhold tariff concessions from the trade of a Member country which is not a contracting party, it shall give notice in writing to the Organization and to the affected Member. The latter Member may request the Organization to require the continuance of such concessions, and if such a request has been made the tariff concessions shall not be withheld pending a decision by the Organization under the provisions of sub-paragraph (*b*) of this paragraph.

(*d*) In any determination whether a Member has been unreasonably prevented from becoming a contracting party to the General Agreement, and in any determination under the provisions of Chapter VIII whether a Member has failed without sufficient justification to fulfil its obligations under paragraph 1 of this Article, the Organization shall have regard to all relevant circumstances, including the developmental, reconstruction and other needs, and the general fiscal structures, of the Member countries concerned and to the provisions of the Charter as a whole.

(*e*) If such concessions are in fact withheld, so as to result in the application to the trade of a Member country of duties higher than would otherwise have been applicable, such Member shall then be free, within sixty days after such action becomes effective, to give written notice of withdrawal from the Organization. The withdrawal

shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

Article 18

National Treatment on Internal Taxation and Regulation

1. The Members recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of any Member country imported into any other Member country shall not be subject, directly, or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no Member shall otherwise apply internal taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

3. With respect to any existing internal tax which is inconsistent with the provisions of paragraph 2 but which is specifically authorized under a trade agreement, in force on April 10, 1947, in which the import duty on the taxed product is bound against increase, the Member imposing the tax shall be free to postpone the application of the provisions of paragraph 2 to such tax until such time as it can obtain release from the obligations of such trade agreement in order to permit the increase of such duty to the extent necessary to compensate for the elimination of the protective element of the tax.

4. The products of any Member country imported into any other Member country shall be accorded treatment no less favourable than that accorded to like products of national origin in respect of all laws, regulations, and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

5. No Member shall establish or maintain any internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions which requires, directly or indirectly, that any specified amount or proportion of any product which is the subject of the regulation must be supplied from domestic sources. Moreover, no Member shall otherwise apply internal quantitative regulations in a manner contrary to the principles set forth in paragraph 1.

6. The provisions of paragraph 5 shall not apply to any internal quantitative regulation in force in any Member country on July 1, 1939, April 10, 1947 or on the date of this Charter, at the option of that Member; *Provided* that any such regulation which is contrary to the provisions of paragraph 5 shall not be modified to the detriment of imports and shall be subject to negotiation and shall accordingly be treated as a customs duty for the purposes of Article 17.

7. No internal quantitative regulation relating to the mixture, processing or use of products in specified amounts or proportions shall be applied in such a manner as to allocate any such amount or proportion among external sources of supply.

8. (*a*) The provisions of this Article shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

(*b*) The provisions of this Article shall not prevent the payment of subsidies exclusively to domestic producers, including payments to domestic producers derived from the proceeds of internal taxes or charges applied consistently with the provisions of this Article and subsidies effected through governmental purchases of domestic products.

9. The Members recognize that internal maximum price control measures, even though conforming to the other provisions of this Article, can have effects prejudicial to the interests of Member countries supplying imported products. Accordingly, Members applying such measures shall take account of the interests of exporting Member countries with a view to avoiding to the fullest practicable extent such prejudicial effects.

Article 19

Special Provisions Relating to Cinematograph Films

The provisions of Article 18 shall not prevent any Member from establishing or maintaining internal quantitative regulations relating to exposed cinematograph films. Any such regulations shall take the form of screen quotas which shall conform to the following conditions and requirements:

(*a*) Screen quotas may require the exhibition of cinematograph films of national origin during a specified minimum proportion of the total screen time actually utilized over a specified period of not less than one year, in the commercial exhibition of all films of whatever origin, and shall be computed on the basis of screen time per theatre per year or the equivalent thereof.

(*b*) With the exception of screen time reserved for films of national origin under a screen quota, screen time, including screen time released by administrative action from time reserved for films of national origin, shall not be allocated formally or in effect among sources of supply.

(*c*) Notwithstanding the provisions of subparagraph (*b*) any Member may maintain screen quotas conforming to the requirements of sub-paragraph (*a*) which reserve a minimum proportion of screen time for films of a specified origin other than that of the Member imposing such screen quotas; *Provided* that such minimum proportion of screen time shall not be increased above the level in effect on April 10, 1947.

(*d*) Screen quotas shall be subject to negotiation and shall accordingly be treated as customs duties for the purposes of Article 17.

Section B—Quantitative Restrictions and Related Exchange Matters

Article 20

General Elimination of Quantitative Restrictions

1. No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any Member on the importation of any product of any other Member country or on the exportation or sale for export of any product destined for any other Member country.

2. The provisions of paragraph 1 shall not extend to the following:

(*a*) export prohibitions or restrictions applied for the period necessary to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting Member country;

(*b*) import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade; if, in the opinion of the Organization, the standards or regulations adopted by a Member under this sub-paragraph have an unduly restrictive effect on trade, the Organization may request the Member to revise the standards or regulations; *Provided* that it shall not request the revision of standards internationally agreed pursuant to recommendations made under paragraph 7 of Article 39;

(*c*) import restrictions on any agricultural or fisheries product, imported in any form, necessary to the enforcement of governmental measures which operate effectively:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted; or

(ii) to remove a temporary surplus of the like domestic product, or, if there is no substantial domestic production of the like product, of a domestic agricultural or fisheries product for which the imported product can be directly substituted, by making the surplus available to certain groups of domestic consumers free of charge or at prices below the current market level; or

(iii) to restrict the quantities permitted to be produced of any animal product the production of which is directly dependent, wholly or mainly, on the imported commodity, if the domestic production of that commodity is relatively negligible.

3. With regard to import restrictions applied under the provisions of paragraph 2 (*c*):

(*a*) such restrictions shall be applied only so long as the governmental measures referred to in paragraph 2 (*c*) are in force, and, when applied to the import of products of which domestic supplies are available during only a part of the year, shall not be applied in such a way as to prevent their import in quantities sufficient to satisfy demand for current consumption purposes during those periods of the year when like domestic products, or domestic products for which the imported product can be directly substituted, are not available;

(*b*) any Member intending to introduce restrictions on the importation of any product shall, in order to avoid unnecessary damage to the interests of exporting countries, give notice in writing as far in advance as practicable to the Organization and to Members having a substantial interest in supplying that product, in order to afford such Members adequate opportunity for consultation in accordance with the provisions of paragraphs 2 (*d*) and 4 of Article 22, before the restrictions enter into force. At the request of the importing Member concerned, the notification and any information disclosed during the consultations shall be kept strictly confidential;

(*c*) any Member applying such restrictions shall give public notice of the total quantity or value of the product permitted to be imported during a specified future period and of any change in such quantity or value;

(*d*) any restrictions applied under paragraph 2 (*c*) (i) shall not be such as will reduce the total of imports relative to the total of domestic production, as compared with the proportion which might reasonably be expected to rule between the two in the absence of restrictions. In determining this proportion, the Member applying the restrictions shall pay due regard to the proportion prevailing during a previous representative period and to any special factors which may have affected or may be affecting the trade in the product concerned.

4. Throughout this Section the terms "import restrictions" and "export restrictions" include restrictions made effective through state-trading operations.

Article 21

Restrictions to safeguard the Balance of Payments

1. The Members recognize that:

(*a*) it is primarily the responsibility of each Member to safeguard its external financial position and to achieve and maintain stable equilibrium in its balance of payments;

(*b*) an adverse balance of payments of one Member country may have important effects on the trade and balance of payments of other Member countries, if it results in, or may lead to, the imposition by the Member of restrictions affecting international trade;

(*c*) the balance of payments of each Member country is of concern to other Members, and therefore it is desirable that the Organization should promote consultations among Members and, where possible, agreed action consistent with this Charter for the purpose of correcting a maladjustment in the balance of payments; and

(*d*) action taken to restore stable equilibrium in the balance of payments should, so far as the Member or Members concerned find possible, employ methods which expand rather than contract international trade.

2. Notwithstanding the provisions of paragraph 1 of Article 20, any Member, in order to safeguard its external financial position and balance of payments, may restrict the quantity or value of merchandise permitted to be imported, subject to the provisions of the following paragraphs of this Article.

3. (*a*) No Member shall institute, maintain or intensify import restrictions under this Article except to the extent necessary

(i) to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or

(ii) in the case of a Member with very low monetary reserves, to achieve a reasonable rate of increase in its reserves.

Due regard shall be paid in either case to any special factors which may be affecting the Member's reserves or need for reserves, including, where special external credits or other resources are available to it, the need to provide for the appropriate use of such credits or resources.

(*b*) A Member applying restrictions under sub-paragraph (*a*) shall progressively relax and ultimately eliminate them, in accordance with the provisions of that sub-paragraph, as its external financial position improves. This provision shall not be interpreted to mean that a Member is required to relax or remove such restrictions if that relaxation or removal would thereupon produce conditions justifying the intensification or institution, respectively, of restrictions under sub-paragraph (*a*).

(*c*) Members undertake:

(i) not to apply restrictions so as to prevent unreasonably the importation of any description of merchandise in minimum commercial quantities the exclusion of which would impair regular channels of trade, or restrictions which would prevent the importation of commercial samples or prevent the importation of such minimum quantities of a product as may be necessary to obtain and maintain patent, trade mark, copyright or similar rights under industrial or intellectual property laws;

(ii) to apply restrictions under this Article in such a way as to avoid unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

4. (*a*) The Members recognize that in the early years of the Organization all of them will be confronted in varying degrees with problems of economic adjustment resulting from the war. During this period the Organization shall, when required to take decisions under this Article or under Article 23, take full account of the difficulties of post-war adjustment and of the need which a Member may have to use import restrictions as a step towards the restoration of equilibrium in its balance of payments on a sound and lasting basis.

(*b*) The Members recognize that, as a result of domestic policies directed toward the fulfilment of a Member's obligations under Article 3 relating to the achievement and maintenance of full and productive

employment and large and steadily growing demand, or its obligations under Article 9 relating to the reconstruction or development of industrial and other economic resources and to the raising of standards of productivity, such a Member may find that demands for foreign exchange on account of imports and other current payments are absorbing the foreign exchange resources currently available to it in such a manner as to exercise pressure on its monetary reserves which would justify the institution or maintenance of restrictions under paragraph 3 of this Article. Accordingly,

(i) no Member shall be required to withdraw or modify restrictions which it is applying under this Article on the ground that a change in such policies would render these restrictions unnecessary;

(ii) any Member applying import restrictions under this Article may determine the incidence of the restrictions on imports of different products or classes of products in such a way as to give priority to the importation of those products which are more essential in the light of such policies.

(*c*) Members undertake, in carrying out their domestic policies, to pay due regard to the need for restoring equilibrium in their balance of payments on a sound and lasting basis and to the desirability of assuring an economic employment of productive resources.

5. (*a*) Any Member which is not applying restrictions under this Article, but is considering the need to do so, shall, before instituting such restrictions (or, in circumstances in which prior consultation is impracticable, immediately after doing so), consult with the Organization as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of such measures on the economics of other Members. No Member shall be required in the course of consultations under this sub-paragraph to indicate in advance the choice or timing of any particular measure which it may ultimately determine to adopt.

(*b*) The Organization may at any time invite any Member which is applying import restrictions under this Article to enter into such consultations with it and shall invite any Member substantially intensifying such restrictions to consult within thirty days. A Member thus invited shall participate in the consultations. The Organization may invite any other Member to take part in the consultations. Not later than two years from the day on which this Charter enters into force, the Organization shall review all restrictions existing on that day and still applied under this Article at the time of the review.

(*c*) Any Member may consult with the Organization with a view to obtaining the prior approval of the Organization for restrictions which

the Member proposes, under this Article, to maintain, intensify or institute, or for the maintenance, intensification of institution of restrictions under specified future conditions. As a result of such consultations, the Organization may approve in advance the maintenance, intensification of institution of restrictions by the Member in question in so far as the general extent, degree of intensity and duration of the restrictions are concerned. To the extent to which such approval has been given, the requirements of sub-paragraph (*a*) of this paragraph shall be deemed to have been fulfilled, and the action of the Member applying the restriction shall not be open to challenge under sub-paragraph (*d*) of this paragraph on the ground that such action is inconsistent with the provisions of sub-paragraphs (*a*) and (*b*) of paragraph 3.

(*d*) Any Member which considers that another Member is applying restrictions under this Article inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23) may bring the matter to the Organization for discussion; and the Member applying the restrictions shall participate in the discussion. If, on the basis of the case presented by the Member initiating the procedure, it appears to the Organization that the trade of that Member is adversely affected, the Organization shall submit its views to the parties with the aim of achieving a settlement of the matter in question which is satisfactory to the parties and to the Organization. If no such settlement is reached and if the Organization determines that the restrictions are being applied inconsistently with the provisions of paragraphs 3 or 4 of this Article or with those of Article 22 (subject to the provisions of Article 23), the Organization shall recommend the withdrawal or modification of the restrictions. If the restrictions are not withdrawn or modified in accordance with the recommendation of the Organization within sixty days, the Organization may release any Member from specified obligations or concessions under or pursuant to this Charter towards the Member applying the restrictions.

(*e*) In consultations between a Member and the Organization under this paragraph there shall be full and free discussion as to the various causes and the nature of the Member's balance-of-payments difficulties. It is recognized that premature disclosure of the prospective application, withdrawal or modification of any restrictions under this Article might stimulate speculative trade and financial movements which would tend to defeat the purposes of this Article. Accordingly, the Organization shall make provision for the observance of the utmost secrecy in the conduct of any consultation.

6. If there is a persistent and widespread application of import restrictions under this Article, indicating the existence of a general

disequilibrium which is restricting international trade, the Organization shall initiate discussions to consider whether other measures might be taken, either by those Members whose balances of payments are under pressure or by those Members whose balances of payments are tending to be exceptionally favourable, or by any appropriate inter-governmental organization, to remove the underlying causes of the disequilibrium. On the invitation of the Organization, Members shall participate in such discussions.

Article 22

Non-discriminatory Administration of Quantitative Restrictions

1. No prohibition or restriction shall be applied by any Member on the importation of any product of any other Member country or on the exportation of any product destined for any other Member country, unless the importation of the like product of all third countries or the exportation of the like product to all third countries is similarly prohibited or restricted.

2. In applying import restrictions to any product, Members shall aim at a distribution of trade in such product approaching as closely as possible to the shares which the various Member countries might be expected to obtain in the absence of such restrictions, and to this end shall observe the following provisions:

(*a*) wherever practicable, quotas representing the total amount of permitted imports (whether allocated among supplying countries or not) shall be fixed, and notice given of their amount in accordance with paragraph 3 (*b*);

(*b*) in cases in which quotas are not practicable, the restrictions may be applied by means of import licences or permits without a quota;

(*c*) Members shall not, except for purposes of operating quotas allocated in accordance with sub-paragraph (*d*) of this paragraph, require that import licences or permits be utilized for the importation of the product concerned from a particular country or source;

(*d*) in cases in which a quota is allocated among supplying countries, the Member applying the restrictions may seek agreement with respect to the allocation of shares in the quota with all other Members having a substantial interest in supplying the product concerned. In cases in which this method is not reasonably practicable, the Member concerned shall allot to Member countries having a substantial interest in supplying the product shares of the total quantity or value of imports of the product based upon the proportions supplied by such Member countries

during a previous representative period, due account being taken of any special factors which may have affected or may be affecting the trade in the product. No conditions or formalities shall be imposed which would prevent any Member country from utilizing fully the share of any such total quantity or value which has been allotted to it, subject to importation being made within any prescribed period to which the quota may relate.

3. (*a*) In the case of import restrictions involving the granting of import licences, the Member applying the restrictions shall provide, upon the request of any Member having an interest in the trade in the product concerned, all relevant information concerning the administration of the restrictions, the import licences granted over a recent period and the distribution of such licences among supplying countries; *Provided* that there shall be no obligation to supply information as to the names of importing or supplying enterprises.

(*b*) In the case of import restrictions involving the fixing of quotas, the Member applying the restrictions shall give public notice of the total quantity or value of the product or products which will be permitted to be imported during a specified future period and of any change in such quantity or value. Any supplies of the product in question which were enroute at the time at which public notice was given shall not be excluded from entry; *Provided* that they may be counted, so far as practicable, against the quantity permitted to be imported in the period in question, and also, where necessary, against the quantities permitted to be imported in the next following period or periods, and *Provided further* that if any Member customarily exempts from such restrictions products entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the day of such public notice, such practice shall be considered full compliance with this sub-paragraph.

(*c*) In the case of quotas allocated among supplying countries, the Member applying the restrictions shall promptly inform all other Members having an interest in supplying the product concerned of the shares in the quota currently allocated, by quantity or value, to the various supplying countries and shall give public notice thereof.

(*d*) If the Organization finds, upon the request of a Member, that the interests of that Member would be seriously prejudiced by giving, in regard to certain products, the public notice required under sub-paragraphs (*b*) and (*c*) of this paragraph, by reason of the fact that a large part of its imports of such products is supplied by non-Member countries, the Organization shall release the Member from compliance with the obligations in question to the extent and for such time as it finds necessary to prevent such prejudice. Any request made by a

Member pursuant to this sub-paragraph shall be acted upon promptly by the Organization.

4. With regard to restrictions applied in accordance with the provisions of paragraph 2 (*d*) of this Article or under the provisions of paragraph 2 (*c*) of Article 20, the selection of a representative period for any product and the appraisal of any special factors affecting the trade in the product shall be made initially by the Member applying the restrictions; *Provided* that such Member shall, upon the request of any other Member having a substantial interest in supplying that product, or upon the request of the Organization, consult promptly with the other Member or the Organization regarding the need for an adjustment of the proportion determined or of the base period selected, or for the re-appraisal of the special factors involved, or for the elimination of conditions, formalities or any other provisions established unilaterally with regard to the allocation of an adequate quota or its unrestricted utilization.

5. The provisions of this Article shall apply to any tariff quota instituted or maintained by any Member and, in so far as applicable, the principles of this Article shall also extend to export restrictions.

Article 23

Exceptions to the Rule of Non-discrimination

1. (*a*) The Members recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph.

(*b*) A Member which applies restrictions under Article 21 may, in the use of such restrictions, deviate from the provisions of Article 22 in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that Member may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of Article 24.

(*c*) A Member which is applying restrictions under Article 21 and which on March 1, 1948 was applying import restrictions to safeguard its balance of payments in a manner which deviated from the rules of non-discrimination set forth in Article 22 may, to the extent that such deviation would not have been authorized on that date by sub-paragraph (*b*), continue so to deviate, and may adapt such deviation to changing circumstances.

(*d*) Any Member which before July 1, 1948 signed the Protocol of Provisional Application agreed upon at Geneva on October 30, 1947,

and which by such signature has provisionally accepted the principles of paragraph 1 of Article 23 of the Draft Charter submitted to the United Nations Conference on Trade and Employment by the Preparatory Committee, may elect, by written notice to the Interim Commission of the International Trade Organization or to the Organization before January 1, 1949, to be governed by the provisions of Annex K of this Charter, which embodies such principles, in lieu of the provisions of sub-paragraphs (*b*) and (*c*) of this paragraph. The provisions of sub-paragraphs (*b*) and (*c*) shall not be applicable to Members which have so elected to be governed by the provisions of Annex K; and conversely, the provisions of Annex K shall not be applicable to Members which have not so elected.

(*e*) The policies applied in the use of import restrictions under sub-paragraphs (*b*) and (*c*) or under Annex K in the post-war transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance-of-payments position which will no longer require resort to the provisions of Article 21 or to transitional exchange arrangements.

(*f*) A Member may deviate from the provisions of Article 22, pursuant to sub-paragraphs (*b*) or (*c*) of this paragraph or pursuant to Annex K, only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of Article 24.

(*g*) Not later than March 1, 1950 (three years after the date on which the International Monetary Fund began operations) and in each year thereafter, the Organization shall report on any action still being taken by Members under sub-paragraphs (*b*) and (*c*) of this paragraph or under Annex K. In March 1952, and in each year thereafter, any Member still entitled to take action under the provisions of sub-paragraph (*c*) or of Annex K shall consult the Organization as to any deviations from Article 22 still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952 any action under Annex K going beyond the maintenance in force of deviations on which such consultation has taken place and which the Organization has not found unjustifiable, or their adaptation to changing circumstances, shall be subject to any limitations of a general character which the Organization may prescribe in the light of the Member's circumstances.

(*h*) The Organization may, if it deems such action necessary in exceptional circumstances, make representations to any Member

entitled to take action under the provisions of sub-paragraph (*c*) that conditions are favourable for the termination of any particular deviation from the provisions of Article 22, or for the general abandonment of deviations, under the provisions of that sub-paragraph. After March 1, 1952, the Organization may make such representations, in exceptional circumstances, to any Member entitled to take action under Annex K. The Member shall be given a suitable time to reply to such representations. If the Organization finds that the Member persists in unjustifiable deviation from the provisions of Article 22, the Member shall, within sixty days, limit or terminate such deviations as the Organization may specify.

2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1 (*f*), a Member which is applying import restrictions under Article 21 may, with the consent of the Organization, temporarily deviate from the provisions of Article 22 in respect of a small part of its external trade where the benefits to the Member or Members concerned substantially outweigh any injury which may result to the trade of other Members.

3. The provisions of Article 22 shall not preclude restrictions in accordance with the provisions of Article 21 which either

(*a*) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article 22, or

(*b*) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of Article 22, another country whose economy has been disrupted by war.

4. A Member applying import restrictions under Article 21 shall not be precluded by this Section from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article 22.

5. A Member shall not be precluded by this Section from applying quantitative restrictions

(*a*) having equivalent effect to exchange restrictions authorized under Section 3 (*b*) of Article VII of the Articles of Agreement of the International Monetary Fund; or

(*b*) under the preferential arrangements provided for in Annex A of this Charter, pending the outcome of the negotiations referred to therein.

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Article 24

Relationship with the International Monetary Fund and Exchange Arrangements

1. The Organization shall seek co-operation with the International Monetary Fund to the end that the Organization and the Fund may pursue a co-ordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the Organization.

2. In all cases in which the Organization is called upon to consider or deal with problems concerning monetary reserves, balance of payments or foreign exchange arrangements, the Organization shall consult fully with the Fund. In such consultation, the Organization shall accept all findings of statistical and other facts presented by the Fund relating to foreign exchange, monetary reserves and balance of payments, and shall accept the determination of the Fund whether action by a Member with respect to exchange matters is in accordance with the Articles of Agreement of the International Monetary Fund, or with the terms of a special exchange agreement entered into between that Member and the Organization pursuant to paragraph 6 of this Article. When the Organization is examining a situation in the light of the relevant considerations under all the pertinent provisions of Article 21 for the purpose of reaching its final decision in cases involving the criteria set forth in paragraph 3 (*a*) of that Article, it shall accept the determination of the Fund as to what constitutes a serious decline in the Member's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases.

3. The Organization shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article. Any such agreement, other than informal arrangements of a temporary or administrative character, shall be subject to confirmation by the Conference.

4. Members shall not, by exchange action, frustrate the intent of the provisions of this Section, nor, by trade action, the intent of the provisions of the Articles of Agreement of the International Monetary Fund.

5. If the Organization considers, at any time, that exchange restrictions on payments and transfers in connection with imports are being applied by a Member in a manner inconsistent with the provisions of this Section with respect to quantitative restrictions, it shall report thereon to the Fund.

6. (*a*) Any Member of the Organization which is not a member of the Fund shall, within a time to be determined by the Organization after consultation with the Fund, become a member of the Fund or, failing that, enter into a special exchange agreement with the Organization. A Member of the Organization which ceases to be a member of the Fund shall forthwith enter into a special exchange agreement with the Organization. Any special exchange agreement entered into by a Member under this sub-paragraph shall thereupon become part of its obligations under this Charter.

(*b*) Any such agreement shall provide to the satisfaction of the Organization that the objectives of this Charter will not be frustrated as a result of action with respect to exchange matters by the Member in question.

(*c*) Any such agreement shall not impose obligations on the Member with respect to exchange matters generally more restrictive than those imposed by the Articles of Agreement of the International Monetary Fund on members of the Fund.

(*d*) No Member shall be required to enter into any such agreement so long as it uses solely the currency of another Member and so long as neither the Member nor the country whose currency is being used maintains exchange restrictions. Nevertheless, if the Organization at any time considers that the absence of a special exchange agreement may be permitting action which tends to frustrate the purposes of any of the provisions of this Charter, it may require the Member to enter into a special exchange agreement in accordance with the provisions of this paragraph. A Member of the Organization which is not a member of the Fund and which has not entered into a special exchange agreement may be required at any time to consult with the Organization on any exchange problem.

7. A Member which is not a member of the Fund, whether or not it has entered into a special exchange agreement, shall furnish such information within the general scope of Section 5 of Article VIII of the Articles of Agreement of the International Monetary Fund as the Organization may require in order to carry out its functions under this Charter.

8. Nothing in this Section shall preclude:

(*a*) the use by a Member of exchange controls or exchange restrictions in accordance with the Articles of Agreement of the International Monetary Fund or with that Member's special exchange agreement with the Organization, or

(*b*) the use by a Member of restrictions or controls on imports or exports, the sole effect of which, in addition to the effects

permitted under Articles 20, 21, 22 and 23, is to make effective such exchange controls or exchange restrictions.

Section C—Subsidies

Article 25

Subsidies in General

If any Member grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to maintain or increase exports of any product from, or to reduce, or prevent an increase in, imports of any product into its territory, the Member shall notify the Organization in writing of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected product or products imported into or exported from its territory and of the circumstances making the subsidization necessary. In any case in which a Member considers that serious prejudice to its interests is caused or threatened by any such subsidization, the Member granting the subsidy shall, upon request, discuss with the other Member or Members concerned, or with the Organization, the possibility of limiting the subsidization.

Article 26

Additional Provisions on Export Subsidies

1. No Member shall grant, directly or indirectly, any subsidy on the export of any product, or establish or maintain any other system, which subsidy or system results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market, due allowance being made for differences in the conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. The exemption of exported products from duties or taxes imposed in respect of like products when consumed domestically, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be in conflict with the provisions of paragraph 1. The use of the proceeds of such duties or taxes to make payments to domestic producers in general of those products shall be considered as a case under Article 25.

3. Members shall give effect to the provisions of paragraph 1 at the earliest practicable date but not later than two years from the day on which this Charter enters into force. If any Member considers itself unable to do so in respect of any particular product or products, it shall, at least three months before the expiration of such period, give notice in writing to the Organization, requesting a specific extension

of the period. Such notice shall be accompanied by a full analysis of the system in question and the circumstances justifying it. The Organization shall then determine whether the extension requested should be made and, if so, on what terms.

4. Notwithstanding the provisions of paragraph 1, any Member may subsidize the exports of any product to the extent and for such time as may be necessary to offset a subsidy granted by a non-Member affecting the Member's exports of the product. However, the Member shall, upon the request of the Organization or of any other Member which considers that its interests are seriously prejudiced by such action, consult with the Organization or with that Member, as appropriate, with a view to reaching a satisfactory adjustment of the matter.

Article 27

Special Treatment of Primary Commodities

1. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be considered not to involve a subsidy on export within the meaning of paragraph 1 of Article 26, if the Organization determines that

(*a*) the system has also resulted, or is so designed as to result, in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market; and

(*b*) the system is so operated, or is designed so to operate, either because of the effective regulation of production or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

2. Any Member granting a subsidy in respect of a primary commodity shall co-operate at all times in efforts to negotiate agreements, under the procedures set forth in Chapter VI, with regard to that commodity.

3. In any case involving a primary commodity, if a Member considers that its interests would be seriously prejudiced by compliance with the provisions of Article 26, or if a Member considers that its interests are seriously prejudiced by the granting of any form of subsidy, the procedures set forth in Chapter VI may be followed. The Member which considers that its interests are thus seriously prejudiced shall, however, be exempt provisionally from the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

4. No Member shall grant a new subsidy or increase an existing subsidy affecting the export of a primary commodity, during a commodity conference called for the purpose of negotiating an intergovernmental control agreement for the commodity concerned unless the Organization concurs, in which case such new or additional subsidy shall be subject to the provisions of Article 28.

5. If the measures provided for in Chapter VI have not succeeded, or do not promise to succeed, within a reasonable period of time, or if the conclusion of a commodity agreement is not an appropriate solution, any Member which considers that its interests are seriously prejudiced shall not be subject to the requirements of paragraphs 1 and 3 of Article 26 in respect of that commodity, but shall be subject to the provisions of Article 28.

Article 28

Undertaking regarding Stimulation of Exports of Primary Commodities

1. Any Member granting any form of subsidy, which operates directly or indirectly to maintain or increase the export of any primary commodity from its territory, shall not apply the subsidy in such a way as to have the effect of maintaining or acquiring for that Member more than an equitable share of world trade in that commodity.

2. As required under the provisions of Article 25, the Member granting such subsidy shall promptly notify the Organization of the extent and nature of the subsidization, of the estimated effect of the subsidization on the quantity of the affected commodity exported from its territory, and of the circumstances making the subsidization necessary. The Member shall promptly consult with any other Member which considers that serious prejudice to its interests is caused or threatened by the subsidization.

3. If, within a reasonable period of time, no agreement is reached in such consultation, the Organization shall determine what constitutes an equitable share of world trade in the commodity concerned and the Member granting the subsidy shall conform to this determination.

4. In making the determination referred to in paragraph 3, the Organization shall take into account any factors which may have affected or may be affecting world trade in the commodity concerned, and shall have particular regard to:

(*a*) the Member country's share of world trade in the commodity during a previous representative period;

(*b*) whether the Member country's share of world trade in the commodity is so small that the effect of the subsidy on such trade is likely to be of minor significance;

(*c*) the degree of importance of the external trade in the commodity to the economy of the Member country granting, and to the economies of the Member countries materially affected by, the subsidy;

(*d*) the existence of price stabilization systems conforming to the provisions of paragraph 1 of Article 27;

(*e*) the desirability of facilitating the gradual expansion of production for export in those areas able to satisfy world market requirements of the commodity concerned in the most effective and economic manner, and therefore of limiting any subsidies or other measures which make that expansion difficult.

Section D—State Trading and Related Matters

Article 29

Non-discriminatory Treatment

1. (*a*) Each Member undertakes that if it establishes or maintains a state enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases and sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Charter for governmental measures affecting imports or exports by private traders.

(*b*) The provisions of sub-paragraph (*a*) shall be understood to require that such enterprises shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other Member countries adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales.

(*c*) No Member shall prevent any enterprise (whether or not an enterprise described in subparagraph (*a*)) under its jurisdiction from acting in accordance with the principles of sub-paragraphs (*a*) and (*b*).

2. The provisions of paragraph 1 shall not apply to imports of products purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale. With respect to such imports, and with respect to the laws, regulations and requirements referred to in paragraph 8 (*a*) of Article 18, each Member shall accord to the trade of the other Members fair and equitable treatment.

Article 30

Marketing Organizations

If a Member establishes or maintains a marketing board, commission or similar organization, the Member shall be subject:

(*a*) with respect to purchases or sales by any such organization, to the provisions of paragraph 1 of Article 29;

(*b*) with respect to any regulations of any such organization governing the operations of private enterprises, to the other relevant provisions of this Charter.

Article 31

Expansion of Trade

1. If a Member establishes, maintains or authorizes, formally or in effect, a monopoly of the importation or exportation of any product, the Member shall, upon the request of any other Member or Members having a substantial interest in trade with it in the product concerned, negotiate with such other Member or Members in the manner provided for under Article 17 in respect of tariffs, and subject to all the provisions of this Charter with respect to such tariff negotiations, with the object of achieving:

(*a*) in the case of an export monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic users of the monopolized product, or designed to assure exports of the monopolized product in adequate quantities at reasonable prices;

(*b*) in the case of an import monopoly, arrangements designed to limit or reduce any protection that might be afforded through the operation of the monopoly to domestic producers of the monopolized product, or designed to relax any limitation on imports which is comparable with a limitation made subject to negotiation under other provisions of this Chapter.

2. In order to satisfy the requirements of paragraph 1 (*b*), the Member establishing, maintaining or authorizing a monopoly shall negotiate:

(*a*) for the establishment of the maximum import duty that may be applied in respect of the product concerned; or

(*b*) for any other mutually satisfactory arrangement consistent with the provisions of this Charter, if it is evident to the negotiating parties that to negotiate a maximum import duty under sub-paragraph (*a*) of this paragraph is impracticable or would be ineffective for the achievement of the objectives of

paragraph 1; any Member entering into negotiations under this sub-paragraph shall afford to other interested Members an opportunity for consultation.

3. In any case in which a maximum import duty is not negotiated under paragraph 2 (*a*), the Member establishing, maintaining or authorizing the import monopoly shall make public, or notify the Organization of, the maximum import duty which it will apply in respect of the product concerned.

4. The import duty negotiated under paragraph 2, or made public or notified to the Organization under paragraph 3, shall represent the maximum margin by which the price charged by the import monopoly for the imported product (exclusive of internal taxes conforming to the provisions of Article 18, transportation, distribution and other expenses incident to the purchase, sale or further processing, and a reasonable margin of profit) may exceed the landed cost; *Provided* that regard may be had to average landed costs and selling prices over recent periods; and *Provided further* that, where the product concerned is a primary commodity which is the subject of a domestic price stabilization arrangement, provision may be made for adjustment to take account of wide fluctuations or variations in world prices, subject where a maximum duty has been negotiated to agreement between the countries parties to the negotiations.

5. With regard to any product to which the provisions of this Article apply, the monopoly shall, wherever this principle can be effectively applied and subject to the other provisions of this Charter, import and offer for sale such quantities of the product as will be sufficient to satisfy the full domestic demand for the imported product, account being taken of any rationing to consumers of the imported and like domestic product which may be in force at that time.

6. In applying the provisions of this Article, due regard shall be had for the fact that some monopolies are established and operated mainly for social, cultural, humanitarian or revenue purposes.

7. This Article shall not limit the use by Members of any form of assistance to domestic producers permitted by other provisions of this Charter.

Article 32

Liquidation of Non-commercial Stocks

1. If a Member holding stocks of any primary commodity accumulated for non-commercial purposes should liquidate such stocks, it shall carry out the liquidation, as far as practicable, in a manner that will avoid serious disturbance to world markets for the commodity concerned.

2. Such Member shall:

(*a*) give not less than four months' public notice of its intention to liquidate such stocks; or

(*b*) give not less than four months' prior notice to the Organization of such intention.

3. Such Member shall, at the request of any Member which considers itself substantially interested, consult as to the best means of avoiding substantial injury to the economic interests of producers and consumers of the primary commodity in question. In cases where the interests of several Members might be substantially affected, the Organization may participate in the consultations, and the Member holding the stocks shall give due consideration to its recommendations.

4. The provisions of paragraphs 2 and 3 shall not apply to routine disposal of supplies necessary for the rotation of stocks to avoid deterioration.

Section E—General Commercial Provisions

Article 33

Freedom of Transit

1. Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a Member country, when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the Member country across whose territory the traffic passes. Traffic of this nature is termed in this Article "traffic in transit".

2. There shall be freedom of transit through each Member country, via the routes most convenient for international transit, for traffic in transit to or from other Member countries. No distinction shall be made which is based on the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstances relating to the ownership of goods, of vessels or of other means of transport.

3. Any Member may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic coming from or going to other Member countries shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges commensurate with administrative expenses entailed by transit or with the cost of services rendered.

4. All charges and regulations imposed by Members on traffic in transit to or from other Member countries shall be reasonable, having regard to the conditions of the traffic.

5. With respect to all charges, regulations and formalities in connection with transit, each Member shall accord to traffic in transit to or from any other Member country treatment no less favourable than the treatment accorded to traffic in transit to or from any third country.

6. The Organization may undertake studies, make recommendations and promote international agreement relating to the simplification of customs regulations concerning traffic in transit, the equitable use of facilities required for such transit and other measures designed to promote the objectives of this Article. Members shall co-operate with each other directly and through the Organization to this end.

7. Each Member shall accord to goods which have been in transit through any other Member country treatment no less favourable than that which would have been accorded to such goods had they been transported from their place of origin to their destination without going through such other Member country. Any Member shall, however, be free to maintain its requirements of direct consignment existing on the date of this Charter, in respect of any goods in regard to which such direct consignment is a requisite condition of eligibility for entry of the goods at preferential rates of duty or has relation to the Member's prescribed method of valuation for customs purposes.

8. The provisions of this Article shall not apply to the operation of aircraft in transit, but shall apply to air transit of goods (including baggage).

Article 34

Anti-Dumping and Countervailing Duties

1. The Members recognize that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in a Member country or materially retards the establishment of a domestic industry. For the purposes of this Article, a product is to be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another

(*a*) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or,

(*b*) in the absence of such domestic price, is less than either

(i) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit.

Due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to offset or prevent dumping, a Member may levy on any dumped product an antidumping duty not greater in amount than the margin of dumping in respect of such product. For the purposes of this Article, the margin of dumping is the price difference determined in accordance with the provisions of paragraph 1.

3. No countervailing duty shall be levied on any product of any Member country imported into another Member country in excess of an amount equal to the estimated bounty or subsidy determined to have been granted, directly or indirectly, on the manufacture, production or export of such product in the country of origin or exportation, including any special subsidy to the transportation of a particular product. The term "countervailing duty" shall be understood to mean a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or export of any merchandise.

4. No product of any Member country imported into any other Member country shall be subject to anti-dumping or countervailing duty by reason of the exemption of such product from duties or taxes borne by the like product when destined for consumption in the country of origin or exportation, or by reason of the refund of such duties or taxes.

5. No product of any Member country imported into any other Member country shall be subject to both anti-dumping and countervailing duties to compensate for the same situation of dumping or export subsidization.

6. No Member shall levy any anti-dumping or countervailing duty on the importation of any product of another Member country unless it determines that the effect of the dumping or subsidization, as the case may be, is such as to cause or threaten material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry. The Organization may waive the requirements of this paragraph so as to permit a Member to levy an anti-dumping or countervailing duty on the importation of any product for the purpose of offsetting dumping or subsidization which causes or threatens material injury to an industry in another Member

country exporting the product concerned to the importing Member country.

7. A system for the stabilization of the domestic price or of the return to domestic producers of a primary commodity, independently of the movements of export prices, which results at times in the sale of the commodity for export at a price lower than the comparable price charged for the like commodity to buyers in the domestic market, shall be presumed not to result in material injury within the meaning of paragraph 6 if it is determined by consultation among the Members substantially interested in the commodity concerned that:

(*a*) the system has also resulted in the sale of the commodity for export at a price higher than the comparable price charged for the like commodity to buyers in the domestic market, and

(*b*) the system is so operated, either because of the effective regulation of production, or otherwise, as not to stimulate exports unduly or otherwise seriously prejudice the interests of other Members.

Article 35

Valuation for Customs Purposes

1. The Members shall work toward the standardization, as far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other charges or restrictions based upon or regulated in any manner by value. With a view to furthering co-operation to this end, the Organization may study and recommend to Members such bases and methods for determining value for customs purposes as would appear best suited to the needs of commerce and most capable of general adoption.

2. The Members recognize the validity of the general principles of valuation set forth in paragraphs 3, 4 and 5, and they undertake to give effect, at the earliest practicable date, to these principles in respect of all products subject to duties or other charges or restrictions on importation based upon or regulated in any manner by value. Moreover, they shall, upon a request by another Member directly affected, review in the light of these principles the operation of any of their laws or regulations relating to value for customs purposes. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this Article.

3. (*a*) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or of like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(*b*) "Actual value" should be the price at which, at a time and

place determined by the legislation of the country of importation, and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions. To the extent to which the price of such or like merchandise is governed by the quantity in a particular transaction, the price to be considered should uniformly be related to either (i) comparable quantities, or (ii) quantities not less favourable to importers than those in which the greater volume of the merchandise is sold in the trade between the countries of exportation and importation.

(*c*) When the actual value is not ascertainable in accordance with sub-paragraph (*b*), the value for customs purposes should be based on the nearest ascertainable equivalent of such value.

4. The value for customs purposes of any imported product should not include the amount of any internal tax, applicable within the country of origin or export, from which the imported product has been exempted or has been or will be relieved by means of refund.

5. (*a*) Except as otherwise provided in this paragraph, where it is necessary for the purposes of paragraph 3 for a Member to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, as established pursuant to the Articles of Agreement of the International Monetary Fund or by special exchange agreements entered into pursuant to Article 24 of this Charter.

(*b*) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions.

(*c*) The Organization, in agreement with the International Monetary Fund, shall formulate rules governing the conversion by Members of any foreign currency in respect of which multiple rates of exchange are maintained consistently with the Articles of Agreement of the International Monetary Fund. Any Member may apply such rules in respect of such foreign currencies for the purposes of paragraph 3 of this Article as an alternative to the use of par values. Until such rules are adopted by the Organization, any Member may employ, in respect of any such foreign currency, rules of conversion for the purposes of paragraph 3 of this Article which are designed to reflect effectively the value of such foreign currency in commercial transactions.

6. Nothing in this Article shall be construed to require any Member to alter the method of converting currencies for customs purposes which is applicable in its territory on the date of this Charter, if such alteration would have the effect of increasing generally the amounts of duty payable.

7. The bases and methods for determining the value of products subject to duties or other charges or restrictions based upon or regulated in any manner by value should be stable and should be given sufficient publicity to enable traders to estimate, with a reasonable degree of certainty, the value for customs purposes.

Article 36

Formalities connected with Importation and Exportation

1. The Members recognize that all fees and charges of whatever character (other than import and export duties and other than taxes within the purview of Article 18) imposed by governmental authorities on or in connection with importation or exportation should be limited in amount to the approximate cost of services rendered and should not represent an indirect protection to domestic products or a taxation of imports or exports for fiscal purposes. The Members also recognize the need for reducing the number and diversity of such fees and and charges, for minimizing the incidence and complexity of import and export formalities, and for decreasing and simplifying import and export documentation requirements.

2. The Members shall take action in accordance with the principles and objectives of paragraph 1 at the earliest practicable date. Moreover, they shall, upon request by another Member directly affected, review the operation of any of their laws and regulations in the light of these principles. The Organization may request from Members reports on steps taken by them in pursuance of the provisions of this paragraph.

3. The provisions of paragraphs 1 and 2 shall extend to fees, charges, formalities and requirements imposed by governmental authorities in connection with importation and exportation, including those relating to:

(*a*) consular transactions, such as those relating to consular invoices and certificates;

(*b*) quantitative restrictions;

(*c*) licensing;

(*d*) exchange control;

(*e*) statistical services;

(*f*) documents, documentation and certification:

(*g*) analysis and inspection; and

(*h*) quarantine, sanitation and fumigation.

4. The Organization may study and recommend to Members specific measures for the simplification and standardization of customs formalities and techniques and for the elimination of unnecessary

customs requirements, including those relating to advertising matter and samples for use only in taking orders for merchandise.

5. No Member shall impose substantial penalties for minor breaches of customs regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in customs documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

6. The Members recognize that tariff descriptions based on distinctive regional or geographical names should not be used in such a manner as to discriminate against products of Member countries. Accordingly, the Members shall co-operate with each other directly and through the Organization with a view to eliminating at the earliest practicable date practices which are inconsistent with this principle.

Article 37

Marks of Origin

1. The Members recognize that, in adopting and implementing laws and regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum.

2. Each Member shall accord to the products of each other Member country treatment with regard to marking requirements no less favourable than the treatment accorded to like products of any third country.

3. Whenever it is administratively practicable to do so, Members should permit required marks of origin to be affixed at the time of importation.

4. The laws and regulations of Members relating to the marking of imported products shall be such as to permit compliance without seriously damaging the products or materially reducing their value or unreasonably increasing their cost.

5. The Members agree to work in co-operation through the Organization towards the early elimination of unnecessary marking requirements. The Organization may study and recommend to Members measures directed to this end, including the adoption of schedules of general categories of products, in respect of which marking requirements operate to restrict trade to an extent disproportionate to any proper purpose to be served, and which shall not in any case be required to be marked to indicate their origin.

6. As a general rule no special duty or penalty should be imposed by any Member for failure to comply with marking requirements prior to importation unless corrective marking is unreasonably de-

layed or deceptive marks have been affixed or the required marking has been intentionally omitted.

7. The Members shall co-operate with each other directly and through the Organization with a view to preventing the use of trade names in such manner as to misrepresent the true origin of a product, to the detriment of the distinctive regional or geographical names of products of a Member country which are protected by the legislation of such country. Each Member shall accord full and sympathetic consideration to such requests or representations as may be made by any other Member regarding the application of the undertaking set forth in the preceding sentence to names of products which have been communicated to it by the other Member. The Organization may recommend a conference of interested Members on this subject.

Article 38

Publication and Administration of Trade Regulations

1. Laws, regulations, judicial decisions and administrative rulings of general application made effective by any Member, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions or prohibitions on imports or exports or on the transfer of payments therefor, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, shall be published promptly in such a manner as to enable governments and traders to become acquainted with them. Agreements affecting international trade policy which are in force between the government or governmental agency of any Member country and the government or governmental agency of any other country shall also be published. Copies of such laws, regulations, decisions, rulings and agreements shall be communicated promptly to the Organization. The provisions of this paragraph shall not require any Member to divulge confidential information the disclosure of which would impede law enforcement or otherwise be contrary to the public interest or would prejudice the legitimate commercial interests of particular enterprises, public or private.

2. No measure of general application taken by any Member effecting an advance in a rate of duty or other charge on imports under an established and uniform practice or imposing a new or more burdensome requirement, restriction or prohibition on imports, or on the transfer of payments therefor, shall be enforced before such measure has been officially made public.

3. (*a*) Each Member shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1. Suitable facilities shall be afforded

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for traders directly affected by any of those matters to consult with the appropriate governmental authorities.

(*b*) Each Member shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, *inter alia*, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; *Provided* that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts.

(*c*) The provisions of sub-paragraph (*b*) shall not require the elimination or substitution of procedures in force in a Member country on the date of this Charter which in fact provide for an objective and impartial review of administrative action, even though such procedures are not fully or formally independent of the agencies entrusted with administrative enforcement. Any Member employing such procedures shall, upon request, furnish the Organization with full information thereon in order that the Organization may determine whether such procedures conform to the requirements of this sub-paragraph.

Article 39

Information, Statistics and Trade Terminology

1. The Members shall communicate to the Organization, or to such agency as may be designated for the purpose by the Organization, as promptly and in as much detail as is reasonably practicable:

(*a*) statistics of their external trade in goods (imports, exports and, where applicable, re-exports, transit and trans-shipment and goods in warehouse or in bond);

(*b*) statistics of governmental revenue from import and export duties and other taxes on goods moving in international trade and, in so far as readily ascertainable, of subsidy payments affecting such trade.

2. So far as possible, the statistics referred to in paragraph 1 shall be related to tariff classifications and shall be in such form as to reveal the operation of any restrictions on importation or exportation which are based on or regulated in any manner by quantity or value or amounts of exchange made available.

3. The Members shall publish regularly and as promptly as possible the statistics referred to in paragraph 1.

4. The Members shall give careful consideration to any recommendations which the Organization may make to them with a view to improving the statistical information furnished under paragraph 1.

5. The Members shall make available to the Organization, at its request and in so far as is reasonably practicable, such other statistical information as the Organization may deem necessary to enable it to fulfil its functions, provided that such information is not being furnished to other inter-governmental organizations from which the Organization can obtain it.

6. The Organization shall act as a centre for the collection, exchange and publication of statistical information of the kind referred to in paragraph 1. The Organization, in collaboration with the Economic and Social Council of the United Nations, and with any other organization deemed appropriate, may engage in studies with a view to improving the methods of collecting, analyzing and publishing economic statistics and may promote the international comparability of such statistics, including the possible international adoption of standard tariff and commodity classifications.

7. The Organization, in co-operation with the other organizations referred to in paragraph 6, may also study the question of adopting standards, nomenclatures, terms and forms to be used in international trade and in the official documents and statistics of Members relating thereto, and may recommend the general acceptance by Members of such standards, nomenclatures, terms and forms.

Section F—Special Provisions

Article 40

Emergency Action on Imports of Particular Products

1. (*a*) If, as a result of unforeseen developments and of the effect of the obligations incurred by a Member under or pursuant to this Chapter, including tariff concessions, any product is being imported into the territory of that Member in such relatively increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products, the Member shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession.

(*b*) If any product which is the subject of a concession with respect to a preference is being imported into the territory of a Member in the circumstances set forth in sub-paragraph (*a*), so as to cause or

threaten serious injury to domestic producers of like or directly competitive products in the territory of a Member which receives or received such preference, the importing Member shall be free, if that other Member so requests, to suspend the relevant obligation in whole or in part or to withdraw or modify the concession in respect of the product, to the extent and for such time as may be necessary to prevent or remedy such injury.

2. Before any Member shall take action pursuant to the provisions of paragraph 1, it shall give notice in writing to the Organization as far in advance as may be practicable and shall afford the Organization and those Members having a substantial interest as exporters of the product concerned an opportunity to consult with it in respect of the proposed action. When such notice is given in regard to a concession relating to a preference, the notice shall name the Member which has requested the action. In circumstances of special urgency, where delay would cause damage which it would be difficult to repair, action under paragraph 1 may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after taking such action.

3. (*a*) If agreement among the interested Members with respect to the action is not reached, the Member which proposes to take or continue the action shall, nevertheless, be free to do so, and if such action is taken or continued, the affected Members shall then be free, not later than ninety days after such action is taken, to suspend, upon the expiration of thirty days from the day on which written notice of such suspension is received by the Organization, the application to the trade of the Member taking such action, or, in the case envisaged in paragraph 1 (*b*), to the trade of the Member requesting such action, of such substantially equivalent obligations or concessions under or pursuant to this Chapter the suspension of which the Organization does not disapprove.

(*b*) Notwithstanding the provisions of sub-paragraph (*a*), where action is taken without prior consultation under paragraph 2 and causes or threatens serious injury in the territory of a Member to the domestic producers of products affected by the action, that Member shall, where delay would cause damage difficult to repair, be free to suspend, upon the taking of the action and throughout the period of consultation, such obligations or concessions as may be necessary to prevent or remedy the injury.

4. Nothing in this Article shall be construed

(*a*) to require any Member, in connection with the withdrawal or modification by such Member of any concession negotiated pursuant to Article 17, to consult with or obtain the agreement

of Members others than those Members which are contracting parties to the General Agreement on Tariffs and Trade, or

(*b*) to authorize any Member which is not a contracting party to that Agreement, to withdraw from or suspend obligations under this Charter by reason of the withdrawal or modification of such concession.

Article 41

Consultation

Each Member shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation regarding, such representations as may be made by any other Member with respect to the operation of customs regulations and formalities, anti-dumping and countervailing duties, quantitative and exchange regulations, internal price regulations, subsidies, transit regulations and practices, state trading, sanitary laws and regulations for the protection of human, animal or plant life or health, and generally with respect to all matters affecting the operation of this Chapter.

Article 42

Territorial Application of Chapter IV

1. The provisions of Chapter IV shall apply to the metropolitan customs territories of the Members and to any other customs territories in respect of which this Charter has been accepted in accordance with the provisions of Article 104. Each such customs territory shall, exclusively for the purposes of the territorial application of Chapter IV, be treated as though it were a Member; *Provided* that the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this Charter has been accepted by a single Member.

2. For the purposes of this Chapter a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories.

Article 43

Frontier Traffic

The provisions of this Chapter shall not be construed to prevent:

(*a*) advantages accorded by any Member to adjacent countries in order to facilitate frontier traffic;

(*b*) advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the Treaties of Peace arising out of the Second World War.

Article 44

Customs Unions and Free-Trade Areas

1. Members recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or free-trade area should be to facilitate trade between the parties and not to raise barriers to the trade of other Member countries with such parties.

2. Accordingly, the provisions of this Chapter shall not prevent, as between the territories of Members, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; *Provided* that:

(*a*) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with Member countries not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(*b*) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or the adoption of such interim agreement to the trade of Member countries not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and

(*c*) any interim agreement referred to in sub-paragraphs (*a*) or (*b*) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

3. (*a*) Any Member deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the Organization and shall make available to it such information regarding the proposed union or

area as will enable the Organization to make such reports and recommendations to Members as it may deem appropriate.

(*b*) If, after having studied the plan and schedule provided for in an interim agreement referred to in paragraph 2 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of sub-paragraph (*a*), the Organization finds that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the Organization shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.

(*c*) Any substantial change in the plan or schedule referred to in paragraph 2 (*c*) shall be communicated to the Organization, which may request the Members concerned to consult with it if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

4. For the purposes of this Charter:

(*a*) a customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 45) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 5, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(*b*) a free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Section B of Chapter IV and under Article 45) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

5. The preferences referred to in paragraph 2 of Article 16 shall not be affected by the formation of a customs union or of a free-trade area

but may be eliminated or adjusted by means of negotiations with Members affected. This procedure of negotiations with affected Members shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 4 (*a*) (i) and paragraph 4 (*b*).

6. The Organization may, by a two-thirds majority of the Members present and voting, approve proposals which do not fully comply with the requirements of the preceding paragraphs, provided that such proposals lead to the formation of a customs union or of a free-trade area in the sense of this Article.

Article 45

General Exceptions to Chapter IV

1. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between Member countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Chapter shall be construed to prevent the adoption or enforcement by any Member of measures.

(*a*) (i) necessary to protect public morals;

(ii) necessary to the enforcement of laws and regulations relating to public safety;

(iii) necessary to protect human, animal or plant life or health;

(iv) relating to the importation or exportation of gold or silver;

(v) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Chapter, including those relating to customs enforcement, the enforcement of monopolies operated under Section D of this Chapter, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;

(vi) relating to the products of prison labour;

(vii) imposed for the protection of national treasures of artistic, historic or archaeological value;

(viii) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(ix) taken in pursuance of intergovernmental commodity agreements concluded in accordance with the provisions of Chapter VI;

(x) taken in pursuance of any inter-governmental agreement which relates solely to the conservation of fisheries resources, migratory birds or wild animals and which is subject to the requirements of paragraph 1 (*d*) of Article 70; or

(xi) involving restrictions on exports of domestic materials necessary to assure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; *Provided* that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry and shall not depart from the provisions of this Chapter relating to non-discrimination;

(*b*) (i) essential to the acquisition or distribution of products in general or local short supply; *Provided* that any such measures shall be consistent with any general inter-governmental arrangements directed to an equitable international distribution of such products or, in the absence of such arrangements, with the principle that all Members are entitled to an equitable share of the international supply of such products;

(ii) essential to the control of prices by a Member country experiencing shortages subsequent to the Second World War; or

(iii) essential to the orderly liquidation of temporary surpluses of stocks owned or controlled by the government of any Member country, or of industries developed in any Member country owing to the exigencies of the Second World War which it would be uneconomic to maintain in normal conditions; *Provided* that such measures shall not be instituted by any Member except after consultation with other interested Members with a view to appropriate international action.

2. Measures instituted or maintained under paragraph 1 (*b*) which are inconsistent with the other provisions of this Chapter shall be removed as soon as the conditions giving rise to them have ceased, and in any event not later than at a date to be specified by the Organization; *Provided* that such date may be deferred for a further period or periods, with the concurrence of the Organization, either generally or in relation to particular measures taken by Members in respect of particular products.

CHAPTER V

RESTRICTIVE BUSINESS PRACTICES

Article 46

General Policy towards Restrictive Business Practices

1. Each Member shall take appropriate measures and shall co-operate with the Organization to prevent, on the part of private or public commercial enterprises, business practices affecting international trade which restrain competition, limit access to markets, or foster monopolistic control, whenever such practices have harmful effects on the expansion of production or trade and interfere with the achievement of any of the other objectives set forth in Article 1.

2. In order that the Organization may decide in a particular instance whether a practice has or is about to have the effect indicated in paragraph 1, the Members agree, without limiting paragraph 1, that complaints regarding any of the practices listed in paragraph 3 shall be subject to investigation in accordance with the procedure regarding complaints provided for in Articles 48 and 50, whenever

(*a*) such a complaint is presented to the Organization, and

(*b*) the practice is engaged in, or made effective, by one or more private or public commercial enterprises or by any combination, agreement or other arrangement between any such enterprises, and

(*c*) such commercial enterprises, individually or collectively, possess effective control of trade among a number of countries in one or more products.

3. The practices referred to in paragraph 2 are the following:

(*a*) fixing prices, terms or conditions to be observed in dealing with others in the purchase, sale or lease of any product;

(*b*) excluding enterprises from, or allocating or dividing, any territorial market or field of business activity, or allocating customers, or fixing sales quotas or purchase quotas;

(*c*) discriminating against particular enterprises;

(*d*) limiting production or fixing production quotas;

(*e*) preventing by agreement the development or application of technology or invention whether patented or unpatented;

(*f*) extending the use of rights under patents, trade marks or copyrights granted by any Member to matters which, according to its laws and regulations, are not within the scope of such grants, or to products or conditions of production, use or sale which are likewise not the subjects of such grants;

(*g*) any similar practices which the Organization may declare, by a majority of two-thirds of the Members present and voting, to be restrictive business practices.

Article 47

Consultation Procedure

Any affected Member which considers that in any particular instance a practice exists (whether engaged in by private or public commercial enterprises) which has or is about to have the effect indicated in paragraph 1 of Article 46 may consult other Members directly or request the Organization to arrange for consultation with particular Members with a view to reaching mutually satisfactory conclusions. If requested by the Member and if it considers such action to be justified, the Organization shall arrange for and assist in such consultation. Action under this Article shall be without prejudice to the procedure provided for in Article 48.

Article 48

Investigation Procedure

1. In accordance with paragraphs 2 and 3 of Article 46, any affected Member on its own behalf or any Member on behalf of any affected person, enterprise or organization within that Member's jurisdiction, may present a written complaint to the Organization that in any particular instance a practice exists (whether engaged in by private or public commercial enterprises) which has or is about to have the effect indicated in paragraph 1 of Article 46; *Provided* that in the case of complaints against a public commercial enterprise acting independently of any other enterprise, such complaints may be presented only by a Member on its own behalf and only after the Member has resorted to the procedure of Article 47.

2. The Organization shall prescribe the minimum information to be included in complaints under this Article. This information shall give substantial indication of the nature and harmful effects of the practices.

3. The Organization shall consider each complaint presented in accordance with paragraph 1. If the Organization deems it appropriate, it shall request Members concerned to furnish supplementary information, for example, information from commercial enterprises within their jurisdiction. After reviewing the relevant information, the Organization shall decide whether an investigation is justified.

4. If the Organization decides that an investigation is justified, it shall inform all Members of the complaint, request any Member to furnish such additional information relevant to the complaint as the Organization may deem necessary, and shall conduct or arrange for

hearings on the complaint. Any Member, and any person, enterprise or organization on whose behalf the complaint has been made, as well as the commercial enterprises alleged to have engaged in the practice complained of, shall be afforded reasonable opportunity to be heard.

5. The Organization shall review all information available and decide whether the conditions specified in paragraphs 2 and 3 of Article 46 are present and the practice in question has had, has or is about to have the effect indicated in paragraph 1 of that Article.

6. The Organization shall inform all Members of its decision and the reasons therefor.

7. If the Organization decides that in any particular case the conditions specified in paragraphs 2 and 3 of Article 46 are present and that the practice in question has had, has or is about to have the effect indicated in paragraph 1 of that Article, it shall request each Member concerned to take every possible remedial action, and may also recommend to the Members concerned remedial measures to be carried out in accordance with their respective laws and procedures.

8. The Organization may request any Member concerned to report fully on the remedial action it has taken in any particular case.

9. As soon as possible after its proceedings in respect of any complaint under this Article have been provisionally or finally closed, the Organization shall prepare and publish a report showing fully the decisions reached, the reasons therefor and any measures recommended to the Members concerned. The Organization shall not, if a Member so requests, disclose confidential information furnished by that Member, which if disclosed would substantially damage the legitimate business interests of a commercial enterprise.

10. The Organization shall report to all Members and make public the remedial action which has been taken by the Members concerned in any particular case.

Article 49

Studies relating to Restrictive Business Practices

1. The Organization is authorized:

(*a*) to conduct studies, either on its own initiative or at the request of any Member or of any organ of the United Nations or of any other inter-governmental organization, relating to

(i) general aspects of restrictive business practices affecting international trade;

(ii) conventions, laws and procedures concerning, for example, incorporation, company registration, investments, securities, prices, markets, fair trade practices, trade marks, copyrights, patents and the exchange and development of

technology in so far as they are relevant to restrictive business practices affecting international trade; and

(iii) the registration of restrictive business agreements and other arrangements affecting international trade; and

(*b*) to request information from Members in connection with such studies.

2. The Organization is authorized:

(*a*) to make recommendations to Members concerning such conventions, laws and procedures as are relevant to their obligations under this Chapter; and

(*b*) to arrange for conferences of Members to discuss any matters relating to restrictive business practices affecting international trade.

Article 50

Obligations of Members

1. Each Member shall take all possible measures by legislation or otherwise, in accordance with its constitution or system of law and economic organization, to ensure, within its jurisdiction, that private and public commercial enterprises do not engage in practices which are as specified in paragraphs 2 and 3 of Article 46 and have the effect indicated in paragraph 1 of that Article, and it shall assist the Organization in preventing these practices.

2. Each Member shall make adequate arrangements for presenting complaints, conducting investigations and preparing information and reports requested by the Organization.

3. Each Member shall furnish to the Organization, as promptly and as fully as possible, such information as is requested by the Organization for its consideration and investigation of compliants and for its conduct of studies under this Chapter; *Provided* that any Member on notification to the Organization, may withhold information which the Member considers is not essential to the Organization in conducting an adequate investigation and which, if disclosed, would substantially damage the legitimate business interests of a commercial enterprise. In notifying the Organization that it is withholding information pursuant to this clause, the Member shall indicate the general character of the information withheld and the reason why it considers it not essential.

4. Each Member shall take full account of each request, decision and recommendation of the Organization under Article 48 and, in accordance with its constitution or system of law and economic organization, take in the particular case the action it considers appropriate having regard to its obligations under this Chapter.

5. Each Member shall report fully any action taken, independently or in concert with other Members, to comply with the requests and carry out the recommendations of the Organization and, when no action has been taken, inform the Organization of the reasons therefor and discuss the matter further with the Organization if it so requests.

6. Each Member shall, at the request of the Organization, take part in consultations and conferences provided for in this Chapter with a view to reaching mutually satisfactory conclusions.

Article 51

Co-operative Remedial Arrangements

1. Members may co-operate with each other for the purpose of making more effective within their respective jurisdictions any remedial measures taken in furtherance of the objectives of this Chapter and consistent with their obligations under other provisions of this Charter.

2. Members shall keep the Organization informed of any decision to participate in any such cooperative action and of any measures taken.

Article 52

Domestic Measures against Restrictive Business Practices

No act or omission to act on the part of the Organization shall preclude any Member from enforcing any national statute or decree directed towards preventing monopoly or restraint of trade.

Article 53

Special Procedures with respect to Services

1. The Members recognize that certain services, such as transportation, telecommunications, insurance and the commercial services of banks, are substantial elements of international trade and that any restrictive business practices by enterprises engaged in these activities in international trade may have harmful effects similar to those indicated in paragraph 1 of Article 46. Such practices shall be dealt with in accordance with the following paragraphs of this Article.

2. If any Member considers that there exist restrictive business practices in relation to a service referred to in paragraph 1 which have or are about to have such harmful effects, and that its interests are thereby seriously prejudiced, the Members may submit a written statement explaining the situation to the Member or Members whose private or public enterprises are engaged in the services in question. The Member or Members concerned shall give sympathetic consideration to the statement and to such proposals as may be made and shall

afford adequate opportunities for consultation, with a view to effecting a satisfactory adjustment.

3. If no adjustment can be effected in accordance with the provisions of paragraph 2, and if the matter is referred to the Organization, it shall be transferred to the appropriate inter-governmental organization, if one exists, with such observations as the Organization may wish to make. If no such inter-governmental organization exists, and if Members so request, the Organization may, in accordance with the provisions of paragraph 1 (*c*) of Article 72, make recommendations for, and promote international agreement on, measures designed to remedy the particular situation so far as it comes within the scope of this Charter.

4. The Organization shall, in accordance with paragraph 1 of Article 87, co-operate with other inter-governmental organizations in connection with restrictive business practices affecting any field coming within the scope of this Charter and those organizations shall be entitled to consult the Organization, to seek advice, and to ask that a study of a particular problem be made.

Article 54

Interpretation and Definition

1. The provisions of this Chapter shall be construed with due regard for the rights and obligations of Members set forth elsewhere in this Charter and shall not therefore be so interpreted as to prevent the adoption and enforcement of any measures in so far as they are specifically permitted under other Chapters of this Charter. The Organization may, however, make recommendations to Members or to any appropriate inter-governmental organization concerning any features of these measures which may have the effect indicated in paragraph 1 of Article 46.

2. For the purposes of this Chapter

(*a*) the term "business practice" shall not be so construed as to include an individual contract between two parties as seller and buyer, lessor and lessee, or principal and agent, provided that such contract is not used to restrain competition, limit access to markets or foster monopolistic control;

(*b*) the term "public commercial enterprises" means

(i) agencies of governments in so far as they are engaged in trade, and

(ii) trading enterprises mainly or wholly owned by public authority, provided the Member concerned declares that for the purposes of this Chapter it has effective control over or assumes responsibility for the enterprises;

(*c*) the term "private commercial enterprises" means all commercial enterprises other than public commercial enterprises;

(*d*) the terms "decide" and "decision" as used in Articles 46, 48 (except in paragraphs 3 and 4) and 50 do not determine the obligations of Members, but mean only that the Organization reaches a conclusion.

CHAPTER VI

INTER-GOVERNMENTAL COMMODITY AGREEMENTS

SECTION A—INTRODUCTORY CONSIDERATIONS

Article 55

Difficulties relating to Primary Commodities

The Members recognize that the conditions under which some primary commodities are produced, exchanged and consumed are such that international trade in these commodities may be affected by special difficulties such as the tendency towards persistent disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuations in prices. These special difficulties may have serious adverse effects on the interest of producers and consumers, as well as widespread repercussions jeopardizing the general policy of economic expansion. The Members recognize that such difficulties may, at times, necessitate special treatment of the international trade in such commodities through inter-governmental agreement.

Article 56

Primary and Related Commodities

1. For the purposes of this Chapter, the term "primary commodity" means any product of farm, forest or fishery or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade.

2. The term shall also, for the purposes of this Chapter, cover a group of commodities, of which one is a primary commodity as defined in paragraph 1 and the others are commodities, which are so closely related, as regards conditions of production or utilization, to the other commodities in the group, that it is appropriate to deal with them in a single agreement.

3. If, in exceptional circumstances, the Organization finds that the conditions set forth in Article 62 exist in the case of a commodity which does not fall precisely under paragraphs 1 or 2 of this Article, the

Organization may decide that the provisions of this Chapter, together with any other requirements it may establish, shall apply to inter-governmental agreements regarding that commodity.

Article 57

Objectives of Inter-governmental Commodity Agreements

The Members recognize that inter-governmental commodity agreements are appropriate for the achievement of the following objectives:

(*a*) to prevent or alleviate the serious economic difficulties which may arise when adjustments between production and consumption cannot be effected by normal market forces alone as rapidly as the circumstances require;

(*b*) to provide, during the period which may be necessary, a framework for the consideration and development of measures which have as their purpose economic adjustments designed to promote the expansion of consumption or a shift of resources and man-power out of over-expanded industries into new and productive occupations, including as far as possible in appropriate cases, the development of secondary industries based upon domestic production of primary commodities;

(*c*) to prevent or moderate pronounced fluctuations in the price of a primary commodity with a view to achieving a reasonable degree of stability on a basis of such prices as are fair to consumers and provide a reasonable return to producers, having regard to the desirability of securing long-term equilibrium between the forces of supply and demand;

(*d*) to maintain and develop the natural resources of the world and protect them from unnecessary exhaustion;

(*e*) to provide for the expansion of the production of a primary commodity where this can be accomplished with advantage to consumers and producers, including in appropriate cases the distribution of basic foods at special prices;

(*f*) to assure the equitable distribution of a primary commodity in short supply.

Section B—Inter-governmental Commodity Agreements in General

Article 58

Commodity Studies

1. Any Member which considers itself substantially interested in the production or consumption of, or trade in, a particular primary commodity, and which considers that international trade in that

commodity is, or is likely to be, affected by special difficulties, shall be entitled to ask that a study of the commodity be made.

2. Unless the Organization decides that the case put forward in support of the request does not warrant such action, it shall promptly invite each Member to appoint representatives to a study group for the commodity, if the Member considers itself substantially interested in the production or consumption of, or trade in, the commodity. Non-Members may also be invited.

3. The study group shall promptly investigate the production, consumption and trade situation in regard to the commodity, and shall report to the participating governments and to the Organization its findings and its recommendations as to how best to deal with any special difficulties which exist or may be expected to arise. The Organization shall promptly transmit to the Members these findings and recommendations.

Article 59

Commodity Conferences

1. The Organization shall promptly convene an inter-governmental conference to discuss measures designed to meet the special difficulties which exist or are expected to arise concerning a particular primary commodity:

(*a*) on the basis of the recommendations of a study group, or

(*b*) at the request of Members whose interests represent a significant part of world production or consumption of, or trade in, that commodity, or

(*c*) at the request of Members which consider that their economies are dependent to an important extent on that commodity, unless the Organization considers that no useful purpose could be achieved by convening the conference, or

(*d*) on its own initiative, on the basis of information agreed to be adequate by the Members substantially interested in the production or consumption of, or trade in, that commodity.

2. Each Member which considers itself substantially interested in the production or consumption of, or trade in, the commodity concerned, shall be invited to participate in such a conference. Non-Members may also be invited to participate.

Article 60

General Principles governing Commodity Agreements

1. The Members shall observe the following principles in the conclusion and operation of all types of inter-governmental commodity agreements:

(*a*) Such agreements shall be open to participation, initially by any Member on terms no less favourable than those accorded to any other country, and thereafter in accordance with such procedure and upon such terms as may be established in the agreement, subject to approval by the Organization.

(*b*) Non-Members may be invited by the Organization to participate in such agreements and the provisions of sub-paragraph (*a*) applying to Members shall also apply to any non-Member so invited.

(*c*) Under such agreements there shall be equitable treatment as between participating countries and non-participating Members, and the treatment accorded by participating countries to non-participating Members shall be no less favourable than that accorded to any non-participating non-Member, due consideration being given in each case to policies adopted by non-participants in relation to obligations assumed and advantages conferred under the agreement.

(*d*) Such agreements shall include provision for adequate participation of countries substantially interested in the importation or consumption of the commodity as well as those substantially interested in its exportation or production.

(*e*) Full publicity shall be given to any inter-governmental commodity agreement proposed or concluded, to the statements of considerations and objectives advanced by the proposing Members, to the nature and development of measures adopted to correct the underlying situation which gave rise to the agreement and, periodically, to the operation of the agreement.

2. The Members, including Members not parties to a particular commodity agreement, shall give favourable consideration to any recommendation made under the agreement for expanding consumption of the commodity in question.

Article 61

Types of Agreements

1. For the purposes of this Chapter, there are two types of inter-governmental commodity agreements:

(*a*) commodity control agreements as defined in this Article; and

(*b*) other inter-governmental commodity agreements.

2. Subject to the provisions of paragraph 5, a commodity control agreement is an inter-governmental agreement which involves:

(*a*) the regulation of production or the quantitative control of exports or imports of a primary commodity and which has the

purpose or might have the effect of reducing, or preventing an increase in, the production of, or trade in, that commodity; or

(*b*) the regulation of prices.

3. The Organization shall, at the request of a Member, a study group or a commodity conference, decide whether an existing or proposed inter-governmental agreement is a commodity control agreement within the meaning of paragraph 2.

4. (*a*) Commodity control agreements shall be subject to all the provisions of this Chapter.

(*b*) Other inter-governmental commodity agreements shall be subject to the provisions of this Chapter other than those of Section C. If, however, the Organization decides that an agreement which involves the regulation of production or the quantitative control of exports or imports is not a commodity control agreement within the meaning of paragraph 2, it shall prescribe the provisions of Section C, if any, to which that agreement shall conform.

5. An existing or proposed inter-governmental agreement the purpose of which is to secure the co-ordinated expansion of aggregate world production and consumption of a primary commodity may be treated by the Organization as not being a commodity control agreement, even though the agreement provides for the future application of price provisions, provided that

(*a*) at the time the agreement is entered into, a commodity conference finds that the conditions contemplated are in accordance with the provisions of Article 62, and

(*b*) from the date on which the price provisions become operative, the agreement shall conform to all the provisions of Section C, except that no further finding will be required under Article 62.

6. Members shall enter into any new commodity control agreement only through a conference called in accordance with the provisions of Article 59 and after an appropriate finding has been made under Article 62. If, in an exceptional case, there has been unreasonable delay in the convening or in the proceedings of the study group or of the commodity conference, Members which consider themselves substantially interested in the production or consumption of, or trade in, a particular primary commodity, may proceed by direct negotiation to the conclusion of an agreement, provided that the situation is one contemplated in Article 62 (*a*) or (*b*) and that the agreement conforms to the other provisions of this Chapter.

SECTION C—INTER-GOVERNMENTAL COMMODITY CONTROL AGREEMENTS

Article 62

Circumstances governing the Use of Commodity Control Agreements

The members agree that commodity control agreements may be entered into only when a finding has been made through a commodity conference or through the Organization by consultation and general agreement among Members substantially interested in the commodity, that:

(*a*) a burdensome surplus of a primary commodity has developed or is expected to develop, which, in the absence of specific governmental action, would cause serious hardship to producers among whom are small producers who account for a substantial portion of the total output, and that these conditions could not be corrected by normal market forces in time to prevent such hardship, because, characteristically in the case of the primary commodity concerned, a substantial reduction in price does not readily lead to a significant increase in consumption or to a significant decrease in production; or

(*b*) widespread unemployment or under-employment in connection with a primary commodity, arising out of difficulties of the kind referred to in Article 55, has developed or is expected to develop, which, in the absence of specific governmental action, would not be corrected by normal market forces in time to prevent widespread and undue hardship to workers because, characteristically in the case of the industry concerned, a substantial reduction in price does not readily lead to a significant increase in consumption but to a reduction of employment, and because areas in which the commodity is produced in substantial quantity do not afford alternative employment opportunities for the workers involved.

Article 63

Additional Principles governing Commodiiy Control Agreements

The Members shall observe the following principles governing the conclusion and operation of commodity control agreements, in addition to those stated in Article 60:

(*a*) Such agreements shall be designed to assure the availability of supplies adequate at all times for world demand at prices which are in keeping with the provisions of Article 57 (*c*), and, when practicable, shall provide for measures designed to expand world consumption of the commodity.

(*b*) Under such agreements, participating countries which are mainly interested in imports of the commodity concerned shall, in decisions on substantive matters, have together a number of votes equal to that of those mainly interested in obtaining export markets for the commodity. Any participating country, which is interested in the commodity but which does not fall precisely under either of the above classes, shall have an appropriate voice within such classes.

(*c*) Such agreements shall make appropriate provision to afford increasing opportunities for satisfying national consumption and world market requirements from sources from which such requirements can be supplied in the most effective and economic manner, due regard being had to the need for preventing serious economic and social dislocation and to the position of producing areas suffering from abnormal disabilities.

(*d*) Participating countries shall formulate and adopt programmes of internal economic adjustment believed to be adequate to ensure as much progress as practicable within the duration of the agreement towards solution of the commodity problem involved.

Article 64

Administration of Commodity Control Agreements

1. Each commodity control agreement shall provide for the establishment of a governing body, herein referred to as a Commodity Council, which shall operate in conformity with the provisions of this Article.

2. Each participating country shall be entitled to have one representative on the Commodity Council. The voting power of the representatives shall be determined in conformity with the provisions of Article 63 (*b*).

3. The Organization shall be entitled to appoint a non-voting representative to each Commodity Council and may invite any competent inter-governmental organization to nominate a non-voting representative for appointment to a Commodity Council.

4. Each Commodity Council shall appoint a non-voting chairman who, if the Council so requests, may be nominated by the Organization.

5. The Secretariat of each Commodity Council shall be appointed by the Council after consultation with the Organization.

6. Each Commodity Council shall adopt appropriate rules of procedure and regulations regarding its activities. The Organization may at any time require their amendment if it considers that they are inconsistent with the provisions of this Chapter.

7. Each Commodity Council shall make periodic reports to the Organization on the operation of the agreement which it administers. It shall also make such special reports as the Organization may require or as the Council itself considers to be of value to the Organization.

8. The expenses of a Commodity Council shall be borne by the participating countries.

9. When an agreement is terminated, the Organization shall take charge of the archives and statistical material of the Commodity Council.

Article 65

Initial Term, Renewal and Review of Commodity Control Agreements

1. Commodity control agreements shall be concluded for a period of not more than five years. Any renewal of a commodity control agreement, including agreements referred to in paragraph 1 of Article 68, shall be for a period not exceeding five years. The provisions of such renewed agreements shall conform to the provisions of this Chapter.

2. The Organization shall prepare and publish periodically, at intervals not greater than three years, a review of the operation of each agreement in the light of the principles set forth in this Chapter.

3. Each commodity control agreement shall provide that, if the Organization finds that its operation has failed substantially to conform to the principles laid down in this Chapter, participating countries shall either revise the agreement to conform to the principles or terminate it.

4. Commodity control agreements shall include provisions relating to withdrawal of any party.

Article 66

Settlement of Disputes

Each commodity control agreement shall provide that:

(*a*) any question or difference concerning the interpretation of the provisions of the agreement or arising out of its operation shall be discussed originally by the Commodity Council; and

(*b*) if the question or difference cannot be resolved by the Council in accordance with the terms of the agreement, it shall be referred by the Council to the Organization, which shall apply the procedure set forth in Chapter VIII with appropriate adjustments to cover the case of non-Members.

Section D—Miscellaneous Provisions

Article 67

Relations with Inter-governmental Organizations

With the object of ensuring appropriate cooperation in matters relating to inter-governmental commodity agreements, any inter-governmental organization which is deemed to be competent by the Organization, such as the Food and Agriculture Organization, shall be entitled:

(*a*) to attend any study group or commodity conference;

(*b*) to ask that a study of a primary commodity be made;

(*c*) to submit to the Organization any relevant study of a primary commodity, and to recommend to the Organization that further study of the commodity be made or that a commodity conference be convened.

Article 68

Obligations of Members regarding Existing and Proposed Commodity Agreements

1. Members shall transmit to the Organization the full text of each inter-governmental commodity agreement in which they are participating at the time they become Members of the Organization, together with appropriate information regarding the formulation, provisions and operation of any such agreement. If, after review, the Organization finds that any such agreement is inconsistent with the provisions of this Chapter, it shall communicate such finding to the Members concerned in order to secure promptly the adjustment of the agreement to bring it into conformity with the provisions of this Chapter.

2. Members shall transmit to the Organization appropriate information regarding any negotiations for the conclusion of an inter-governmental commodity agreement in which they are participating at the time they become Members of the Organization. If, after review, the Organization finds that any such negotiations are inconsistent with the provisions of this Chapter, it shall communicate such finding to the Members concerned in order to secure prompt action with regard to their participation in such negotiations. The Organization may waive the requirement of a study group or a commodity conference, if it finds it unnecessary in the light of the negotiations.

Article 69

Territorial Application

For the purposes of this Chapter, the terms "Member" and "non-Member" shall include the dependent territories of a Member and non-Member of the Organization respectively. If a Member or non-

Member and its dependent territories form a group, of which one or more units are mainly interested in the export of a commodity and one or more in the import of the commodity, there may be either joint representation for all the territories within the group or, where the Member or non-Member so wishes, separate representation for the territories mainly interested in exportation and separate representation for the territories mainly interested in importation.

Article 70

Exceptions to Chapter VI

1. The provisions of this Chapter shall not apply:

(*a*) to any bilateral inter-governmental agreement relating to the purchase and sale of a commodity falling under Section D of Chapter IV;

(*b*) to any inter-governmental commodity agreement involving no more than one exporting country and no more than one importing country and not covered by sub-paragraph (*a*) above; *Provided* that if, upon complaint by a non-participating Member, the Organization finds that the interests of that Member are seriously prejudiced by the agreement, the agreement shall become subject to such provisions of this Chapter as the Organization may prescribe;

(*c*) to those provisions of any inter-governmental commodity agreement which are necessary for the protection of public morals or of human, animal or plant life or health, provided that such agreement is not used to accomplish results inconsistent with the objectives of Chapter V or Chapter VI;

(*d*) to any inter-governmental agreement relating solely to the conservation of fisheries resources, migratory birds or wild animals, provided that such agreement is not used to accomplish results inconsistent with the objectives of this Chapter or the purpose and objectives set forth in Article 1 and is given full publicity in accordance with the provisions of paragraph 1 (*e*) of Article 60; if the Organization finds, upon complaint by a non-participating Member, that the interests of that Member are seriously prejudiced by the agreement, the agreement shall become subject to such provisions of this Chapter as the Organization may prescribe.

2. The provisions of Articles 58 and 59 and of Section C of this Chapter shall not apply to inter-governmental commodity agreements found by the Organization to relate solely to the equitable distribution of commodities in short supply.

3. The provisions of Section C of this Chapter shall not apply to commodity control agreements found by the Organization to relate solely to the conservation of exhaustible natural resources.

CHAPTER VII

THE INTERNATIONAL TRADE ORGANIZATION

SECTION A—STRUCTURE AND FUNCTIONS

Article 71

Membership

1. The original Members of the Organization shall be:

(*a*) those States invited to the United Nations Conference on Trade and Employment whose governments accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, by September 30, 1949 or, if the Charter shall not have entered into force by that date, those States whose governments agree to bring the Charter into force in accordance with the provisions of paragraph 2 (*b*) of Article 103;

(*b*) those separate customs territories invited to the United Nations Conference on Trade and Employment on whose behalf the competent Member accepts this Charter, in accordance with the provisions of Article 104, by September 30, 1949 or, if the Charter shall not have entered into force by that date, such separate customs territories which agree to bring the Charter into force in accordance with the provisions of paragraph 2 (*b*) of Article 103 and on whose behalf the competent Member accepts the Charter in accordance with the provisions of Article 104. If any of these customs territories shall have become fully responsible for the formal conduct of its diplomatic relations by the time it wishes to deposit an instrument of acceptance, it shall proceed in the manner set forth in sub-paragraph (*a*) of this paragraph.

2. Any other State whose membership has been approved by the Conference shall become a Member of the Organization upon its acceptance, in accordance with the provisions of paragraph 1 of Article 103, of the Charter as amended up to the date of such acceptance.

3. Any separate customs territory not invited to the United Nations Conference on Trade and Employment, proposed by the competent Member having responsibility for the formal conduct of its diplomatic relations and which is autonomous in the conduct of its external commercial relations and of the other matters provided for in this

Charter and whose admission is approved by the Conference, shall become a Member upon acceptance of the Charter on its behalf by the competent Member in accordance with the provisions of Article 104 or, in the case of a territory in respect of which the Charter has already been accepted under that Article, upon such approval by the Conference after it has acquired such autonomy.

4. The Conference shall determine, by a two-thirds majority of the Members present and voting, the conditions upon which, in each individual case, membership rights and obligations shall be extended to:

(*a*) the Free Territory of Trieste;

(*b*) any Trust Territory administered by the United Nations; and

(*c*) any other special regime established by the United Nations.

5. The Conference, on application by the competent authorities, shall determine the conditions upon which rights and obligations under this Charter shall apply to such authorities in respect of territories under military occupation and shall determine the extent of such rights and obligations.

Article 72

Functions

1. The Organization shall perform the functions attributed to it elsewhere in this Charter. In addition, the Organization shall have the following functions:

(*a*) to collect, analyze and publish information relating to international trade, including information relating to commercial policy, business practices, commodity problems and industrial and general economic development;

(*b*) to encourage and facilitate consultation among Members on all questions relating to the provisions of this Charter;

(*c*) to undertake studies, and, having due regard to the objectives of this Charter and the constitutional and legal systems of Members, make recommendations, and promote bilateral or multilateral agreements concerning, measures designed

(i) to assure just and equitable treatment for foreign nationals and enterprises;

(ii) to expand the volume and to improve the bases of international trade, including measures designed to facilitate commercial arbitration and the avoidance of double taxation;

(iii) to carry out, on a regional or other basis, having due regard to the activities of existing regional or other inter-govern-

mental organizations, the functions specified in paragraph 2 of Article 10;

(iv) to promote and encourage establishments for the technical training that is necessary for progressive industrial and economic development; and,

(v) generally, to achieve any of the objectives set forth in Article 1;

(*d*) in collaboration with the Economic and Social Council of the United Nations and with such inter-governmental organizations as may be appropriate, to undertake studies on the relationship between world prices of primary commodities and manufactured products, to consider and, where appropriate, to recommend international agreements on, measures designed to reduce progressively any unwarranted disparity in those prices;

(*e*) generally, to consult with and make recommendations to the Members and, as necessary, furnish advice and assistance to them regarding any matter relating to the operation of this Charter, and to take any other action necessary and appropriate to carry out the provisions of the Charter;

(*f*) to co-operate with the United Nations and other inter-governmental organizations in furthering the achievement of the economic and social objectives of the United Nations and the maintenance or restoration of international peace and security.

2. In the exercise of its functions the Organization shall have due regard to the economic circumstances of Members, to the factors affecting these circumstances and to the consequences of its determinations upon the interests of the Member or Members concerned.

Article 73

Structure

The Organization shall have a Conference, an Executive Board, Commissions as established under Article 82, and such other organs as may be required. There shall also be a Director-General and Staff.

Section B—The Conference

Article 74

Composition

1. The Conference shall consist of all the Members of the Organization.

2. Each Member shall have one representative in the Conference and may appoint alternates and advisers to its representative.

Article 75

Voting

1. Each Member shall have one vote in the Conference.

2. Except as otherwise provided in this Charter, decisions of the Conference shall be taken by a majority of the Members present and voting; *Provided* that the rules of procedure of the Conference may permit a Member to request a second vote if the number of votes cast is less than half the number of the Members, in which case the decision reached on the second vote shall be final whether or not the total of the votes cast comprises more than half the number of the Members.

Article 76

Sessions, Rules of Procedure and Officers

1. The Conference shall meet at the seat of the Organization in regular annual session and in such special sessions as may be convoked by the Director-General at the request of the Executive Board or of one-third of the Members. In exceptional circumstances, the Executive Board may decide that the Conference shall be held at a place other than the seat of the Organization.

2. The Conference shall establish rules of procedure which may include rules appropriate for the carrying out of its functions during the intervals between its sessions. It shall annually elect its President and other officers.

Article 77

Powers and Duties

1. The powers and duties attributed to the Organization by this Charter and the final authority to determine the policies of the Organization shall be vested in the Conference.

2. The Conference may, by a vote of a majority of the Members, assign to the Executive Board any power or duty of the Organization except such specific powers and duties as are expressly conferred or imposed upon the Conference by this Charter.

3. In exceptional circumstances not elsewhere provided for in this Charter, the Conference may waive an obligation imposed upon a Member by the Charter; *Provided* that any such decision shall be approved by a two-thirds majority of the votes cast and that such majority shall comprise more than half of the Members. The Conference may also by such a vote define certain categories of exceptional circumstances to which other voting requirements shall apply for the waiver of obligations.

4. The Conference may prepare or sponsor agreements with respect to any matter within the scope of this Charter, and by a two-thirds

majority of the Members present and voting, recommend such agreements for acceptance. Each Member shall within a period specified by the Conference, notify the Director-General of its acceptance or non-acceptance. In the case of non-acceptance, a statement of the reasons therefor shall be forwarded with the notification.

5. The Conference may make recommendations to inter-governmental organizations on any subject within the scope of this Charter.

6. The Conference shall approve the budget of the Organization and shall apportion the expenditures of the Organization among the Members in accordance with a scale of contributions to be fixed from time to time by the Conference following such principles as may be applied by the United Nations. If a maximum limit is established on the contribution of a single Member with respect to the budget of the United Nations, such limit shall also be applied with respect to contributions to the Organization.

7. The Conference shall determine the seat of the Organization and shall establish such branch offices as it may consider desirable.

Section C—The Executive Board

Article 78

Composition of the Executive Board

1. The Executive Board shall consist of eighteen Members of the Organization selected by the Conference.

2. (*a*) The Executive Board shall be representative of the broad geographical areas to which the Members of the Organization belong.

(*b*) A customs union, as defined in paragraph 4 of Article 44, shall be considered eligible for selection as a member of the Executive Board on the same basis as a single Member of the Organization if all of the members of the customs union are Members of the Organization and if all its members desire to be represented as a unit.

(*c*) In selecting the members of the Executive Board, the Conference shall have regard to the objective of ensuring that the Board includes Members of chief economic importance, in the determination of which particular regard shall be paid to their shares in international trade, and that it is representative of the different types of economies or degrees of economic development to be found within the membership of the Organization.

3. (*a*) At intervals of three years the Conference shall determine, by a two-thirds majority of the Members present and voting, the eight Members of chief economic importance, in the determination of which particular regard shall be paid to their shares in international trade. The Members so determined shall be declared members of the Executive Board.

(*b*) The other members of the Executive Board shall be elected by the Conference by a two-thirds majority of the Members present and voting.

(*c*) If on two consecutive ballots no member is elected, the remainder of the election shall be decided by a majority of the Members present and voting.

4. Subject to the provisions of Annex L, the term of office of a member of the Executive Board shall be three years, and any vacancy in the membership of the Board may be filled by the Conference for the unexpired term of the vacancy.

5. The Conference shall establish rules for giving effect to this Article.

Article 79

Voting

1. Each member of the Executive Board shall have one vote.

2. Decisions of the Executive Board shall be made by a majority of the votes cast.

Article 80

Sessions, Rules of Procedure and Officers

1. The Executive Board shall adopt rules of procedure, which shall include rules for the convening of its sessions, and which may include rules appropriate for the carrying out of its functions during the intervals between its sessions. The rules of procedure shall be subject to confirmation by the Conference.

2. The Executive Board shall annually elect its Chairman and other officers, who shall be eligible for re-election.

3. The Chairman of the Executive Board shall be entitled *ex officio* to participate, without the right to vote, in the deliberations of the Conference.

4. Any Member of the Organization which is not a member of the Executive Board shall be invited to participate in the discussion by the Board of any matter of particular and substantial concern to that Member and shall, for the purpose of such discussion, have all the rights of a member of the Board, except the right to vote.

Article 81

Powers and Duties

1. The Executive Board shall be responsible for the execution of the policies of the Organization and shall exercise the powers and perform the duties assigned to it by the Conference. It shall supervise the activities of the Commissions and shall take such action upon their recommendations as it may deem appropriate.

2. The Executive Board may make recommendations to the Conference, or to inter-governmental organizations, on any subject within the scope of this Charter.

Section D—The Commissions

Article 82

Establishment and Functions

The Conference shall establish such Commissions as may be required for the performance of the functions of the Organization. The Commissions shall have such functions as the Conference may decide. They shall report to the Executive Board and shall perform such tasks as the Board may assign to them. They shall consult each other as necessary for the exercise of their functions.

Article 83

Composition and Rules of Procedure

1. The Commissions shall be composed of persons whose appointment, unless the Conference decides otherwise, shall be made by the Executive Board. In all cases, these persons shall be qualified by training and experience to carry out the functions of the Commission to which they are appointed.

2. The number of members, which for each Commission shall normally not exceed seven, and the conditions of service of such members shall be determined in accordance with regulations prescribed by the Conference.

3. Each Commission shall elect a Chairman. It shall adopt rules of procedure which shall be subject to approval by the Executive Board.

4. The rules of procedure of the Conference and of the Executive Board shall provide as appropriate for the participation in their deliberations, without the right to vote, of the chairmen of Commissions.

5. The Organization shall arrange for representatives of the United Nations and of other inter-governmental organizations which are considered by the Organization to have a special competence in the field of activity of any of the Commissions, to participate in the work of such Commission.

Section E—The Director-General and Staff

Article 84

The Director-General

1. The chief administrative officer of the Organization shall be the Director-General. He shall be appointed by the Conference upon

the recommendation of the Executive Board, and shall be subject to the general supervision of the Board. The powers, duties, conditions of service and terms of office of the Director-General shall conform to regulations approved by the Conference.

2. The Director-General or his representative shall be entitled to participate, without the right to vote, in all meetings of any organ of the Organization.

3. The Director-General shall present to the Conference an annual report on the work of the Organization, and the annual budget estimates and financial statements of the Organization.

Article 85

The Staff

1. The Director-General, having first consulted with and having obtained the agreement of the Executive Board, shall have authority to appoint Deputy Directors-General in accordance with regulations approved by the Conference. The Director-General shall also appoint such additional members of the Staff as may be required and shall fix the duties and conditions of service of the members of the Staff, in accordance with regulations approved by the Conference.

2. The selection of the members of the Staff, including the appointment of the Deputy Directors-General, shall as far as possible be made on a wide geographical basis and with due regard to the various types of economy represented by Member countries. The paramount consideration in the selection of candidates and in determining the conditions of service of the Staff shall be the necessity of securing the highest standards of efficiency, competence, impartiality and integrity.

3. The regulations concerning the conditions of service of members of the Staff, such as those governing qualifications, salary, tenure and retirement, shall be fixed, so far as practicable, in conformity with those for members of the Secretariat of the United Nations and of specialized agencies.

Section F—Other Organizational Provisions

Article 86

Relations with the United Nations

1. The Organization shall be brought into relationship with the United Nations as soon as practicable as one of the specialized agencies referred to in Article 57 of the Charter of the United Nations. This relationship shall be effected by agreement approved by the Conference.

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2. Any such agreement shall, subject to the provisions of this Charter, provide for effective cooperation and the avoidance of unnecessary duplication in the activities of these organizations, and for co-operation in furthering the maintenance or restoration of international peace and security.

3. The Members recognize that the Organization should not attempt to take action which would involve passing judgment in any way on essentially political matters. Accordingly, and in order to avoid conflict of responsibility between the United Nations and the Organization with respect to such matters, any measure taken by a Member directly in connection with a political matter brought before the United Nations in accordance with the provisions of Chapters IV or VI of the United Nations Charter shall be deemed to fall within the scope of the United Nations, and shall not be subject to the provisions of this Charter.

4. No action, taken by a Member in pursuance of its obligations under the United Nations Charter for the maintenance or restoration of international peace and security, shall be deemed to conflict with the provisions of this Charter.

Article 87

Relations with other Organizations

1. The Organization shall make arrangements with other inter-governmental organizations, which have related responsibilities, to provide for effective co-operation and the avoidance of unnecessary duplication in the activities of these organizations. The Organization may for this purpose arrange for joint committees, reciprocal representation at meetings and establish such other working relationships as may be necessary.

2. The Organization may make suitable arrangements for consultation and co-operation with non-governmental organizations concerned with matters within the scope of this Charter.

3. Whenever the Conference and the competent authorities of any inter-governmental organization whose purposes and functions lie within the scope of this Charter deem it desirable

(*a*) to incorporate such inter-governmental organization into the Organization, or

(*b*) to transfer all or part of its functions and resources to the Organization, or

(*c*) to bring it under the supervision or authority of the Organization,

the Director-General, subject to the approval of the Conference, may enter into an appropriate agreement. The Members shall, in con-

formity with their international obligations, take the action necessary to give effect to any such agreement.

Article 88

International Character of the Responsibilities of the Director-General, Staff and Members of Commissions

1. The responsibilities of the Director-General and of the members of the Staff shall be exclusively international in character. In the discharge of their duties, they shall not seek or receive instructions from any government or from any other authority external to the Organization. They shall refrain from any action which might reflect on their position as international officials.

2. The provisions of paragraph 1 shall also apply to the members of the Commissions.

3. The Members shall respect the international character of the responsibilities of these persons and shall not seek to influence them in the discharge of their duties.

Article 89

International Legal Status of the Organization

The Organization shall have legal personality and shall enjoy such legal capacity as may be necessary for the exercise of its functions.

Article 90

Status of the Organization in the Territory of Members

1. The Organization shall enjoy in the territory of each of its Members such legal capacity, privileges and immunities as may be necessary for the exercise of its functions.

2. The representatives of Members and the officials of the Organization shall similarly enjoy such privileges and immunities as may be necessary for the independent exercise of their functions in connection with the Organization.

3. When the Organization has been brought into relationship with the United Nations as provided for in paragraph 1 of Article 86, the legal capacity of the Organization and the privileges and immunities provided for in the preceding paragraphs shall be defined by the General Convention on Privileges and Immunities of the Specialized Agencies, adopted by the General Assembly of the United Nations, as from time to time amended, and as supplemented by an annex relating to the International Trade Organization.

Article 91

Contributions

Each Member shall contribute promptly to the Organization its share of the expenditure of the Organization as apportioned by the Conference. A Member which is in arrears in the payment of its contributions shall have no vote in the organs of the Organization, if the amount of its arrears equals or exceeds the amount of the contributions due from it in respect of the preceding two complete years. The Conference may, nevertheless, permit such a Member to vote, if it is satisfied that the failure to pay is due to circumstances beyond the control of the Member.

CHAPTER VIII

SETTLEMENT OF DIFFERENCES

Article 92

Reliance on the Procedures of the Charter

1. The Members undertake that they will not have recourse, in relation to other Members and to the Organization, to any procedure other than the procedures envisaged in this Charter for complaints and the settlement of differences arising out of its operation.

2. The Members also undertake, without prejudice to any other international agreement, that they will not have recourse to unilateral economic measures of any kind contrary to the provisions of this Charter.

Article 93

Consultation and Arbitration

1. If any Member considers that any benefit accruing to it directly or indirectly, implicitly or explicitly, under any of the provisions of this Charter other than Article 1, is being nullified or impaired as a result of

(*a*) a breach by a Member of an obligation under this Charter by action or failure to act, or

(*b*) the application by a Member of a measure not conflicting with the provisions of this Charter, or

(*c*) the existence of any other situation

the Member may, with a view to the satisfactory adjustment of the matter, make written representations or proposals to such other Member or Members as it considers to be concerned, and the Members receiving them shall give sympathetic consideration thereto.

2. The Members concerned may submit the matter arising under paragraph 1 to arbitration upon terms agreed between them; *Provided* that the decision of the arbitrator shall not be binding for any purpose upon the Organization or upon any Member other than the Members participating in the arbitration.

3. The Members concerned shall inform the Organization generally of the progress and outcome of any discussion, consultation or arbitration undertaken under this Charter.

Article 94

Reference to the Executive Board

1. Any matter arising under sub-paragraphs (*a*) or (*b*) of paragraph 1 of Article 93 which is not satisfactorily settled and any matter which arises under paragraph 1 (*c*) of Article 93 may be referred by any Member concerned to the Executive Board.

2. The Executive Board shall promptly investigate the matter and shall decide whether any nullification or impairment within the terms of paragraph 1 of Article 93 in fact exists. It shall then take such of the following steps as may be appropriate:

(*a*) decide that the matter does not call for any action;

(*b*) recommend further consultation to the Members concerned;

(*c*) refer the matter to arbitration upon such terms as may be agreed between the Executive Board and the Members concerned;

(*d*) in any matter arising under paragraph 1 (*a*) of Article 93, request the Member concerned to take such action as may be necessary for the Member to conform to the provisions of this Charter;

(*e*) in any matter arising under sub-paragraph (*b*) or (*c*) of paragraph 1 of Article 93, make such recommendations to Members as will best assist the Members concerned and contribute to a satisfactory adjustment.

3. If the Executive Board considers that action under sub-paragraph (*d*) and (*e*) of paragraph 2 is not likely to be effective in time to prevent serious injury, and that any nullification or impairment found to exist within the terms of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may, subject to the provisions of paragraph 1 of Article 95, release the Member or Members affected from obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired.

4. The Executive Board may, in the course of its investigation, consult with such Members or inter-governmental organizations upon such matters within the scope of this Charter as it deems appropriate. It may also consult any appropriate commission of the Organization on any matter arising under this Chapter.

5. The Executive Board may bring any matter, referred to it under this Article, before the Conference at any time during its consideration of the matter.

Article 95

Reference to the Conference

1. The Executive Board shall, if requested to do so within thirty days by a Member concerned, refer to the Conference for review any action, decision or recommendation by the Executive Board under paragraphs 2 or 3 of Article 94. Unless such review has been asked for by a Member concerned, Members shall be entitled to act in accordance with any action, decision or recommendation of the Executive Board under paragraphs 2 or 3 of Article 94. The Conference shall confirm, modify or reverse such action, decision or recommendation referred to it under this paragraph.

2. Where a matter arising under this Chapter has been brought before the Conference by the Executive Board, the Conference shall follow the procedure set out in paragraph 2 of Article 94 for the Executive Board.

3. If the Conference considers that any nullification or impairment found to exist within the terms of paragraph 1 (*a*) of Article 93 is sufficiently serious to justify such action, it may release the Member or Members affected from obligations or the grant of concessions to any other Member or Members under or pursuant to this Charter, to the extent and upon such conditions as it considers appropriate and compensatory, having regard to the benefit which has been nullified or impaired. If the Conference considers that any nullification or impairment found to exist within the terms of sub-paragraphs (*b*) or (*c*) of paragraph 1 of Article 93 is sufficiently serious to justify such action, it may similarly release a Member or Members to the extent and upon such conditions as will best assist the Members concerned and contribute to a satisfactory adjustment.

4. When any Member or Members, in accordance with the provisions of paragraph 3, suspend the performance of any obligation or the grant of any concession to another Member, the latter Member shall be free, not later than sixty days after such action is taken, or if an opinion has been requested from the International Court of Justice pursuant to the provisions of Article 96, after such opinion has been delivered, to give written notice of its withdrawal from the Organiza-

tion. Such withdrawal shall become effective upon the expiration of sixty days from the day on which such notice is received by the Director-General.

Article 96

Reference to the International Court of Justice

1. The Organization may, in accordance with arrangements made pursuant to paragraph 2 of Article 96 of the Charter of the United Nations, request from the International Court of Justice advisory opinions on legal questions arising within the scope of the activities of the Organization.

2. Any decision of the Conference under this Charter shall, at the instance of any Member whose interests are prejudiced by the decision, be subject to review by the International Court of Justice by means of a request, in appropriate form, for an advisory opinion pursuant to the Statute of the Court.

3. The request for an opinion shall be accompanied by a statement of the question upon which the opinion is required and by all documents likely to throw light upon the question. This statement shall be furnished by the Organization in accordance with the Statute of the Court and after consultation with the Members substantially interested.

4. Pending the delivery of the opinion of the Court, the decision of the Conference shall have full force and effect; *Provided* that the Conference shall suspend the operation of any such decision pending the delivery of the opinion where, in the view of the Conference, damage difficult to repair would otherwise be caused to a Member concerned.

5. The Organization shall consider itself bound by the opinion of the Court on any question referred by it to the Court. In so far as it does not accord with the opinion of the Court, the decision in question shall be modified.

Article 97

Miscellaneous Provisions

1. Nothing in this Chapter shall be construed to exclude other procedures provided for in this Charter for consultation and the settlement of differences arising out of its operation. The Organization may regard discussion, consultation or investigation undertaken under any other provisions of this Charter as fulfilling, either in whole or in part, any similar procedural requirement in this Chapter.

2. The Conference and the Executive Board shall establish such rules of procedure as may be necessary to carry out the provisions of this Chapter.

CHAPTER IX

GENERAL PROVISIONS

Article 98

Relations with Non-Members

1. Nothing in this Charter shall preclude any Member from maintaining economic relations with non-Members.

2. The Members recognize that it would be inconsistent with the purpose of this Charter for a Member to seek any arrangements with non-Members for the purpose of obtaining for the trade of its country preferential treatment as compared with the treatment accorded to the trade of other Member countries, or so to conduct its trade with non-Member countries as to result in injury to other Member countries. Accordingly,

(*a*) no Member shall enter into any new arrangement with a non-Member which precludes the non-Member from according to other Member countries any benefit provided for by such arrangement;

(*b*) subject to the provisions of Chapter IV, no Member shall accord to the trade of any non-Member country treatment which, being more favourable than that which it accords to the trade of any other Member country, would injure the economic interests of a Member country.

3. Notwithstanding the provisions of paragraph 2, Members may enter into agreements with non-Members in accordance with the provisions of paragraph 3 of Article 15 or of paragraph 6 of Article 44.

4. Nothing in this Charter shall be interpreted to require a Member to accord to non-Member countries treatment as favourable as that which it accords to Member countries under the provisions of the Charter, and failure to accord such treatment shall not be regarded as inconsistent with the terms or the spirit of the Charter.

5. The Executive Board shall make periodic studies of general problems arising out of the commercial relations between Member and non-Member countries and, with a view to promoting the purpose of the Charter, may make recommendations to the Conference with respect to such relations. Any recommendation involving alterations in the provisions of this Article shall be dealt with in accordance with the provisions of Article 100.

Article 99

General Exceptions

1. Nothing in this Charter shall be construed

(*a*) to require a Member to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(*b*) to prevent a Member from taking, either singly or with other States, any action which it considers necessary for the protection of its essential security interests, where such action

(i) relates to fissionable materials or to the materials from which they are derived, or

(ii) relates to the traffic in arms, ammunition or implements of war, or to traffic in other goods and materials carried on directly or indirectly for the purpose of supplying a military establishment of the Member or of any other country, or

(iii) is taken in time of war or other emergency in international relations; or

(*c*) to prevent a Member from entering into or carrying out any inter-governmental agreement (or other agreement on behalf of a government for the purpose specified in this sub-paragraph) made by or for a military establishment for the purpose of meeting essential requirements of the national security of one or more of the participating countries; or

(*d*) to prevent action taken in accordance with the provisions of Annex M to this Charter.

2. Nothing in this Charter shall be construed to override

(*a*) any of the provisions of peace treaties or permanent settlements resulting from the Second World War which are or shall be in force and which are or shall be registered with the United Nations, or

(*b*) any of the provisions of instruments creating Trust Territories or any other special regimes established by the United Nations.

Article 100

Amendments

1. Any amendment to this Charter which does not alter the obligations of Members shall become effective upon approval by the Conference by a two-thirds majority of the Members.

2. Any amendment which alters the obligations of Members shall, after receiving the approval of the Conference by a two-thirds major-

ity of the Members present and voting, become effective for the Members accepting the amendment upon the ninetieth day after two-thirds of the Members have notified the Director-General of their acceptance, and thereafter for each remaining Member upon acceptance by it. The Conference may, in its decision approving an amendment under this paragraph and by one and the same vote, determine that the amendment is of such a nature that the Members which do not accept it within a specified period after the amendment becomes effective shall be suspended from membership in the Organization; *Provided* that the Conference may, at any time, by a two-thirds majority of the Members present and voting, determine the conditions under which such suspension shall not apply with respect to any such Member.

3. A Member not accepting an amendment under paragraph 2 shall be free to withdraw from the Organization at any time after the amendment has become effective; *Provided*, that the Director-General has received from such Member sixty days' written notice of withdrawal; and *provided further* that the withdrawal of any Member suspended under the provisions of paragraph 2 shall become effective upon the receipt by the Director-General of written notice of withdrawal.

4. The Conference shall, by a two-thirds majority of the Members present and voting, determine whether an amendment falls under paragraph 1 or paragraph 2, and shall establish rules with respect to the reinstatement of Members suspended under the provisions of paragraph 2, and any other rules required for carrying out the provisions of this Article.

5. The provisions of Chapter VIII may be amended within the limits and in accordance with the procedure set forth in Annex N.

Article 101

Review of the Charter

1. The Conference shall carry out a general review of the provisions of this Charter at a special session to be convened in conjunction with the regular annual session nearest the end of the fifth year after the entry into force of the Charter.

2. At least one year before the special session referred to in paragraph 1, the Director-General shall invite the Members to submit any amendments or observations which they may wish to propose and shall circulate them for consideration by the Members.

3. Amendments resulting from such review shall become effective in accordance with the procedure set forth in Article 100.

Article 102

Withdrawal and Termination

1. Without prejudice to any special provision in this Charter relating to withdrawal, any Member may withdraw from the Organization, either in respect of itself or of a separate customs territory on behalf of which it has accepted the Charter in accordance with the provisions of Article 104, at any time after three years from the day of the entry into force of the Charter.

2. A withdrawal under paragraph 1 shall become effective upon the expiration of six months from the day on which written notice of such withdrawal is received by the Director-General. The Director-General shall immediately notify all the Members of any notice of withdrawal which he may receive under this or other provisions of the Charter.

3. This Charter may be terminated at any time by agreement of three-fourths of the Members.

Article 103

Entry into Force and Registration

1. The government of each State accepting this Charter shall deposit an instrument of acceptance with the Secretary-General of the United Nations, who will inform all governments represented at the United Nations Conference on Trade and Employment and all Members of the United Nations not so represented of the date of deposit of each instrument of acceptance and of the day on which the Charter enters into force. Subject to the provisions of Annex O, after the entry into force of the Charter in accordance with the provisions of paragraph 2, each instrument of acceptance so deposited shall take effect on the sixtieth day following the day on which it is deposited.

2. (*a*) This Charter shall enter into force

(i) on the sixtieth day following the day on which a majority of the governments signing the Final Act of the United Nations Conference on Trade and Employment have deposited instruments of acceptance in accordance with the provisions of paragraph 1; or

(ii) if, at the end of one year from the date of signature of the said Final Act, it has not entered into force in accordance with the provisions of sub-paragraph (*a*) (i), then on the sixtieth day following the day on which the number of governments represented at the United Nations Conference on Trade and Employment which have deposited instruments of acceptance

in accordance with the provisions of paragraph 1 shall reach twenty; *Provided* that if twenty such governments have deposited acceptances more than sixty days before the end of such year, it shall not enter into force until the end of that year.

(*b*) If this Charter shall not have entered into force by September 30, 1949, the Secretary-General of the United Nations shall invite those governments which have deposited instruments of acceptance to enter into consultation to determine whether and on what conditions they desire to bring the Charter into force.

3. Until September 30, 1949, no State or separate customs territory, on behalf of which the said Final Act has been signed, shall be deemed to be a non-Member for the purposes of Article 98.

4. The Secretary-General of the United Nations is authorized to register this Charter as soon as it enters into force.

Article 104

Territorial Application

1. Each government accepting this Charter does so in respect of its metropolitan territory and of the other territories for which it has international responsibility, except such separate customs territories as it shall notify to the Organization at the time of its own acceptance.

2. Any Member may at any time accept this Charter, in accordance with the provisions of paragraph 1 of Article 103, on behalf of any separate customs territory excepted under the provisions of paragraph 1.

3. Each Member shall take such reasonable measures as may be available to it to ensure observance of the provisions of this Charter by the regional and local governments and authorities within its territory.

Article 105

Annexes

The Annexes to this Charter form an integral part thereof.

Article 106

Deposit and Authenticity of Texts

Title and Date of the Charter

1. The original texts of this Charter in the official languages of the United Nations shall be deposited with the Secretary-General of the United Nations, who will furnish certified copies of the texts to all interested governments. Subject to the provisions of the

Statute of the International Court of Justice, such texts shall be equally authoritative for the purposes of the interpretation of the Charter, and any discrepancy between texts shall be settled by the Conference.

2. The date of this Charter shall be March 24, 1948.

3. This Charter for an International Trade Organization shall be known as the Havana Charter.

ANNEX A

List of Territories Referred to in Paragraph 2 (*a*) of Article 16

United Kingdom of Great Britain and Northern Ireland
Dependent territories of the United Kingdom of Great Britain and Northern Ireland
Canada
Commonwealth of Australia
Dependent territories of the Commonwealth of Australia
New Zealand
Dependent territories of New Zealand
Union of South Africa including South West Africa
Ireland
India (as at April 10, 1947)
Newfoundland
Southern Rhodesia
Burma
Ceylon

Certain of the territories listed above have two or more preferential rates in force for certain products. Any such territory may, by agreement with the other Members which are principal suppliers of such products at the most-favoured-nation rate, substitute for such preferential rates a single preferential rate which shall not on the whole be less favourable to suppliers at the most-favoured-nation rate than the preferences in force prior to such substitution.

The preferential arrangements referred to in paragraph 5 (*b*) of Article 23 are those existing in the United Kingdom on April 10, 1947, under contractual agreements with the Governments of Canada, Australia and New Zealand, in respect of chilled and frozen beef and veal, frozen mutton and lamb, chilled and frozen pork, and bacon. Without prejudice to any action taken under paragraph 1 (*a*) (ix) of Article 45, negotiations shall be entered into when practicable among the countries substantially concerned or involved, in the manner provided for in Article 17, for the elimination of these arrangements or their replacement by tariff preferences. If after such negotiations have taken place a tariff preference is created or an existing tariff

preference is increased to replace these arrangements such action shall not be considered to contravene the provisions of Article 16 or Article 17.

The film hire tax in force in New Zealand on April 10, 1947 shall, for the purpose of this Charter, be treated as a customs duty falling under Articles 16 and 17. The renters' film quota in force in New Zealand on April 10, 1947, shall for the purposes of this Charter be treated as a screen quota falling under Article 19.

The Dominions of India and Pakistan have not been mentioned separately in the above list since they had not come into existence as such on the base date of April 10, 1947.

ANNEX B

List of Territories of the French Union Referred to in Paragraph 2 (*b*) of Article 16

France
French Equatorial Africa (Treaty Basin of the Congo* and other territories)
French West Africa
Cameroons under French Mandate*
French Somali Coast and Dependencies
French Establishments in India*
French Establishments in Oceania
French Establishments in the Condominium of the New Hebrides*
Guadeloupe and Dependencies
French Guiana
Indo-China
Madagascar and Dependencies
Morocco (French zone)*
Martinique
New Caledonia and Dependencies
Reunion
Saint-Pierre and Miquelon
Togo under French Mandate*
Tunisia

* For imports into Metropolitan France and territories of the French Union.

ANNEX C

List of Territories of the Customs Union of Belgium, Luxembourg and the Netherlands Referred to in Paragraph 2 (*b*) of Article 16

The Economic Union of Belgium and Luxembourg
Belgian Congo
Ruanda Urundi
The Netherlands
Netherlands Indies
Surinam
Curaçao

(For imports into the metropolitan territories of the Customs Union.)

ANNEX D

List of Territories of the United States of America Referred to in Paragraph 2 (*b*) of Article 16

United States of America (customs territory)
Dependent territories of the United States of America

ANNEX E

List of Portuguese Territories Referred to in Paragraph 2 (*b*) of Article 16

Portugal and the Archipelagoes of Madeira and the Azores
Archipelago of Cape Verde
Guinea
St. Tome and Principe and Dependencies
S. Joao Batista de Ajuda
Cabinda
Angola
Mozambique
State of India and Dependencies
Macao and Dependencies
Timor and Dependencies

ANNEX F

List of Territories Covered by Preferential Arrangements Between Chile and Neighbouring Countries Referred to in Paragraph 2 (*e*) of Article 16

Preferences in force exclusively between, on the one hand, Chile and, on the other hand,

1. Argentina
2. Bolivia
3. Peru,

respectively.

ANNEX G

List of Territories Covered by Preferential Arrangements Between the Syro-Lebanese Customs Union and Neighbouring Countries Referred to in Paragraph 2 (*e*) of Article 16

Preferences in force exclusively between, on the one hand,
The Syro-Lebanese Customs Union and, on the other hand,

1. Palestine
2. Transjordan,

respectively.

ANNEX H

List of Territories Covered by Preferential Arrangements Among Colombia, Ecuador and Venezuela Referred to in Paragraph 2 (*e*) of Article 16

Preferences in force exclusively between two or more of the following countries:

Colombia
Ecuador
Venezuela

Notwithstanding the provisions of Article 16, Venezuela may provisionally maintain the special surcharges which on November 21, 1947, were levied on products imported via certain territories:

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Provided that such surcharges shall not be increased above the level in effect on that date and shall be eliminated not later than five years from the date of this Charter.

ANNEX I

List of Territories Covered by Preferential Arrangements Among the Republics of Central America Referred to in Paragraph 2 (*e*) of Article 16

Preferences in force exclusively between two or more of the following countries:

Costa Rica
El Salvador
Guatemala
Honduras
Nicaragua

ANNEX J

List of Territories Covered by Preferential Arrangements Between Argentina and Neighbouring Countries Referred to in Paragraph 2 (*e*) of Article 16

Preferences in force exclusively between, on the one hand, Argentina
and, on the other hand,
1. Bolivia
2. Chile
3. Paraguay,

respectively.

ANNEX K

Exceptions to the Rule of Non-Discrimination

(Applicable to Members who so elect, in accordance with paragraph 1 (*d*) of Article 23, in lieu of paragraphs 1 (*b*) and 1 (*c*) of Article 23.)

1. (*a*) A Member applying import restrictions under Article 21 may relax such restrictions in a manner which departs from the provisions of Article 22 to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3 (*a*) and 3 (*b*) of Article 21 if its restrictions were fully consistent with the provisions of Article 22; *Provided* that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other Member countries, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the Member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the Member currently receives directly or indirectly from its exports to other Members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other Member, including interests under Articles 3 and 9.

(*b*) Any Member taking action under this paragraph shall observe the principles of sub-paragraph (*a*). A Member shall desist from transactions which prove to be inconsistent with that sub-paragraph but the Member shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

2. Any Member taking action under paragraph 1 of this Annex shall keep the Organization regularly informed regarding such action and shall provide such available relevant information as the Organization may request.

3. If at any time the Organization finds that import restrictions are being applied by a Member in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Annex, the Member shall, within sixty days, remove the discrimination or modify it as specified by the Organization; *Provided* that any action under paragraph 1 of this Annex, to the extent that it has been approved by the Organization at the request of a Member under a procedure analogous to that of paragraph 5 (*c*) of Article 21, shall not be open to challenge under this paragraph or under paragraph 5 (*d*) of Article 21 on the ground that it is inconsistent with the provisions of Article 22.

ANNEX L

Relating to Article 78

Selection of the Members of the First Executive Board

To facilitate the work of the Conference at its first session, the following rules shall apply with respect to the selection of the members of the first Executive Board under the provisions of Article 78:

1. Six seats on the Board shall be filled under sub-paragraphs (*a*) and (*b*) of paragraph 3 of Article 78 by Member countries of the Western Hemisphere.* If five or more countries of the Western Hemisphere, eligible for election under paragraph 3 (*b*) of Article 78, have not become Members of the Organization at the time of the election, only three seats shall be filled under paragraph 3 (*b*). If ten or more of the countries of the Western Hemisphere, eligible for election under paragraph 3 (*b*), have not become Members of the Organization at the time of the election, only two seats shall be filled under paragraph 3 (*b*). The seat or seats thus unoccupied shall not be filled unless the Conference otherwise decides by a two-thirds majority of the Members present and voting.

2. In order to ensure a selection in accordance with the provisions of paragraph 3 (*a*) of Article 78, the following countries and customs unions shall be deemed to fulfil the conditions set out therein:

(*a*) the two countries in the Western Hemisphere and the three countries or customs unions in Europe with the largest external trade, which participated in the Havana Conference; and

(*b*) in view of their potential importance in international trade, the three countries with the largest population in the world.

Should any of these countries, including any country participating in a customs union, not be a Member of the Organization at the time of the election, the Conference shall review the situation; however, the unoccupied seat or seats shall not be filled, unless the Conference otherwise decides by a two-thirds majority of the Members present and voting.

3. In the election of members of the Executive Board under the provisions of paragraph 3 (*b*) of Article 78, the Conference shall have due regard to the provisions of paragraph 2 of that Article and to the fact that certain relationships existing among a geographical group of countries may in certain cases give such a group a distinctive and unified character.

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* That is, North, Central and South America.

4. The members selected under paragraph 3 (*a*) of Article 78 shall serve for a term of three years. Of the members elected under paragraph 3 (*b*), half, as determined by lot, shall serve for a term of two years, and the other half for a term of four years. However, if an uneven number of Members has been elected, the Conference shall determine the number to serve for two and for four years respectively.

ANNEX M

Referred to in Paragraph 1 (*d*) of Article 99

Special Provisions regarding India and Pakistan

In view of the special circumstances arising out of the establishment as independent States of India and Pakistan, which have long constituted an economic unit, the provisions of this Charter shall not prevent the two countries from entering into special interim agreements with respect to the trade between them, pending the establishment of their reciprocal trade relations on a definitive basis. When these relations have been established, measures adopted by these countries in order to carry out definitive agreements with respect to their reciprocal trade relations, may depart from particular provisions of the Charter, provided that such measures are in general consistent with the objectives of the Charter.

ANNEX N

Referred to in Paragraph 5 of Article 100

Special Amendment of Chapter VIII

Any amendment to the provisions of Chapter VIII which may be recommended by the Interim Commission for the International Trade Organization after consultation with the International Court of Justice and which relates to review by the Court of matters which arise out of the Charter but which are not already covered in Chapter VIII, shall become effective upon approval by the Conference, at its first regular session, by a vote of a majority of the Members; *Provided* that such amendment shall not provide for review by the Court of any economic or financial fact as established by or through the Organization; and *Provided further* that such amendment shall not affect the obligation of Members to accept the advisory opinion of the Court as binding on the Organization upon the points covered by such opinion;

and *Provided further* that, if such amendment alters the obligations of Members, any Member which does not accept the amendment may withdraw from the Organization upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General.

ANNEX O

Referred to in Paragraph 1 of Article 103

Acceptances within sixty days of the First Regular Session

For the purpose of the first regular session of the Conference, any government which has deposited an instrument of acceptance in accordance with the provisions of paragraph 1 of Article 103 prior to the first day of the session, shall have the same right to participate in the Conference as a Member.

ANNEX P

Interpretative Notes

ad Article 13

Paragraphs 7 (a) (ii) and (iii)

The word "processing", as used in these sub-paragraphs, means the transformation of a primary commodity or of a by-product of such transformation into semi-finished or finished goods but does not refer to highly developed industrial processes.

ad Article 15

Paragraph 1

The special circumstances referred to in paragraph 1 are those set forth in Article 15.

Paragraph 4 (a)

The Organization need not interpret the term "economic region" to require close geographical proximity if it is satisfied that a sufficient degree of economic integration exists between the countries concerned.

Paragraph 6 (d)

The words "the prospective parties to a regional preferential agreement have, prior to November 21, 1947, obtained from countries representing at least two-thirds of their import trade the right to

depart from most-favoured-nation treatment in the cases envisaged in the agreement" cover rights to conclude preferential agreements which may have been recognized in respect of mandated territories which became independent prior to November 21, 1947, in so far as these rights have not been specifically denounced before that date.

ad Article 16

Note 1

The term "margin of preference" means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples:

1. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were 24 per cent ad valorem, the margin of preference would be 12 per cent ad valorem, and not one-third of the most-favoured-nation rate.
2. If the most-favoured-nation rate were 36 per cent ad valorem and the preferential rate were expressed as two-thirds of the most-favoured-nation rate, the margin of preference would be 12 per cent ad volorem.
3. If the most-favoured-nation rate were 2 francs per kilogram and the preferential rate 1.50 francs per kilogram, the margin of preference would be 0.50 francs per kilogram.

Note 2

The following kinds of customs action, taken in accordance with established uniform procedures, would not be contrary to the binding of margins of preference under paragraph 4:

(i) the re-application to an imported product of a tariff classification or rate of duty, properly applicable to such product, in cases in which the application of such classification or rate to such product was temporarily suspended or inoperative on April 10, 1947; and

(ii) the classification of a particular product under a tariff item other than that under which importations of that product were classified on April 10, 1947, in cases in which the tariff law clearly contemplates that such product may be classified under more than one tariff item.

ad Article 17

An internal tax (other than a general tax uniformly applicable to a considerable number of products) which is applied to a product not produced domestically in substantial quantities shall be treated as a customs duty under Article 17 in any case in which a tariff concession

on the product would not be of substantial value unless accompanied by a binding or a reduction of the tax.

Paragraph 2 (d)

In the event of the devaluation of a Member's currency, or of a rise in prices, the effects of such devaluation or rise in prices would be a matter for consideration during negotiations in order to determine, first, the change, if any, in the protective incidence of the specific duties of the Member concerned and, secondly, whether the binding of such specific duties represents in fact a concession equivalent in value to the substantial reduction of high duties or the elimination of tariff preferences.

ad Article 18

Any internal tax or other internal charge, or any law, regulation or requirement of the kind referred to in paragraph 1 which applies to an imported product and to the like domestic product and is collected or enforced in the case of the imported product at the time or point of importation, is nevertheless to be regarded as an internal tax or other internal charge, or a law, regulation or requirement of the kind referred to in paragraph 1, and is accordingly subject to the provisions of Article 18.

Paragraph 1

The application of paragraph 1 to internal taxes imposed by local governments and authorities within the territory of a Member is subject to the provisions of paragraph 3 of Article 104. The term "reasonable measures" in the last-mentioned paragraph would not require, for example, the repeal of existing national legislation authorizing local governments to impose internal taxes which, although technically inconsistent with the letter of Article 18, are not in fact inconsistent with its spirit, if such repeal would result in a serious financial hardship for the local governments or authorities concerned. With regard to taxation by local governments or authorities which is inconsistent with both the letter and spirit of Article 18, the term "reasonable measures" would permit a Member to eliminate the inconsistent taxation gradually over a transition period, if abrupt action would create serious administrative and financial difficulties.

Paragraph 2

A tax conforming to the requirements of the first sentence of paragraph 2 would be considered to be inconsistent with the provisions of the second sentence only in cases where competition was involved between, on the one hand, the taxed product and on the other hand, a directly competitive or substitutable product which was not similarly taxed.

Paragraph 5

Regulations consistent with the provisions of the first sentence of paragraph 5 shall not be considered to be contrary to the provisions of the second sentence in any case in which all of the products subject to the regulations are produced domestically in substantial quantities. A regulation cannot be justified as being consistent with the provisions of the second sentence on the ground that the proportion or amount allocated to each of the products which are the subject of the regulation constitutes an equitable relationship between imported and domestic products.

ad Article 20

Paragraph 2 (a)

In the case of products which are basic to diet in the exporting country and which are subject to alternate annual shortages and surpluses, the provisions of paragraph 2 (*a*) do not preclude such export prohibitions or restrictions as are necessary to maintain from year to year domestic stocks sufficient to avoid critical shortages.

Paragraph 2 (c)

The expression "agricultural and fisheries product, imported in any form" means the product in the form in which it is originally sold by its producer and such processed forms of the product as are so closely related to the original product as regards utilization that their unrestricted importation would make the restriction on the original product ineffective.

Paragraph 3 (b)

The provisions for prior consultation would not prevent a Member which had given other Members a reasonable period of time for such consultation from introducing the restrictions at the date intended. It is recognized that, with regard to import restrictions applied under paragraph 2 (*c*) (ii), the period of advance notice provided would in some cases necessarily be relatively short.

Paragraph 3 (d)

The term "special factors" in paragraph 3 (*d*) includes among other factors changes in relative productive efficiency as between domestic and foreign producers which may have occurred since the representative period.

ad Article 21

With regard to the special problems that might be created for Members which, as a result of their programmes of full employment, maintenance of high and rising levels of demand and economic development, find themselves faced with a high level of demand for imports, and in consequence maintain quantitative regulation of their foreign

trade, it was considered that the text of Article 21, together with the provision for export controls in certain parts of this Charter, for example, in Article 45, fully meet the position of these economies.

ad Article 22

Paragraphs 2 (d) and 4

The term "special factors" as used in Article 22 includes among other factors the following changes, as between the various foreign producers, which may have occurred since the representative period:

1. changes in relative productive efficiency;
2. the existence of new or additional ability to export; and
3. reduced ability to export.

Paragraph 3

The first sentence of paragraph 3 (*b*) is to be understood as requiring the Member in all cases to give, not later than the beginning of the relevant period, public notice of any quota fixed for a specified future period, but as permitting a Member, which for urgent balance-of-payments reasons is under the necessity of changing the quota within the course of a specified period, to select the time of its giving public notice of the change. This in no way affects the obligation of a Member under the provisions of paragraph 3 (*a*), where applicable.

ad Article 23

Paragraph 1 (g)

The provisions of paragraph 1 (*g*) shall not authorize the Organization to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the Organization shall, if the Member so requests, consider the transaction, not individually, but in relation to the Member's policy regarding imports of the product in question taken as a whole.

Paragraph 2

One of the situations contemplated in paragraph 2 is that of a Member holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination.

ad Article 24

Paragraph 8

For example, a Member which, as part of its exchange control operated in accordance with the Articles of Agreement of the International Monetary Fund, requires payment to be received for its

exports in its own currency or in the currency of one or more members of the Fund would not thereby be deemed to contravene the provisions of Articles 20 or 22. Another example would be that of a Member which specifies on an import license the country from which the goods may be imported for the purpose, not of introducing any additional element of discrimination in its import licensing system, but of enforcing permissible exchange controls.

ad Article 29

Paragraph 1

Note 1

Different prices for sales and purchases of products in different markets are not precluded by the provisions of Article 29, provided that such different prices are charged or paid for commercial reasons, having regard to differing conditions, including supply and demand, in such markets.

Note 2

Sub-paragraphs (*a*) and (*b*) of paragraph 1 shall not be construed as applying to the trading activities of enterprises to which a Member has granted licences or other special privileges

(*a*) solely to ensure standards of quality and efficiency in the conduct of its external trade; or

(*b*) for the exploitation of its natural resources;

provided that the Member does not thereby establish or exercise effective control or direction of the trading activities of the enterprises in question, or create a monopoly whose trading activities are subject to effective governmental control or direction.

ad Article 31

Paragraphs 2 and 4

The maximum import duty referred to in paragraphs 2 and 4 would cover the margin which has been negotiated or which has been published or notified to the Organization, whether or not collected, wholly or in part, at the custom house as an ordinary customs duty.

Paragraph 4

With reference to the second proviso, the method and degree of adjustment to be permitted in the case of a primary commodity which is the subject of a domestic price stabilization arrangement should normally be a matter for agreement at the time of the negotiations under paragraph 2 (*a*).

ad Article 33

Paragraph 1

The assembly of vehicles and mobile machinery arriving in a knocked-down condition or the disassembly (or disassembly and subsequent reassembly) of bulky articles shall not be held to render the passage of such goods outside the scope of "traffic in transit", provided that any such operation is undertaken solely for convenience of transport.

Paragraphs 3, 4 and 5

The word "charges" as used in the English text of paragraphs 3, 4 and 5 shall not be deemed to include transportation charges.

Paragraph 6

If, as a result of negotiations in accordance with paragraph 6, a Member grants to a country which has no direct access to the sea more ample facilities than those already provided for in other paragraphs of Article 33, such special facilities may be limited to the land-locked country concerned unless the Organization finds, on the complaint of any other Member, that the withholding of the special facilities from the complaining Member contravenes the most-favoured-nation provisions of this Charter.

ad Article 34

Paragraph 1

Hidden dumping by associated houses (that is, the sale by an importer at a price below that corresponding to the price invoiced by an exporter with whom the importer is associated, and also below the price in the exporting country) constitutes a form of price dumping with respect to which the margin of dumping may be calculated on the basis of the price at which the goods are resold by the importer.

Paragraphs 2 and 3

Note 1

As in many other cases in customs administration, a Member may require reasonable security (bond or cash deposit) for the payment of antidumping or countervailing duty pending final determination of the facts in any case of suspected dumping or subsidization.

Note 2

Multiple currency practices can in certain circumstances constitute a subsidy to exports which may be met by countervailing duties under paragraph 3 or can constitute a form of dumping by means of a partial depreciation of a country's currency which may be met by action under paragraph 2. By "multiple currency practices" is meant practices by governments or sanctioned by governments.

ad Article 35

Paragraph 3

Note 1

It would be in conformity with Article 35 to presume that "actual value" may be represented by the invoice price (or in the case of government contracts in respect of primary products, the contract price), plus any non-included charges for legitimate costs which are proper elements of "actual value" and plus any abnormal discount, or any reduction from the ordinary competitive price.

Note 2

If on the date of this Charter a Member has in force a system under which ad valorem duties are levied on the basis of fixed values, the provisions of paragraph 3 of Article 35 shall not apply:

1. in the case of values not subject to periodical revision in regard to a particular product, as long as the value established for that product remains unchanged;
2. in the case of values subject to periodical revision, on condition that the revision is based on the average "actual value" established by reference to an immediately preceding period of not more than twelve months and that such revision is made at any time at the request of the parties concerned or of Members. The revision shall apply to the importation or importations in respect of which the specific request for revision was made, and the revised value so established shall remain in force pending further revision.

Note 3

It would be in conformity with paragraph 3 (*b*) for a Member to construe the phrase "in the ordinary course of trade", read in conjunction with "under fully competitive conditions", as excluding any transaction wherein the buyer and seller are not independent of each other and price is not the sole consideration.

Note 4

The prescribed standard of "fully competitive conditions" permits Members to exclude from consideration distributors' prices which involve special discounts limited to exclusive agents.

Note 5

The wording of sub-paragraphs (*a*) and (*b*) permits a Member to assess duty uniformly either (1) on the basis of a particular exporter's prices of the imported merchandise, or (2) on the basis of the general price level of like merchandise.

Paragraph 5

If compliance with the provisions of paragraph 5 would result in decreases in amounts of duty payable on products with respect to which the rates of duty have been bound by an international agreement, the term "at the earliest practicable date" in paragraph 2 allows the Member concerned a reasonable time to obtain adjustment of the agreement.

ad Article 36

Paragraph 3

While Article 36 does not cover the use of multiple rates of exchange as such, paragraphs 1 and 3 condemn the use of exchange taxes or fees as a device for implementing multiple currency practices; if, however, a Member is using multiple currency exchange fees for balance-of-payment reasons not inconsistently with the Articles of Agreement of the International Monetary Fund, the provisions of paragraph 2 fully safeguard its position since that paragraph merely requires that the fees be eliminated at the earliest practicable date.

ad Article 40

It is understood that any suspension, withdrawal or modification under paragraphs 1 (*a*), 1 (*b*) and 3 (*b*) must not discriminate against imports from any Member country, and that such action should avoid, to the fullest extent possible, injury to other supplying Member countries.

ad Article 41

The provisions for consultation require Members subject to the exceptions specifically set forth in this Charter, to supply to other Members, upon request, such information as will enable a full and fair appraisal of the matters which are the subject of such consultation, including the operation of sanitary laws and regulations for the protection of human, animal or plant life or health, and other matters affecting the application of Chapter IV.

ad Article 44

Paragraph 5

It is understood that the provisions of Article 16 would require that, when a product which has been imported into the territory of a member of a customs union or free-trade area at a preferential rate of duty is re-exported to the territory of another member of such union or area, the latter member should collect a duty equal to the difference between the duty already paid and the most-favoured-nation rate.

ad Article 53

The provisions of this Article shall not apply to matters relating to shipping services which are subject to the Convention of the Intergovernmental Maritime Consultative Organization.

ad Article 86

Paragraph 3

Note 1

If any Member raises the question whether a measure is in fact taken directly in connection with a political matter brought before the United Nations in accordance with the provisions of Chapters IV or VI of the United Nations Charter, the responsibility for making a determination on the question shall rest with the Organization. If, however, political issues beyond the competence of the Organization are involved in making such a determination, the question shall be deemed to fall within the scope of the United Nations.

Note 2

If a Member which has no direct political concern in a matter brought before the United Nations considers that a measure taken directly in connection therewith and falling within the scope of paragraph 3 of Article 86 constitutes a nullification or impairment within the terms of paragraph 1 of Article 93, it shall seek redress only by recourse to the procedures set forth in Chapter VIII of this Charter.

ad Article 98

Nothing in this Article shall be construed to prejudice or prevent the operation of the provisions of paragraph 1 of Article 60 regarding the treatment to be accorded to non-participating countries under the terms of a commodity control agreement which conforms to the requirements of Chapter VI.

ad Article 104

Note 1

In the case of a condominium, where the codomini are Members of the Organization, they may, if they so desire and agree, jointly accept this Charter in respect of the condominium.

Note 2

Nothing in this Article shall be construed as prejudicing the rights which may have been or may be invoked by States in connection with territorial questions or disputes concerning territorial sovereignty.

ad Annex K

It is understood that the fact that a Member is operating under the provisions of paragraph 1 (*b*) (i) of Article 45 does not preclude that Member from operation under this Annex, but that the provisions of Article 23 (including this Annex) do not in any way limit the rights of Members under paragraph 1 (*b*) (i) of Article 45.

Resolutions
Adopted by the Conference

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Resolutions Adopted By The Conference

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RESOLUTION ESTABLISHING AN INTERIM COMMISSION FOR THE INTERNATIONAL TRADE ORGANIZATION

The United Nations Conference on Trade and Employment

HAVING prepared the Havana Charter for an International Trade Organization (hereinafter referred to as "the Charter" and "the Organization" respectively),

CONSIDERING that pending the establishment of the Organization certain interim functions should be performed,

HEREBY RESOLVES to establish an Interim Commission for the International Trade Organization (hereinafter called "the Commission") consisting of the governments the representatives of which have approved this resolution and which are entitled to original membership of the Organization under Article 71 of the Charter. The terms of reference and structure of the Commission are set out in the Annex to this resolution which forms an integral part thereof.

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The following delegations approved the resolution establishing the Interim Commission:

Afghanistan
Argentina
Australia
Austria
Belgium
Brazil
Burma
Canada
Ceylon
Chile
China
Colombia
Costa Rica
Cuba
Czechoslovakia
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
France
Greece
Guatemala
Haiti
India
Republic of Indonesia
Iran
Iraq
Italy
Lebanon
Liberia
Luxembourg
Mexico
Netherlands

New Zealand
Nicaragua
Norway
Pakistan
Panama
Peru
Philippines
Poland
Southern Rhodesia
Sweden
Syria
Transjordan
Turkey
South Africa
United Kingdom
United States
Uruguay
Venezuela

☆ ☆ ☆

ANNEX

1. The Commission shall elect an Executive Committee of eighteen members to exercise any or all of its functions as the Commission may determine on electing the Committee.

2. The Commission shall have the following functions:

(*a*) to convoke the first regular session of the Conference of the Organization (hereinafter referred to as "the Conference") not less than four months and, as far as practicable, not more than six months after the receipt of the last acceptance needed to bring the Charter into force;

(*b*) to submit the provisional agenda for the first regular session of the Conference, together with documents and recommendations relating to all matters upon this agenda, including:

(i) proposals as to the programme and budget for the first year of the Organization;

(ii) studies regarding selection of headquarters of the Organization;

(iii) draft financial and staff regulations.

(*c*) to prepare, in consultation with the United Nations, a draft agreement of relationship as contemplated in paragraph 1 of Article 86 of the Charter for consideration by the first regular session of the Conference;

(*d*) to prepare, in consultation with inter-governmental organizations other than the United Nations, for presentation to the first regular session of the Conference, documents and recommendations regarding the implementation of the provisions of paragraphs 1 and 3 of Article 87 of the Charter;

(*e*) to prepare, in consultation with non-governmental organizations, for presentation to the first regular session of the Conference recommendations regarding the implementation of the provisions of paragraph 2 of Article 87 of the Charter;

(*f*) to prepare, with a view to recommendation by the Economic and Social Council to the first regular session of the Conference, the Annex referred to in paragraph 3 of Article 90 of the Charter;

(*g*) to carry out the functions and responsibilities referred to in the following documents of the United Nations Conference on Trade and Employment:

1. Paragraph 2 of the Final Act of the United Nations Conference on Trade and Employment (to which the present resolution is annexed).
2. The Resolution of the Conference regarding the relation of the International Trade Organization and the International Court of Justice (annexed to the Final Act).
3. The Resolution of the Conference relating to Economic Development and Reconstruction (annexed to the Final Act).
4. The report of Sub-committee G of the Third Committee on the Proposal made by the Delegation of Switzerland (E/CONF.2/C.3/78) together with the sections relating to that matter in the Report of the Third Committee (E/CONF.2/70).

(*h*) to enter into consultations with the Secretary-General of the United Nations regarding the expenses incurred by the Preparatory Committee of the United Nations Conference on Trade and Employment and by that Conference and, in the light of such consultations, to present a report to the first regular session of the Conference;

(*i*) generally to perform such other functions as may be ancillary and necessary to the effective carrying out of the provisions of this annex.

3. The Commission shall elect an Executive Secretary who shall be its chief administrative officer. The Executive Secretary shall appoint the staff of the Commission observing, as far as possible, the principles of paragraph 2 of Article 85 of the Charter and using, as he considers desirable, such assistance as may be extended to him by the Secretary-General of the United Nations. The Executive Secretary shall also perform such other functions and duties as the Commission may determine.

4. The Commission shall approve the budget estimates for the operation of the Commission. The Executive Secretary shall prepare the draft of such estimates. The expenses of the Commission shall be met from funds provided by the United Nations and for this purpose the Commission shall make the necessary arrangements with the Secretary-General of the United Nations for the advance of such funds and for their reimbursement. Should these funds be insufficient, the Commission may accept advances from Governments.

Such advances from Governments may be set off against the contributions of the Governments concerned to the Organization.

5. Arrangements may be made with the Secretary-General of the United Nations regarding the provision of such personnel as may be required to carry on the work of the Interim Co-ordinating Committee for International Commodity Arrangements.

6. The Executive Committee shall hold its first meeting in Havana immediately after its establishment. Its subsequent meetings shall be held in Geneva unless it decides otherwise.

7. The Executive Committee shall submit a report of the activities of the Commission to the first regular session of the Conference.

8. The benefit of the privileges and immunities provided in the Convention on Privileges and Immunities of the Specialized Agencies adopted by the General Assembly of the United Nations shall, as far as possible, be extended to and in connection with the Commission.

9. The Commission shall cease to exist upon the appointment of the Director-General of the Organization, at which time the property and records of the Commission shall be transferred to the Organization.

RESOLUTION CONCERNING RELATION OF THE INTERNATIONAL TRADE ORGANIZATION AND THE INTERNATIONAL COURT OF JUSTICE

The United Nations Conference on Trade and Employment

HAVING considered the relation of the International Trade Organization and the International Court of Justice; and

HAVING provided in Chapter VIII of the Charter, procedures for review by the International Court of legal questions arising out of decisions and recommendations of the Organization,

RESOLVES that the Interim Commission of the International Trade Organization, through such means as may be appropriate, shall consult with appropriate officials of the International Court or with the Court itself, and after such consultation report to the first regular session of the Conference of the International Trade Organization upon the questions of:

(*a*) whether such procedures need to be changed to ensure that decisions of the Court on matters referred to it by the Organization should, with respect to the Organization, have the nature of a judgment; and

(*b*) whether an amendment should be presented to the Conference pursuant to and in accordance with the provisions of the annex to Article 100 of the Charter.

RESOLUTION CONCERNING THE INTERIM CO-ORDINATING COMMITTEE FOR INTERNATIONAL COMMODITY ARRANGEMENTS

The United Nations Conference on Trade and Employment

TAKING note of the resolution adopted by the Economic and Social Council on March 28, 1947, establishing an Interim Co-ordinating Committee for International Commodity Arrangements with a chairman representing the Preparatory Committee of the United Nations Conference on Trade and Employment;

NOTING that, with the commencement of the United Nations Conference on Trade and Employment on November 21, 1947, the Preparatory Committee ceased to exist, and that an interim commission is expected to be established at the conclusion of the Conference; and

RECOGNIZING that it is desirable to avoid any interruption of the interim arrangements for coordinating action in this field; accordingly

RECOMMENDS that the Economic and Social Council amend the composition of the Interim Co-ordinating Committee for International Commodity Arrangements to provide that the Chairman of that Committee be nominated by the Interim Commission for the International Trade Organization or, in the event that an interim commission is not established, by such other body as the United Nations Conference on Trade and Employment may designate.

RESOLUTION TO THE ECONOMIC AND SOCIAL COUNCIL RELATING TO EMPLOYMENT

The United Nations Conference on Trade and Employment

Having recognized in drawing up the Charter for an International Trade Organization that future prosperity and peace must be founded on full and productive employment and large and steadily growing effective demand which, although primarily dependent upon internal measures taken by individual countries, also require consultation and concerted action as well as assistance from inter-governmental agencies;

Recognizing that different measures may be appropriate for different countries, according, for example, to the stage of economic development or reconstruction and the availability of the various factors of production;

Recognizing that inflationary as well as deflationary tendencies may need to be combatted;

Taking note of the resolution adopted by the Second Session of the General Assembly which approved the initiation of surveys of economic conditions and trends and requested recommendations by the Economic and Social Council on appropriate measures relating thereto:

1. Notes that the Economic and Employment Commission and its Sub-Commission on Employment and Economic Stability have been instructed to consider the draft resolution on international action relating to employment prepared by the First Session of the Preparatory Committee; and

AFFIRMS its interest in the four measures specifically recommended for study in that draft resolution.

2. Considers that the studies which have been initiated dealing with the achievement and maintenance of full and productive employment should be advanced as rapidly as possible and that attention should be given now to methods of ensuring that high levels of employment and economic activity shall be maintained even when special factors of temporary duration now prevailing in many countries have ceased to operate, and accordingly

SUGGESTS THAT, with a view to making appropriate recommenda-

tions, the Economic and Social Council, in addition to the investigations which it has already undertaken.

(*a*) Request the submission at an early date, by Members of the United Nations and by non-Members represented at the present Conference, of information concerning action which they are now taking to achieve or maintain full employment and economic stability and the nature of any prepared plans to prevent a future decline, and

(*b*) Request the various specialized agencies to indicate the nature and extent of the assistance they are preparing to provide if a decline in employment and economic activity threatens.

3. Considers that, in many countries, the problems of persistent surplus or shortage of manpower are linked with the attainment of full and productive employment and that their solution would advance the aims of the International Trade Organization; and accordingly

SUGGESTS THAT the Economic and Social Council initiate or encourage studies and recommend appropriate action in connection with international aspects of population problems as these relate to employment, production and demand.

4. Considers that, in relation to the maintenance of full employment, it is advantageous to countries which require or receive and to countries which supply workers on a seasonal or temporary basis to adopt regulations which will mutually safeguard their interests and also protect both the migrants and the domestic workers against unfair competition or treatment; and accordingly

SUGGESTS THAT the Economic and Social Council, in conjunction with appropriate agencies such as the International Labour Organisation and its Permanent Migration Committee, consider the problems of temporary or seasonal migration of workers, taking into account existing treaties and long established customs and usages pertaining thereto, for the purpose of formulating, in consultation with Members directly affected, conventions and model bilateral agreements on the basis of which individual governments may concert their actions to ensure mutually advantageous arrangements for their countries and fair conditions for the workers concerned.

RESOLUTION RELATING TO ECONOMIC DEVELOPMENT AND RECONSTRUCTION

The United Nations Conference on Trade and Employment

Having considered the problems of the industrial and general economic development and reconstruction of the Members of the International Trade Organization; and

Having noted the related activities of other inter-governmental organizations and specialized agencies; and

Having determined that positive measures for the promotion of the economic development and reconstruction of Members are an essential condition for the realization of the purpose stated in Article 1 of the Charter of the International Trade Organization and to the accomplishment of the objectives therein set forth; and

Having regard to the provisions of Articles 10, 72, 86 and 87 of the Charter

THEREFORE RESOLVES:

1. That the Interim Commission of the International Trade Organization is hereby directed to examine

(i) the powers, responsibilities and activities in the field of industrial and general economic development and reconstruction of the United Nations, of the specialized agencies and of other inter-governmental organizations, including regional organizations;

(ii) the availability of facilities for technical surveys or studies of: the natural resources of underdeveloped countries; or the possibilities of their industrial development, whether general or in relation to the processing of locally produced raw materials or other particular industries; or for the improvement of their systems of transportation and communications; or with respect to the manner in which investment of foreign capital may contribute to their economic development;

and in the light of this examination to report to the Organization upon

(*a*) the structure and administrative methods,

(*b*) the working relations with the United Nations, the specialized agencies and other inter-governmental organizations including regional organizations

which will enable the International Trade Organization most effectively to carry out its positive functions for the promotion of the economic development and reconstruction of Members.

2. That the report and recommendations of the Interim Commission shall be submitted in such a manner and at such a time as will enable the Conference of the International Trade Organization to take appropriate action at its first session.

RESOLUTION OF GRATITUDE TO THE CUBAN GOVERNMENT AND PEOPLE

The United Nations Conference on Trade and Employment

On reaching the termination of its deliberations in the city of Havana,

Recalling with appreciation the generous invitation of the Cuban Government to hold the Conference in Havana,

Recognizing the singularly friendly and effective assistance which it has received at all times from the Cuban Government and people,

Has the honour and deep pleasure to convey the expressions of its heart-felt gratitude

To His Excellency the President of the Republic, Dr. Ramón Grau San Martín, whose benevolent interest and goodwill have been throughout a source of encouragement to the Conference;

To His Excellency Señor Don Rafael González Muñoz, Minister of State, who honoured the Conference by accepting its Honorary Presidency;

To the President of the Cuban Senate and to the President of the Cuban Chamber of Representatives who, together with their parliamentary colleagues, have cheerfully borne considerable inconvenience in order that the work of the Conference might proceed unimpeded at the Capitol Building;

To the President and Secretary-General of the Cuban Auxiliary Commission of the United Nations Conference on Trade and Employment whose untiring efforts are in a high degree responsible for the smooth functioning of the Conference;

To the numerous government departments and private organizations which have assisted unstintingly in furthering the activities of the Conference;

To the press representatives of all countries, who have laboured with great energy and conscientiousness to keep world opinion informed of the progress of the Conference;

And to the very many individuals and social organizations which, having contributed so generously to the enjoyment and well-being of the representatives and to the general success of the Conference, have won the lasting gratitude and goodwill of all those who came to Cuba to participate in the Conference.

U. S. GOVERNMENT PRINTING OFFICE. 1948

RELATED PUBLICATIONS

The following publications represent the successive steps in the development of the plan for an International Trade Organization, which began with the United States *Proposals for Expansion of World Trade and Employment* and culminated in the Havana Charter of March 24, 1948. The publications listed may be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

Proposals for Expansion of World Trade and Employment

Publication 2411. Commercial Policy Series 79. 1945. 28 pp. 10¢.

Suggested Charter for an International Trade Organization of the United Nations, September 1946

Publication 2598. Commercial Policy Series 93. 1946. 47 pp. 15¢.

Preliminary Draft Charter for the International Trade Organization of the United Nations, December 1946

Publication 2728. Commercial Policy Series 98. 1947. xiv, 68 pp. 20¢.

Draft Charter for the International Trade Organization of the United Nations.

Publication 2927. Commercial Policy Series 106. 1947. 87 pp. 30¢.

The Geneva Charter for an International Trade Organization. A Commentary

Publication 2950. Commercial Policy Series 107. 1947. 27 pp. 15¢.

A Constitution for World Trade

Publication 2964. Commercial Policy Series 108. 1947. 14 pp. 5¢.

Analysis of General Agreement on Tariffs and Trade

Publication 2983. Commercial Policy Series 109. 1947. 206 pp. 50¢.

American Trade Policy

Publication 3091. Commercial Policy Series 110. 1948. 13 pp. 5¢.

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COMMERCIAL FOREIGN POLICY OF THE UNITED STATES

by Woodbury Willoughby

Chief, Division of Commercial Policy

The charter for an International Trade Organization, which was signed by 53 nations at Habana in March of this year and is now awaiting ratification, has been termed, "A Declaration of Economic Peace". This international organ is designed to provide a medium through which the world can work cooperatively to cut away the accumulated restrictions which have snarled peacetime international trade. The basic objective of the charter is to facilitate the flow of commerce.

American foreign-trade policy has its roots deep in the basic philosophy of the founders of this Nation. In many respects, notably our efforts to eliminate discrimination, the basic principles of our commercial policy have changed little through the years. A committee of the Continental Congress prepared the "Plan of 1776" which represents the basic concepts of our economic foreign policy. As early as 1778, in our treaty with France, each nation accorded to the other any privileges granted any third nation. In the Jay treaty of 1794 Great Britain and the United States agreed to establish commercial relations on a nondiscriminatory basis. Washington, when he warned in his Farewell Address that "our commercial policy should hold an equal and impartial hand, neither seeking nor granting exclusive favors or preferences", expressed our historical policy.

With only minor variations nondiscrimination has been a keystone of our commercial policy ever since Secretary of State Hughes announced in 1923 that the most-favored-nation principle, without qualification, would be followed in commercial agreements of the United States. The Trade Agreements Act, which was originally passed in 1934 and has since been renewed by Congress five times, is the statutory basis for all our tariff negotiations in recent years. It specifically requires that any tariff reduction made under authority of the act be extended unconditionally and immediately to all countries not discriminating against the United States. Agreements have been concluded with 42 countries under the provisions of this act.

The objective of the ITO charter epitomizes the basic principles which have underlain a series of treaties, agreements, and other international instruments to which the United States has become a party since the outbreak of World War II. These principles may be found in the Atlantic Charter of 1941; in the lend-lease agreements; in the articles of agreement of the International Monetary Fund and the International Bank for Reconstruction and Development in 1944; in the Anglo-American financial agreement in 1945; in the Economic Cooperation Act of 1948; and in various other international documents. They are also to be found in our recent treaty of friendship, commerce, and navigation with China. They are incorporated in other commercial treaties already in effect as well as in a number now under preparation or negotiation. All of these documents spell out in clear and unmistakable terms the desire of the United States to make international trade as unhampered and nondiscriminatory as possible.

It is not merely accidental that the United States has taken an active part in sponsoring the formation of the International Trade Organization. The basic requirement of the principal commercial-policy provisions of the charter for an International Trade Organization is that all members agree to extend to all other members unconditionally "any advantage, favour, privilege or immunity" accorded to any other member country on any product. Certain preferences, such as those between territories related by a common sovereignty or between specified neighboring states, are exempt. However, all members agree to carry on negotiations to reduce tariffs and eliminate preferences. In general, no preferences can be increased nor can new ones be added. Furthermore, the benefits

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resulting from these reductions in tariffs and preferences must not be offset by the imposition of internal taxes, regulations, or other invisible forms of protection.

Probably the most important provisions of the charter are those which prohibit the imposition of quantitative restrictions limiting the volume of exports and imports and having the effect of nullifying the tariff and preference reductions. Since such restrictions throttle competition and foster economic isolationism, the charter renounces the concept and strictly limits the use of such controls.

There are a number of exceptions to the ban on quantitative restrictions, including one authorizing their use on agriculture or fisheries products when such measures are needed to implement government measures for limiting domestic production and marketing or to facilitate surplus-disposal programs. The most important exception to the basic rule against quota restrictions is that when a member is faced with balance-of-payments difficulties, as evidenced by a serious decline in its monetary reserves, or the need to increase its already low reserves, it may impose quantitative import restrictions.

Members are enjoined from using trade restrictions to frustrate the exchange provisions of the articles of agreement of the International Monetary Fund or applying exchange controls that would nullify the provisions of the charter relating to quantitative restrictions. Members of the ITO either must become members of the International Monetary Fund or enter into a special exchange agreement with that organization. ITO members must also furnish necessary information to the Fund if they do not belong to the Fund organization.

The charter, as agreed to at Habana last spring by representatives of 53 countries, provides that if any member pays a subsidy to increase exports it must notify the ITO and agree to negotiate with any member which believes itself to be injured thereby. Countervailing duties on imports of products which are subject to export subsidies by another member are permitted as defenses against subsidies.

Another section of the charter deals with state trading. Countries carrying on trade through state enterprises are required to conduct their commerce in a nondiscriminatory fashion. Members of the ITO must have equal opportunity in trade with state-trading agencies, and those agencies are to be guided by commercial rather than political considerations.

Another provision on commercial policy requires members to eliminate, so far as possible, restrictive business practices fostering private monopolistic control of international markets and trade. It is evident that if governments are to be stopped from engaging in harmful trade practices, private business should be prevented from accomplishing the same result by different means.

Members are obligated to take measures conducive to the achievement of full and productive employment within their respective domains, which includes action to eliminate substandard conditions of labor. The charter does not go beyond laying down the goals toward which the members should move, because specific measures to be undertaken must be appropriate to the political, economic, and social institutions of the respective members.

Members agree to develop their own resources and to raise their standards of productivity. They also agree to cooperate with other countries through the medium of international agencies for the purpose of promoting general economic development. The charter provides that members will not place any unreasonable impediments to the exportation of facilities used for development purposes, and such facilities will not be used in a manner injurious to the member providing them. Foreign investment must be given equitable treatment and adequate protection.

The decision as to what industries are to be developed will continue to rest with the individual countries. Subsidies are permitted when needed for new industries. Unless the member has signed a trade agreement not to raise the duties on specified products, further tariff protection may be accorded.

In the latter case, the member must request the ITO to consult with the other members whose trade would be affected by the action and must obtain a limited release. The same procedure must be followed in imposing quotas. The charter makes it incumbent upon all members to deviate as little as possible from the basic policy of the program it enunciates.

Although the basic objectives of our foreign commercial policy have changed little throughout our history, there has been a major orientation in

the matter of tariff duties. The changed position of the United States from a debtor to an active creditor country created a strong motive to reverse the trend toward higher and higher tariffs in favor of selective reductions through negotiation with other countries. Under the reciprocal trade agreements program the tariff rates on a large percentage of our dutiable imports have been reduced.

This process of reducing our tariff rates in exchange for compensating concessions by other countries was carried a long step forward by negotiations at Geneva in 1947. While the drafting of the charter for an International Trade Organization was in process at Geneva in the spring and summer of 1947 more than a score of the participating countries undertook to give concrete evidence of the sincerity of their belief in the principles of the charter by undertaking simultaneous negotiations to reduce tariffs and other trade barriers.

At the Geneva conference the representatives of 23 countries were able to negotiate reductions in barriers to world trade on the most comprehensive scale ever undertaken. There were almost six months of continuous negotiating which required over 1,000 formal meetings and an even greater number of less formal discussions. The delegates agreed to tariff concessions covering products which account for almost half the world's imports, and at the same time they worked out general rules of trade to safeguard and make these concessions effective. They dealt with trade controls of all kinds—not only tariffs but also preferences, quotas, internal controls, customs regulations, state trading, and subsidies.

It was not only the volume of world trade affected by this conference which made these activities of such striking importance, but also the fact that such comprehensive trade negotiations were conducted on a multilateral basis. The general articles on matters affecting international commerce were worked out as a joint effort. The initial discussions of tariff negotiations were undertaken product by product between the principal supplier and the principal importer, but, once a concession was agreed upon, that concession was automatically extended to all negotiating countries.

The so-called general provisions of the General Agreement on Tariffs and Trade prevent a country, by discrimination or otherwise, from nullifying tariff concessions. In a sense they are a code of fair competition for the conduct of international trade. They are similar to some of the provisions in the proposed charter and to the general provisions of our own reciprocal trade agreements. The general agreement has provisionally replaced some of the individual reciprocal trade agreements which the United States already had with a number of the negotiating countries, but it is not a complete substitute for the ITO charter.

In addition to its leadership in developing the charter, the United States is also broadening the scope of its treaties of friendship, commerce, and navigation, which are the basic bilateral instruments that define our treaty rights in foreign countries. Some of these treaties are more than 100 years old. The China treaty, already referred to, is representative of the newer spirit of these treaties of friendship, commerce, and navigation. Among the major improvements is a clear definition of both the rights of American corporations in China and the rights of Americans participating in Chinese corporations. For the most part the rights provided in the treaty are mutual. There is a new provision specifying the treatment that must be accorded in the administration of exchange controls. The treaty also limits the use of quantitative controls and lays down rules to govern state trading, as do the charter and Geneva agreement. There are provisions designed to facilitate the settlement of commercial disputes by arbitration.

Through the International Monetary Fund, the United States, recognizing the relationship of trade and currency, is helping to provide an instrument for monetary stabilization and thus to reduce this hazard in the flow of goods across national boundaries. Through the International Bank, it is participating in, among other things, the promotion of "the long-range balanced growth of international trade" and the encouragement of foreign investment. The United States has consistently sought a multilateral approach to both the technical and the commercial aspects of civil aviation.

Since the United States is the world's richest market from the standpoint of both exports and potential imports it is particularly significant to world recovery that the United States has been willing to take the lead in reducing barriers to

the international flow of commerce. The strong United States sponsorship of institutions such as the ITO and our willingness to cooperate in the reduction of tariffs will facilitate the fruition of the European Recovery Program. The other countries participating in the program have declared that they "are prepared to play their full part" in reduction of tariffs in accordance with ITO principles, and some of these countries participated in the negotiations at Geneva in 1947; others have more recently agreed to enter into negotiations for this purpose.

Our participation in the drafting of the charter for an International Trade Organization; our treaties of friendship, commerce, and navigation; our trade agreements; our participation in the International Bank and the International Fund; and our part in the preparation of the European Recovery Program—all give clear evidence that we have laid a good ground work for more liberalized international commerce. We have broken away from the narrow economic isolationism which confined a large part of the world after World War I, and we have encouraged some of the other leading trading nations to establish more liberal commercial policies.

The United States Government finds it highly encouraging that so many other countries are showing their willingness to refrain from freezing certain restrictive and hampering trade practices into permanence and to join with this country in aiming at broader, more liberal, and more equitable policies in international commerce. This is of special importance as we move forward with the European Recovery Program. The principles enunciated in the charter of the ITO are complementary to the objectives of the program for European economic recovery. Though the emphasis in the recovery program is on the immediate crisis, the goal is to achieve, by 1951, a measure of equilibrium that will assure for the future a satisfactory degree of economic stability and an adequate basis for continuing economic development. The European Recovery Program recognizes that European industries must be rehabilitated and that Europe must become self-supporting. This does not mean that Europe must become self-sufficient in the Hitler sense. She has not been so in the past and will not be so in the future. Climate and lack of adequate supplies of raw materials make it impossible for her to produce everything she needs. Even as Europe moves forward toward normalcy she must continue to have large imports and sustain herself by multilateral trade.

In the long run, the only way Europe can import is by exporting sufficient goods and services to pay for these imports. Trade must be a two-way street. In other words, it becomes axiomatic under the European Recovery Program that international trade must be facilitated, and instruments like the charter of the ITO will do just that. The reduction of tariff barriers and the expansion of nondiscriminatory trade relations will assist Europe to find the means of balancing her accounts with us. The tariff reductions which have been made since the war should have increasing benefits. As productive capacity in other countries is restored, they will be in a position to expand exports to the United States of goods which they produce most efficiently. Balance-of-payments difficulties should disappear, and American exporters will obtain the full benefits of duty reductions obtained in trade agreements.

The people of the United States, acting through Congress, have yet to decide whether they wish this country to ratify the charter and join the ITO when it comes into existence. Although provision has been made for initiating the European Recovery Program, the current appropriation will be used up in a few months, and we must make the decision as to whether we will make available sufficient additional funds to implement the program fully and make possible the rehabilitation of Europe through this mechanism. The Trade Agreements Act expires next June and must be renewed if we are to continue our program for expanding international commerce through the reduction of trade barriers.

The United States does not dare now to drop its mantle of leadership in promoting and expanding world trade on a nondiscriminatory basis. If we turn back—or even falter—at this point the advances made thus far will be seriously jeopardized, if not completely lost. If in our lifetime we are to see a stable world, we must build on the firm foundation of international cooperation which we have helped to lay.

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A Charter for World Prosperity— The *How* and *Why* of the ITO

The drafting of a Charter for an International Trade Organization as a new specialized agency of the United Nations was completed by the representatives of 57 nations at Habana in March 1948. Acceptance of the Charter and membership in the proposed organization are now being studied by at least 54 governments, including that of the United States. Whether this country ratifies the Charter and enters the Ito will be for the decision of the American people acting through their Congress.

Approval of the Charter and acceptance of membership in Ito would be a logical continuation of United States economic policy. The Charter was developed on the basis of proposals made by the United States to other governments in November 1945. Moreover, the aims of the Charter are closely related to the traditional objectives of American economic policy—the reduction of trade barriers and the encouragement of the "open door" in world trade.

In the view of the United States a healthy world trade, like the trade of a city or a state, should be soundly based on the advantages of geography, labor, materials, and skills and conducted under a code of principles which offers equal competitive opportunity to all nations. The Ito Charter is proof that most nations share this view. But today many countries, by reason of war damage and vast economic dislocations, are unable to engage in an open system of trade. They have surrounded their economies by restrictive barriers and rigid controls that put trade virtually on the antiquated basis of barter. In many instances there has been no alternative. But if these measures are not progressively relaxed as emergency situations are overcome they are certain to retard world prosperity and may eventually endanger good international relations.

Existing conditions in the world economy raise some serious questions for the United States. The American people are spending billions of dollars annually to help other countries back on their feet. But what happens when this job is done? Does the world return to the disorganized, nationalistic measures of the years preceding the war? Will it, instead, freeze into the narrow, restrictive pattern of emergency controls? Or will it make a fresh start toward an open, cooperative system? The United States can exert a powerful and perhaps decisive influence on the choice that is made. There should be no question about the alternative this Nation prefers.

THE UNITED STATES LOOKS AHEAD

The choice of vigorously encouraging an open system of world trade is consistent with our traditional policy and present efforts to meet the dangers of the world situation. We are taking concrete steps to bring about international commercial relations that will help to make possible greater production, increased employment, a wider exchange and use of goods, and higher living standards in all countries. Through individual trade and tariff agreements with 42 countries, through support of the International Monetary Fund, the International Bank for Reconstruction and Development, the Food and Agriculture Organization, and other United Nations agencies, through privately sponsored relief and private investments, through loans to individual countries, the European Recovery Program, and other measures of assistance we have moved to bring the world back to economic health. Ahead of us is the problem of insuring that the gains resulting from these efforts will be sustained over many years in order that we may fully share in the general benefits. Failure to meet this problem would place a heavy discount on prospective returns from our efforts to date.

In 1948 the United States is in a fortunate yet difficult position. It is the only great power whose productive capacity has emerged from the war undamaged and expanded. Production and employment have reached unprecedented levels. The creditor status of the United States has no parallel in history. In contrast, most of the other nations which held ranking positions in the world economy before the war are now in economic distress. They are short of food for their workers, raw materials

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for their industries, dollars for their foreign purchases. Some lack even the means of rebuilding their devastated areas, and large segments of their populations have scarcely the minimum essentials of shelter, food, and clothing.

In this situation there are potential dangers for the United States which will continue if the programs for neutralizing them are not carried through. First, there is the implied threat to world peace. Hunger and economic chaos are the favorite hunting grounds of violent political minorities. If continued unrest permitted them to seize power, their violence would become national violence directed abroad at the most obvious targets. In these circumstances it is doubtful that the United States could long continue to exist peacefully as a single island of prosperity in a poverty-stricken world. Second, the loss or permanent reduction of markets abroad would affect American prosperity. It would be economically unsound to suppose that the United States could long maintain its present economic pace without huge imports and without the stimulation and outlets of a healthy world trade. Third, there is the danger that the restrictive, governmental controls now in operation as emergency devices will become entrenched and thereby jeopardize the future of our economic system, based as it is on private, competitive enterprise.

The outlines of a successful response to this challenge are clear: The continued security and prosperity of the United States can be achieved only through a major program of economic assistance, geared into a still larger plan for the expansion of world trade on the basis of fair dealing and equal competitive opportunity. An emphasis on higher productivity and expanded trade rather than on relief alone is a keynote in American policy.

AID TO EUROPE

The United States acted promptly and generously to relieve the human distress left in the wake of World War II. Some 20 billion dollars were made available for foreign relief and reconstruction. The United States, for example, shouldered the major share of the costs of the UNRRA program. By 1947, however, it became clear to the nations of western Europe that something more than individual relief and reconstruction aid was needed. An unusually bitter winter followed by a severe drought and failing crops emphasized the thin margin of economic safety on which Europe was operating. Political unrest and increased activity by Communist groups accompanied this threat of continued hunger. With so little reserve strength, accident or continued agitation could readily push the nations over the danger line into political and economic chaos.

It was also clear that the needs of Europe would remain acute for some time. Secretary Marshall said of them in June 1947: "The truth of the matter is that Europe's requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial . . . help or face economic, social, and political deterioration of a very grave character." But it was also clear that piecemeal aid to tide the European nations over their crisis would not bring sustained recovery or political stability.

What was needed was a broader, long-range plan of self-help. Somehow the initiative, leadership, and energies of Europe's own peoples had to be linked with American aid of a fundamental character to restore Europe to a self-sustaining economy on which the individual freedoms would be solidly based. The solution was the unique European Recovery Program which has now swung into action. The program was developed from a suggestion made by Secretary Marshall that the countries of Europe, with the friendly aid and support of the United States, act as an economic unit to get back on their feet. Sixteen nations are now cooperating to increase and coordinate production, to stabilize their currencies, to reduce the barriers to trading among themselves, and to share on the basis of productive use their output of raw materials and industrial goods.

One result of a successful program will be a genuine improvement of trading relations in western Europe. The U.S. Congress in passing the Economic Assistance Act and setting up the Economic Cooperation Administration required, at the request of the President, that individual agreements be reached with the countries receiving United States aid. A stipulation in each of these agreements is that the country concerned make provisions for "cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries."

The relations between the European Recovery Program and the broad aims of American economic policy mark out a definite course of action. The program itself is an indispensable step toward world recovery, but the economic gains and trading improvements which it promises can be made permanent only by gearing the program into a framework of world trade that will permit a broad and sustained expansion of commerce among nations.

The U.S. Government has acted vigorously along these lines and has achieved much. Through a coordinated program based on full support of and active cooperation in the European Recovery Program, the conclusion of individual trade agreements under the provisions of the General Agreement on Tariffs and Trade, and the adoption of the objectives and principles of the ITO Charter,

Purpose and Objectives of the ITO Charter

Article 1

RECOGNIZING the determination of the United Nations to create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations, THE PARTIES to this Charter undertake in the fields of trade and employment to co-operate with one another and with the United Nations

For the Purpose of

Realizing the aims set forth in the Charter of the United Nations, particularly the attainment of the higher standards of living, full employment and conditions of economic and social progress and development, envisaged in Article 55 of that Charter.

TO THIS END they pledge themselves, individually and collectively, to promote national and international action designed to attain the following objectives:

1. To assure a large and steadily growing volume of real income and effective demand, to increase the production, consumption and exchange of goods, and thus to contribute to a balanced and expanding world economy.

2. To foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development, and to encourage the international flow of capital for productive investment.

3. To further the enjoyment by all countries, on equal terms, of access to the markets, products and productive facilities which are needed for their economic prosperity and development.

4. To promote on a reciprocal and mutually advantageous basis the reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce.

5. To enable countries, by increasing the opportunities for their trade and economic development, to abstain from measures which would disrupt world commerce, reduce productive employment or retard economic progress.

6. To facilitate through the promotion of mutual understanding, consultation and co-operation the solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy.

ACCORDINGLY they hereby establish the INTERNATIONAL TRADE ORGANIZATION through which they shall co-operate as Members to achieve the purpose and the objectives set forth in this Article.

the United States can look ahead with confidence to the realization of its policy aims. The General Agreement represents an immediate attack on trade barriers; the Charter of ITO provides the broad framework for a continuing program to liberate and expand international trade.

PERMANENT POLICY—A CHARTER FOR WORLD TRADE

The ITO Charter is designed to provide a constitution for world trade and thereby strengthen the foundations of the United Nations. Within the framework of ITO the economic foreign policy of the United States can be exercised with certainty and effectiveness to promote the economic welfare of this Nation and others.

The Charter was not hastily drafted; it is the result of years of work by economic and legal experts and discussions among the representatives of many countries. Its main principles are firmly rooted in the traditions of American foreign policy; moreover the United States took a leading part in shaping its basic ideas and proposing them to other governments.

The lend-lease agreements with our Allies contained, in article VII, a mutual pledge to bring about a new and better world economic order after the war. It provided that, together with other like-minded countries, we would work for "the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; . . . the elimination of all forms of discriminatory treatment in international commerce, and . . . the reduction of tariffs and other trade barriers".

In 1945 the United States spelled out this pledge in more detail in its *Proposals for Expansion of World Trade and Employment.* Our Proposals were supported in principle by Great Britain, France, Canada, and other countries. Soon afterward the United Nations Economic and Social Council sponsored the development of an International Trade Organization as part of the United Nations. After several preliminary meetings, a Conference on Trade and Employment was convened at Habana and drafted the Charter which is now before the governments of 54 countries for approval in accordance with their constitutional

procedures. In the United States, the Charter will be presented to the Congress.

One purpose of this outline is to acquaint the American people with the ITO project in order that they may give full consideration to it. Since ITO cannot succeed without participation by the United States, our decision on this matter will be fully as important in the economic field as our decision on the Charter of the United Nations following the San Francisco conference in 1945. The Charter of ITO in respect to international economic relations is similar in scope and purpose to the Charter of the United Nations in the broader field of international political and social relations.

"OPEN" vs. "CLOSED"

The over-all purpose of the Charter is to establish and maintain by mutual agreement an "open" or multilateral system of trade relations between members of ITO and to expand on businesslike principles the trade of each member with all other members. The opposite objective calls for numerous "closed" economies, each of which conducts foreign trade under strict governmental control in accordance with short-term agreements based on planned "barter" with politically selected countries.

The United States has traditionally favored the open or multilateral system as opposed to the bilateral, and most other countries share our objective, as indicated, for example, by their pledges in article VII of the lend-lease agreements. This is fortunate, because the future of our economic system of free enterprise is intimately related to the choice that we and the rest of the world make between these two alternative systems of trade. In the absence of a framework for world trade that will prevent mounting trade barriers, nationalistic discriminations, and overhanging threats of economic warfare, it will be difficult to maintain the kind of domestic economic order which we in the United States prefer. A brief review of some of the features of the Charter will help to show how ITO can do this job.

BASIC PRINCIPLES

The basic principles of the Charter are expressed in three key provisions which call for: (1) equal treatment by each member of the commerce of other members; (2) reduction of tariffs and elimination of trade preferences through bargaining procedures similar to those under the Trade Agreements Act of the United States; (3) general elimination of quantitative restrictions, i.e. trade barriers that consist of governmental regulations specifying the amounts of any product that can enter or leave the country during a certain period of time.

These key provisions are applied in the Charter to many problems of international trade. For example, state-trading enterprises (i.e. those operated or controlled by governments) must behave in world markets in accordance with principles of the Charter. Members of ITO must also prevent restrictive business practices, such as those carried on by cartels, that interfere with the principles of the Charter. Members agree to simplify their customs procedures, thus eliminating much of the red tape that now makes it difficult to do international business. Members may also form customs unions for the purpose of enlarging the areas of the world within which trade barriers will be eliminated, thereby securing for smaller nations the benefits of a greater free market such as we enjoy on much of this continent.

A REALISTIC DOCUMENT

The Charter is a realistic document designed to cope with the practical facts of the world. It recognizes that many countries are not immediately able to carry out some of its strict principles in every particular. Allowance is therefore made for certain extenuating circumstances, particularly with regard to the use of "quantitative restrictions". A country has the right under the Charter to use import quotas to "ration" its expenditures on imports if it is seriously short of foreign currencies. However, the findings of the International Monetary Fund will be conclusive as to the monetary facts of each case, and import controls must be removed as soon as the situation permits.

Also, in the interest of underdeveloped countries, the Charter provides that restrictions may, for a limited time, be placed on imports of a product if this is necessary to develop a new industry. But such action is subject to detailed control by ITO and cannot be taken with respect to any product covered by a trade agreement unless the other party to the agreement consents.

World prices of certain raw materials may be liable to exaggerated price declines which work serious hardships to producers throughout the world. The Charter permits members to enter into commodity agreements designed to correct such economic maladjustments. Consuming countries must, however, be given an equal voice in these agreements, and they are subject to a number of additional standards to make sure that they conform to the principles of the Charter.

The Charter provides in various ways for stimulating the expansion of production. For example, one of its objectives is the development of the resources of areas now less highly developed than the industrialized nations of western Europe and North America. ITO, in cooperation with other international agencies, may advise members as to their plans for economic development and help them procure technical advice and assistance. The Charter also seeks to encourage the international flow of capital for

productive purposes by providing essential elements of security for foreign investors. Members must not take unreasonable or unjustifiable action injurious to the rights or interests of nationals of other members in the enterprise, skills, capital, or technology which they have supplied.

A VOLUNTARY COMPACT

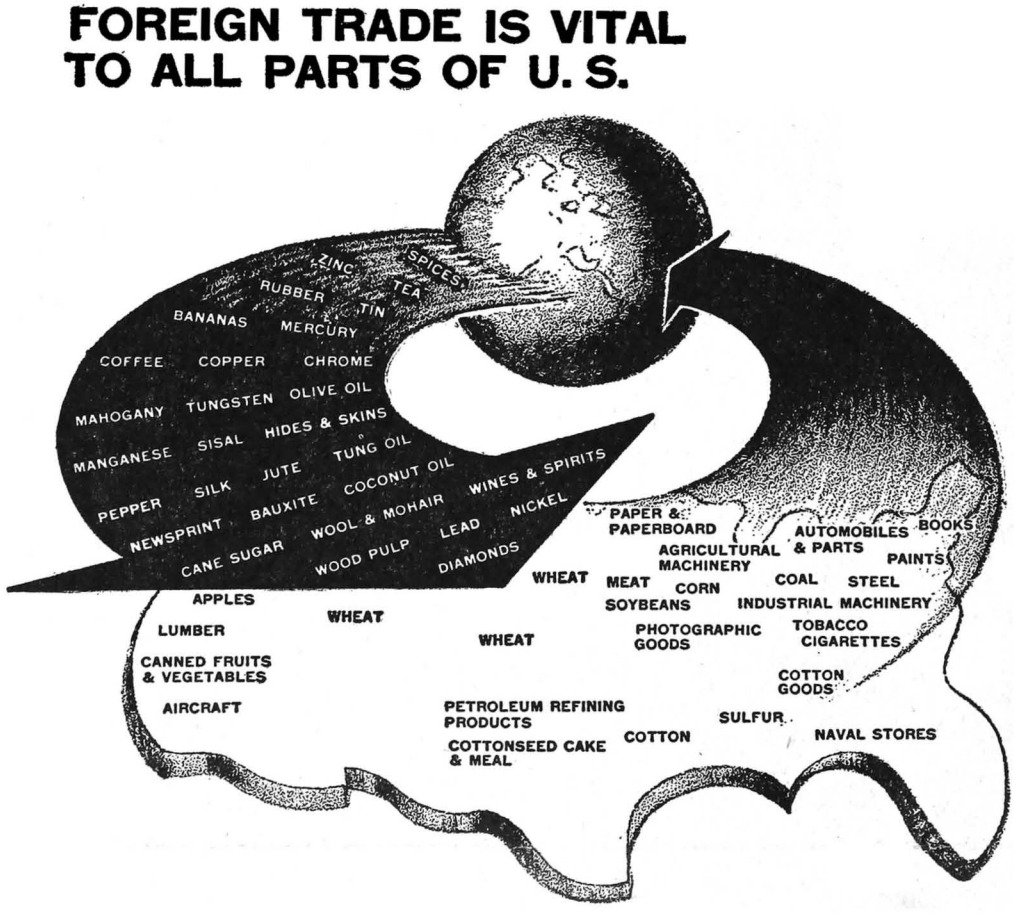
The ITO is in no sense a superstate. It is a voluntary compact between nations, based on the principle of sovereign equality and organized along democratic lines. Its main governing body, the Conference, consists of all members, each of whom has one vote and none the right of veto. Many functions of the Conference are or may be delegated to an Executive Board having 18 seats, 8 of which will be filled by the countries of chief economic importance. The United States is thus assured permanent representation. The remaining 10 seats will be filled periodically by vote of the Conference.

One of the major functions of the Organization is the settlement of differences between members, to avoid resort to the economic welfare which frequently results from retaliatory measures taken by one country against the actions of another. Under ITO, members may not have recourse to such unilateral measures but may settle their differences in accordance with the procedures provided in the Charter.

Another main function of the Organization is to administer the provisions of the Charter which set forth qualifications to the basic rules. There are numerous situations calling for the exercise of discretion by ITO, in accordance with prescribed standards, to determine whether a member is justified in taking certain proposed measures. The Charter also provides that after five years the members will meet to review the entire document and make such modifications as appear desirable in the light of experience. These features introduce a necessary and desirable element of flexibility into the Charter and enable it to be adapted to the numerous and changing conditions of the modern world.

FRONTAL ATTACK: THE GENERAL AGREEMENT ON TARIFFS AND TRADE

In 1947, while the drafting of the ITO Charter was in progress, the United States initiated a program for the immediate reduction of tariffs and other trade barriers. In accordance with the Trade Agreements Act we entered



into negotiations at Geneva with each of 22 nations to reduce tariffs on a selective product-by-product basis. Most of these 22 nations also conducted similar negotiations with each other. The agreed tariff rates, applying to some 45,000 items, were then incorporated into one inclusive document known as the General Agreement on Tariffs and Trade.

This agreement is a landmark in international commercial history. The countries that participated in the negotiations conduct over three fourths of the world's trade. Benefits have already been felt by consumers and producers. As shortages of production and of foreign exchange disappear, these benefits will be more fully realized and the agreement will have the effect of stimulating trade all around the world.

The following facts illustrate the importance of the agreement for American trade. The United States obtained tariff concessions from other countries on products that accounted for 1.4 billion dollars' worth of our exports as of 1939. On farm products, we obtained concessions on fruits, wheat and other grains, lard, rice, tobacco, soy beans, and cotton, all exported by the United States in substantial quantities. Concessions were also obtained on automobiles, industrial machinery, electrical machinery and appliances, agricultural machinery, office machinery, and other important products of American industry. Concessions took the form of tariff reductions and tariff bindings, i.e. an agreement not to increase rates of duty. They also took the form of reductions or eliminations of tariff preferences, i.e. the application of lower duties to certain "preferred" countries. Such preferences have often meant in the past that American goods were charged a higher duty than like products of "preferred" countries and were therefore largely shut out from some large, potential markets.

In exchange for these and other concessions, the United States reduced duties on imports valued at some 500 million dollars in 1939, continued unchanged duties on imports valued at 130 million dollars in that year, and agreed to continue free entry, as fixed by Congress, of products imported to a value of 1.1 billion dollars in 1939.

By stimulating imports as well as exports, the agreements concluded by the United States will help restore healthier and better balanced conditions in its foreign trade. Increased imports will also work to hold down price inflation at home. To the extent that areas receiving assistance from the United States are able to increase their exports to us and to other countries, their need for such assistance will diminish in the future.

A COORDINATED PROGRAM AND AN ACTIVE POLICY

International trade problems are many and complex, and the means to cope with them are far from simple. The United States is one of the few nations, and the only great power, fortunate enough to be in a position to take the initiative in pressing forward on a coherent long-range program. Free of general necessity for using quotas, blocked currencies, and other emergency controls, it can direct its efforts and those of other nations toward correcting the conditions which lead to the adoption of restrictive measures. By continued vigorous action it can lay the groundwork for a new pattern of world trade that will have as its objective an expanding world economy with open markets, equal competitive opportunity, and the expansion of production and consumption of goods in all nations.

The program now under way is geared for action on four levels: (1) action through the European Recovery Program designed to help Europe achieve for itself, in the language of the Economic Cooperation Act of 1948, "a healthy economy independent of extraordinary outside assistance"; (2) action through the General Agreement on Tariffs and Trade designed to achieve immediate reduction of some of the barriers that hinder the world circulation of goods; (3) action designed to support the ITO Charter and encourage its adoption as a permanent framework of rules for the conduct of world trade; (4) action through the United Nations and its specialized agencies designed to help bring about the growth of free institutions, the free interchange of information, persons, and services, and the economic, social, and political improvements which are necessary to peaceful commerce.

To maintain its effectiveness, this program must move ahead promptly. General world economic conditions are still flexible, but very soon the nations must choose between two alternatives: Either there will be cooperation to expand trade and production or there will be a growing conflict of national policies that will lead to dangerous international tensions and the retarding of living standards everywhere. The United States has chosen the way of cooperation. The continued force of its example can be the deciding factor in a turn toward peace and world prosperity.

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BUILDING WORLD TRADE

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United States Economic Foreign Policy

by Winthrop G. Brown

Director of Office of International Trade Policy

SOME WEEKS ago, in testifying before a committee of Congress, Secretary Marshall said, "It is the economic factors which I think will largely determine the great issues in the international field in times of peace and will make a pattern for peace or for possible war."

And, a few days earlier, in speaking to the United States Chamber of Commerce, he stressed the vital importance of continuity in our economic foreign policy if we are to maintain our leadership in world affairs.

American economic foreign policy has its roots deep in the basic philosophy of the founders of this Nation. It is predicated upon the twin concepts of equal opportunity in foreign trade and the necessity for expanding the production and interchange of goods and services. It asserts in the twentieth century, as it did in the eighteenth, that there are still great areas for that expansion. And its essential objective is now, as it was at the birth of our Nation, limitation or elimination of restrictions upon that expansion and upon that equality of opportunity.

World conditions today make the attainment of these ends more difficult. World trade is badly out of balance. Many nations do not believe in free competition as we do. Nationalism is rampant in many quarters of the world. Such conditions require adaptation of our principles to accommodate differing problems and opinions of other nations with which we trade. But they do not alter the fundamental philosophy with which we approach the problem.

ORIGINS OF OUR ECONOMIC FOREIGN POLICY

From the very beginning of our national existence, international trade has played a major role in our economic development. On June 12, 1776, three weeks before the Declaration of Independence, the Continental Congress created a special committee to study inter-

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national trade in relation to our foreign policy. The Continental Congress must have been very busy in that historic summer of 1776, but the importance of international trade was so great that it assigned no less eminent men than Benjamin Franklin, John Adams, and Robert Morris to the committee.

The committee prepared a project, known to history as the "Plan of 1776", that was adopted by the Continental Congress in the fall of that year and that served as a guide for our commercial treaties for many years to come. This plan proposed an open-door trade policy that, in today's language, might be called multilateralism. It contemplated that Americans would trade with France (or other countries) free of the arbitrary restrictions imposed upon the colonies by England to divert colonial trade to or through the mother country in an early version of the Empire preference system. It proposed that United States citizens might trade with France (or other countries) without paying any higher "duties or imposts in the ports, havens, roads, countries, cities or towns" of France than French subjects paid. It proposed that American citizens should have the same "rights, liberties and privileges" in France that French citizens enjoyed. It proposed also that exports from the French West Indies should pay no higher export duties when going to the United States than when going to France.

Here, then, are the beginnings of basic conceptions which underlie our economic foreign policy today. The founders of the Republic knew that international trade was of vital importance to this country; that an open-door policy between countries was essential for trade to expand; and that certain principles or rules were necessary for an orderly and full development of international trade. Experience and political insight told them that economic foreign policy cannot be dissociated from political foreign policy. Peace and trade are the two sides of the same coin.

AMERICA'S STAKE IN INTERNATIONAL TRADE

Our foreign trade has expanded more than a thousandfold since the beginnings of the Republic. We are now the world's principal foreign-trading country. Our exports are larger than those of any other country. Our imports are second only to those of the United Kingdom. Our total foreign trade in 1947 was 20 billions of dollars.

After World War II we and other nations had to choose between two courses of action. Should each nation row its own boat without regard to what others were doing and adopt uncoordinated short-term measures designed to gain immediate individual advantages at the

expense of other nations? Or should we take bold and cooperative steps to try to reverse the trend towards bilateralism and control, to help friendly nations back to their feet, and to start trading nations moving again in the direction of open, multilateral international trade?

There was no doubt as to which course was more consonant with the plan and spirit of 1776.

ACTION TAKEN

So we and other nations chose the course of common action. We formed the United Nations, the International Bank and the International Monetary Fund, and the Food and Agriculture Organization. And the United States initiated action on a further threefold front: to reach agreement on rules which would clear the way for the sound development of international trade; to begin the actual reduction of trade barriers; to help put Europe on its feet.

First, in December 1945 the United States invited a number of important and representative nations to negotiate with it and with each other for the reduction of tariffs and the regulation and limitation of the use of other trade barriers. The invitations were accepted. The negotiations took place at Geneva in the spring and summer of 1947. They resulted in the General Agreement on Tariffs and Trade—the most comprehensive tariff agreement in history—which has been put into effect by 22 out of the 23 countries involved. This agreement sets the tariff treatment for over half of the trade of the entire world.

Second, in December 1945 the United States proposed for the consideration of the peoples of the world certain rules to govern the conduct of international trade and suggested that nations meet to consider and adopt them.

This action also found a ready response. One of the first acts of the Economic and Social Council of the United Nations early in 1946 was to appoint a committee of 18 nations to prepare for a United Nations Conference on Trade and Employment. This committee adopted as the basis for its deliberations the *Suggested Charter for an International Trade Organization of the United Nations*,[1] published in September 1946 by the United States. At London in the fall of 1946, at Geneva in the spring and summer of 1947, and at Habana in the succeeding fall and winter, the charter has been debated and refined and improved. At Habana representatives of 53 nations agreed upon a text for submission to their respective legislatures for their approval. This text will be considered by our Congress early next year.

[1] Department of State publication 2598.

Third, the United States initiated the European Recovery Program. You are familiar from your daily papers with the progress of this mighty enterprise.

The efforts to reduce trade barriers and to put Europe on its feet have been well begun. They are indispensable steps toward world recovery. But the economic gains and trading improvements which they promise to bring about can be made permanent only by integrating them into a framework of world trade that will permit a broad and sustained expansion of commerce. The Habana charter is designed to provide such a framework.

FUNDAMENTALS OF THE CHARTER

Let us therefore examine this charter this constitution for world trade—to see what it would do and what it holds for good or ill for the United States.

The charter does two things. It sets up an International Trade Organization. It sets forth rules which the members of the Organization will agree to follow in the conduct of their international trade. It is a comprehensive document of 106 articles and 30,000 words. It is the result of over two years of international negotiation, preceded by more years of preparatory work within the United States Government and preliminary consultations with the United Kingdom and Canada. It reflects the comments of different American groups, given in public hearings in seven cities of the United States. It represents the harmonization, in a series of international discussions, of the diverse views of first 3, then 18, then 23, and finally, of 53 countries. These countries represent every stage of economic development and almost every variety of economic philosophy. That agreement was reached is a tribute to the skill of the negotiators and the good will of the participating countries.

THE OBLIGATION TO CONSULT

This charter reflects, first of all, belief in the simple truth that the world will be a better place to live in if nations, instead of taking unilateral action without regard to the interests of others, will adopt and follow common principles and enter into consultation through an international organization when interests come into conflict.

If I have a garden and my neighbors raise chickens, we may follow the law of the jungle: their chickens eat my vegetables and I shoot their chickens—and all of us lose. Or, we may consult with each other: we may sit on my back porch, talk over our garden-chicken problem—and try to reach a reasonably satisfactory solution. What

is true of neighbors applies also to countries. The ITO provides an international back porch for the discussion and resolution of trade differences, and the members agree to sit on it and talk before they shoot.

Decisions in the ITO, as on the back porch, are, except in certain special cases, by majority vote. The ITO is not a super state any more than the back porch is the city government. It derives its authority from the voluntary undertaking of members to settle their disputes through the ITO machinery. It can recommend measures for the settlement of disputes, but it cannot order any member to take any action. Nevertheless, it is not powerless. For if the ITO finds that a member, Country X, is not living up to its charter commitments, it may authorize other members to withhold from Country X the lower tariff rates and other privileges which members in good standing enjoy. If Country X is dissatisfied with such a decision, it may withdraw from the Organization.

By this process of consultation and decision we can avoid unilateral action by one country which will hurt others and build up a body of international law in the economic field by the case method.

EQUAL OPPORTUNITY FOR ALL

The charter reflects the belief that each country should give equal treatment to the commerce of all other nations.

Nothing is more irksome to an individual, or provokes more unfriendly feeling between nations, than does unequal and unfair treatment. The founders of the Republic recognized this in their wise old "Plan of 1776" when they adopted the principle of nondiscrimination as its first article and in 1778 incorporated it in our first commercial treaty.

And so, throughout the charter runs the theme, to quote its language, that:

"Any advantage, favour, privilege, or immunity granted by any Member to any product shall be accorded immediately and unconditionally to the like product originating in or destined for all other Member countries."

As in many other cases in the charter, this rule could not under present-day circumstances be applied without qualification. Exceptions had to be made, for example, for important existing preferential systems, such as the preferences within the British Empire and those between the United States and Cuba. But even here preferences must not be increased, and there is an obligation to negotiate them downwards.

In a few special cases, such as the formation of a customs union or the development of an underdeveloped country, a new preference may be allowed but only in accord with defined standards and under the supervision of the Organization.

REDUCTION OF BARRIERS, PUBLIC AND PRIVATE

The charter reflects the belief that excessive or arbitrary barriers to trade must be reduced, so that trade may be large and may flow to the maximum extent possible according to the drive of market forces.

To this end, members of the ITO undertake to negotiate with each other for the substantial reduction of the general level of tariffs and to abandon the quota, the most rigid of all barriers to trade, as a protective device. For 14 years the United States has followed the policy under the Trade Agreements Act, jcst renewed by the Congress, of negotiating for tariff reductions. In joining the ITO, other nations would undertake to do likewise.

To this end, members agree to lower the "invisible tariff" of customs formalities. Businessmen know that the red tape of hundreds of separate customs requirements, each different for different countries, causes wear and tear on trade, time, and human nerves, and is often as great a barrier to trade as tariffs or even quotas. The charter simplifies customs formalities and makes regulations more uniform as between members. It is the most comprehensive international agreement in this field which has yet been achieved.

To this end, also, members agree to prevent public or private commercial enterprises from engaging in practices which restrain competition, divide markets, fix prices, or foster monopolies. For trade barriers are not always imposed by governments. They are also imposed by private or public business concerns to restrict trade and to maintain higher-than-competitive prices. Members may bring complaints to ITO that enterprises in other countries are indulging in cartel activities injurious to their trade. The ITO is empowered to investigate such complaints, to request the offending member country to take remedial action, and to recommend what that action should be. The charter represents the first attempt in history to obtain international action for curbing international cartels.

Here again, however, there are exceptions to the general rules to take account of the current desperate shortages of goods and exchange in many countries and of certain special situations. For example, a country which is short of foreign exchange, as most countries are today, must of necessity ration its imports, just as an individual of limited income must limit his expenditures. The charter would permit quotas to accomplish this rationing. But the country must abide

by certain rules in their use and abandon them when its exchange difficulties are over. Or a country employing a domestic crop-control program to stabilize its agricultural economy may use quotas to restrict imports of the crop in question, which, if uncontrolled, might jeopardize the program. But such quotas may not limit imports more, proportionately, than the domestic control program limits domestic production. And, in some cases, if certain strict standards are met and the ITO approves, quotas may be used to develop a sound new industry in an underdeveloped country.

These examples illustrate the basic approach of the charter, which is to establish the rule which we want to have prevail, so that our objective is clearly agreed, and to allow for necessary deviations in the form of exceptions, limited in extent, precisely defined, and clearly understood to be exceptions.

MULTILATERAL TRADE

The undertakings of the charter about equality of treatment and reduction of artificial trade barriers, taken together, reflect the further fundamental belief that international trade should be multilateral rather than bilateral; that traders should be able to buy and sell where they please, exchanging goods for money and money for goods, rather than having sales confined to buyers who agree to deliver equivalent values in other specified goods. Multilateral trade permits the maximum interchange of goods. Bilateralism and barter limit the number, size, and kind of business transactions to the capacity of the weaker partner.

STABILIZATION IN THE FIELD OF PRIMARY COMMODITIES

The charter reflects the belief that progressive trade policies must be supported by consistent policies for stabilization in the field of certain primary commodities. Prolonged and drastic fluctuations in world markets for these commodities can create widespread hardship and unemployment and thus undermine the very foundations of a cooperative world economy. Machinery and rules should be provided for reaching intergovernmental agreements to govern temporarily the production and marketing of such commodities when they are in burdensome world surplus.

To this end, the charter provides that countries may, under certain circumstances, make a commodity agreement to regulate the production, export, import, or price of a primary product. The conditions under which such agreements are permitted are, however, carefully defined. Agreements are limited to primary commodities (particu-

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larly when there are many small producers); there must be an existing or expected burdensome surplus which would cause serious injury; producing and consuming countries must have equal voice in the development and operation of the agreement; they must be limited to a duration of five years or less (although renewable); and they must be accompanied by a definite program for solving the basic maladjustments in the field. The Ito has the right to determine whether proposed agreements meet these standards.

The requirement that producing and consuming countries have equal voice in making commodity agreements is especially important in the interests of economic stability and fairness. If limited to producer countries (as in the old tin cartel), the result might be unduly high prices to consumers. If limited to consuming countries, the result might be ruinous prices to producers.

DEVELOPMENT OF UNDERDEVELOPED AREAS

The charter reflects the belief that it is essential to develop the resources of underdeveloped areas and to make the fullest use of the resources of all areas. Increased production and increased consumption lead the way hand in hand to increased prosperity, and one's most highly developed neighbors turn out to be one's best markets.

To this end, members undertake to take measures designed to maintain productive employment and buying power within their own borders as a means of stimulating trade—avoiding measures which would create difficulties for the economies of others—to encourage private and public international investment, and to recognize the need for economic advancement of less well-developed areas.

PRIVATE ENTERPRISE AND STATE TRADING

Finally, and very important, the charter reflects the belief that though nations may choose to use different systems of trading, it is possible for them to work in harmony.

In the United States we believe in private enterprise and free competition in our domestic and in our foreign trade. Our constant objective is the preservation and strengthening of the private-enterprise system. This was the purpose of our negotiators who worked on the charter. And we believe that the charter will serve this purpose. Yet nowhere does it require that international trade must be conducted by private enterprise. Nowhere does it condemn state trading.

This may at first blush seem strange. The fact is, however, that we are very lonely in our belief in private enterprise. Many other nations believe that the conduct of certain aspects of their trade, sometimes all of it, can best be conducted, or at least should be controlled, by the

state. In fact, we engage in state trading in a number of cases ourselves. This belief of other nations arises sometimes from the exigencies of the current shortage situation, sometimes from a basic philosophy different from ours. But it would be wholly inconsistent with our own convictions about individual liberty and national sovereignty for us or any nation to try to dictate to other nations the means which they must employ for the conduct of their trade. Nations, like individuals, are entitled to their own opinion as to what is the best way to handle their affairs so long as what they do does not injure others.

What the charter does, therefore, is to provide a framework within which our system of private enterprise can have the maximum opportunity to develop and to demonstrate its effectiveness; a framework in which private and state enterprise can work together; a framework in which state enterprise, hitherto free to do entirely as it wished, is made subject to certain rules of the game designed, so far as possible, to be consistent with the rules under which private enterprise must operate.

THE COMPLEXITY OF THE CHARTER

Because international trade is complex and the problems of nations are diverse, the charter is long, complicated, and difficult to understand. Yet, complicated as it is, I doubt if it is much less intelligible than our own income-tax laws or other laws under which we conduct our daily lives, or even some insurance policies and mortgages.

It would have been possible to draft a general declaration of principles and to have set up an international discussion and study group. This would have been easy—and it would have had little impact on world economic problems. General declarations, without specific commitments and implementing action, are as Prince Metternich said a century ago "a sonorous nothing".

In the charter we set our sights higher than a "sonorous nothing" of broad generalities. We wanted rules that were definite, commitments that were specific—something that would work, not just in some future Utopia, but in the world today. That is why the charter is complex.

ITS EXCEPTIONS

That is, also, why the charter has exceptions.

We wanted rules that would work for the long term; rules that would set the direction of our efforts toward expanding international trade in the years to come. But we could not overlook the fact that the realities of today's world demand measures to meet today's problems today. So the charter contains transitional rules (call them exceptions if you like) to meet the immediate extraordinary situation

as well as long-term rules for the long-term pattern. Either set of rules without the other would imperil the over-all objective.

We also wanted an organization that many nations could join to seek a solution of common problems by common action. We could not overlook the fact that these nations had many different interests and many different points of view. We remembered the words of the *Federalist*, in commenting upon our own Constitution:

"The result of the deliberations of all collective bodies, must necessarily be a compound as well of the errors and prejudices, as of the good sense and wisdom of the individuals of whom they are composed. The compacts which are to embrace thirteen distinct States, in a common bond of amity and union, must as necessarily be a compromise of as many dissimilar interests and inclinations."

What was true of 13 distinct states in 1778 is true of 53 distinct states in 1948.

THE QUESTION FOR THE UNITED STATES

The question which we and other countries must now decide is whether this charter shall be ratified and the ITO established. It can be improved by amendment as we work with it. It must by its terms be entirely reviewed in five years. But it cannot be renegotiated now.

The charter is no panacea for the world's economic ills. It has many imperfections. It is not wholly satisfactory to any country because it reflects the views and recognizes the problems of many countries. But never before in the history of the world have so many nations reached agreement over so wide a range of principle in their economic relations. The deepest need of the world today is agreement and a sense of direction. Nations can no longer solve their problems alone. National boundaries have long since ceased to confine either depression or prosperity. In a troubled world, ravaged by storms of controversy and disagreement, representatives of the great majority of the nations of the world have come together in agreement on matters of basic economic importance. They have laid a foundation on which we can build.

Is it not the part of wisdom to take this foundation and build on it? We have taken the basic ideas of the statesmen of 1776 as the cornerstones of our economic foreign policy for today. Should we not, in considering this charter—this constitution for world trade—remember what some of these statesmen said about our own Constitution of the United States? For when I was trying to write the conclusion of this discussion I found it already written for me in John Jay's address to the people of New York in 1788 about the adoption

of our Constitution, saying just what I wanted to say to you in words that could have been written today:

"The men who formed this plan are Americans, who had long deserved and enjoyed our confidence, and who are as much interested in having good government as any of us are or can be. . . .

"The impossibility of agreeing upon any plan, that would exactly quadrate with the local policy and objects of every state, soon became evident; and they wisely thought it better mutually to coincide and accommodate, and in that way to fashion their system as much as possible by the circumstances and wishes of the different states, than, by pertinaciously adhering each to his own ideas, oblige the Convention to rise without doing anything. They were sensible that obstacles, arising from local circumstances, would not cease while those circumstances continued to exist. . . .

"They tell us, very honestly, that this plan is the result of accommodation. They do not hold it up as the best of all possible ones, but only as the best which they could unite in and agree to.

"Suppose this plan to be rejected; what measures would you propose for obtaining a better? Some will answer, 'Let us appoint another convention; . . . they will be better informed than the former one was, and consequently be better able to make and agree upon a more eligible one'.

"This reasoning is fair . . . but it nevertheless takes one thing for granted which appears very doubtful; for although the new convention might have more information, and perhaps equal abilities, yet it does not from thence follow that they would be equally disposed to agree. The contrary of this position is most probable. . . .

"Let those who are sanguine in their expectations of a better plan from a new convention, also reflect on the delays and risks to which it would expose us. Let them consider whether we ought . . . to give other nations further time to perfect their restrictive systems of commerce, reconcile their own people to them, and to fence, and guard, and strengthen them by all those regulations and contrivances in which a jealous policy is ever fruitful.

"But if, for the reasons already mentioned, and others that we cannot now perceive, the new convention, instead of producing a better plan, should give us only a history of their disputes, or should offer us one still less pleasing than the present, where would we be then?

"Consider, then, how weighty and how many considerations advise and persuade the people of America . . . to have confidence in themselves and in one another; and, since all cannot see with the same eyes, at least to give the proposed Constitution a fair trial, and to mend it as time, occasion, and experience, may dictate."

A Sound International Trade Program

Its Meaning for American Business

by Paul H. Nitze

Deputy to the Assistant Secretary of State for Economic Affairs

At the end of World War II we were confronted with a world economy even more seriously out of joint than most of us then realized. Six years of struggle had depleted the resources, both financial and material, of a large segment of mankind. The apparatus of many countries for the production and distribution of goods was in a shambles. In others it had been seriously distorted to meet the specialized needs of war. Critical economic dislocations had given rise in many countries to strict governmental controls over all important economic activities. Moreover, important changes in the attitudes of individuals and governments toward the problems of trade and economic organization in general had taken place. The growing economic and political strength of organized labor and agriculture had brought about a situation in which wage and price adjustments to changing economic conditions were difficult to make. There had been a growth of social consciousness and wider claims upon governments for the welfare of their people, the avoidance of unemployment, and the provision of social security.

The combination of these and other factors had led to an increase of economic planning and nationalization of industry in the domestic field and of state trading in the field of international trade. These influences in the main lead away from the determination of trade channels on the basis of market considerations and away from the correction of trade imbalances by internal deflation and price-level adjustments as was characteristic of the nineteenth century systems of trade. For the private trader and his government, they have created new problems of increasing importance which have to be reckoned with.

So powerful are these factors in today's trading world that they have affected even the United States, where private competitive enterprise flourishes to a greater extent than anywhere else in the world. Even we have felt the need to control exports, support many farm prices, engage in government purchasing of certain foodstuffs and raw materials, and limit the use of scarce materials. Segments of the American people exert strong pressures for limitation of imports, for payment of subsidies, or for other governmental measures when the operation of the competitive price mechanism threatens to become painful.

Since the end of the war, and particularly in the last year, the world has made steady progress in overcoming some of the most acute material shortages and in correcting some of the major trade imbalances. There is still, however, a long and difficult road ahead.

EXPANSION OF WORLD TRADE

It is in this setting—of the world as it is and of the actual problems that confront us—that we must consider what constitutes a sound international trade program.

In the nineteenth century common principles of international trade were tacitly understood and accepted by all countries. Today, however, with the emergence of new forces and new problems, specific international agreement is necessary.

I think that businessmen will agree that at least four basic conditions are necessary for a sound expansion of world trade:

(1) stability,
(2) good markets,
(3) fair rules of trade, and
(4) procedures for settling trade disputes.

Let us see whether and to what extent our international trade program contributes to these objectives.

STABILITY

Stable conditions of international trade obviously cannot be achieved easily or overnight. The uncertainties of disturbed economic conditions today are enhanced by overshadowing political uncertainties. But there are positive steps which can be taken toward this end.

First, there can be judicious assistance to the building up of the damaged productive resources and economic machinery of other friendly countries. Second, there can be international agreement on the objectives and principles which all would like to see govern inter-

national trade. Third, there can be international action for the moderation of exchange fluctuation.

The United States has led in working for the restoration of much-needed stability in international trade by being one of the chief architects of the United Nations and its specialized agencies, particularly the International Monetary Fund and the proposed International Trade Organization, and by undertaking the European Recovery Program. Through these measures we have sought, by international agreement, to achieve settlement of political problems, to give a common direction to decisions on trade policy, to moderate exchange fluctuations, and to assist in the restoration of the basic economies of the western European democracies. All of these measures help to bring more stability into the conditions of international trade.

GOOD MARKETS

Good markets are basic to sound trade. To be good markets, they must be accessible and they must be able to pay for the goods they receive. Goods can be disposed of by gift or barter deals, but neither provides what we would consider a sound market.

Through the European Recovery Program, European countries are being helped to restore their production and hence their capacity as sound markets for each other, for us, and for the rest of the world.

Loans have been made to other countries through the Export-Import Bank for the expansion of necessary facilities which will assist in their economic development. The International Bank for Reconstruction and Development has been established for the same purpose.

A beginning has been made in reaching agreement upon principles designed to promote the flow of private capital and technical skills into areas which can use them to foster their productivity and development and hence their emergence as good markets as well as good suppliers. This has been done at Bogotá in the economic agreement of Bogotá and at Habana in the charter for an International Trade Organization.

The reduction of artificial trade barriers also helps to make good markets. At Geneva last year 23 nations negotiated for selective reduction of their tariffs, not only with the United States but with each other. The result was the General Agreement on Tariffs and Trade, in which 23 countries reduced tariff rates on some products and bound rates against increase on other products, for about 45,000 individual items covering over one half of the total foreign trade of the world.

These are major steps toward the sound development of good markets.

FAIR RULES OF TRADE

I said at the outset that one of the elements that a businessman wants to see included in a sound trade program is fair rules of trade. This is what the charter for an International Trade Organization, agreed upon by representatives of 53 nations at Habana in March 1948, seeks to provide.

As World War II drew to a close, many people in the United States, the British Empire, and other countries felt that the absence of fair rules of trade in the decades after the first World War had contributed significantly to the economic warfare that "dried up" world trade in the 1930's. Then, each country traded on the basis of the law of the jungle, and the devil took the hindmost. As one European statesman put it, "We competed with one another in devices to restrict the volume of world trade and then fiercely competed with one another for a greater share of that smaller total."

With this in mind, we in the Government began to work, even while hostilities were still going on, to lay the basis for the establishment of fair rules of conduct over the widest possible area of trade. One of the first acts of the Economic and Social Council of the United Nations was to appoint a preparatory committee of 18 nations to prepare an agenda for a world conference on trade and employment, which was finally held at Habana from November 1947 to March 1948. Representatives of 53 nations there agreed upon the text of a charter for an International Trade Organization for submission to their respective legislatures. It is expected that this charter will be submitted to our Congress in the next session.

The charter establishes a code of rules that countries voluntarily agree to follow with respect to their trade with each other. These rules cover a wide range of international trade relationships: tariffs, quotas, subsidies, foreign exchange, customs formalities, cartels, commodity agreements, most-favored-nation treatment, and the international aspects of foreign investment, employment, and economic development. Most of them represent commitments by governments to refrain from taking specified governmental actions affecting trade which they would otherwise be at full liberty to take.

I won't try to describe these rules in detail, but I do feel that it would be useful to state in general terms what they seek to do. They have two aspects: they state the agreed general principle and they indicate how, or to what extent, it must be applied. Let me illustrate.

Certain important rules can, and therefore would, come into immediate and full operation when the charter enters into force. Rules of

this kind are those requiring simplification of customs formalities, the curbing of international cartels, and many more.

The problem is, however, more complicated with respect to others. For example: One of the important rules is that nations undertake to negotiate for the reduction of tariffs. But, clearly, no nation will undertake in advance to reduce all its tariffs or even any particular tariff. Therefore, the charter provides that negotiations shall be on a selective, product-by-product basis, which will afford adequate opportunity to consider the needs of individual industries and that members shall be free not to grant concessions on particular products. It also provides an "escape" clause under which if, as a result of a reduction and of unforeseen circumstances, imports increase so as to threaten serious injury to a domestic industry, the reduction may be withdrawn.

Another important principle is that nations will not use quotas to restrict their trade or to discriminate against the trade of a particular country. But, clearly, under present conditions very few countries can apply this rule completely, no matter how much they may desire to do so. They just don't have enough foreign exchange to pay for all the imports their people want. Therefore, they must keep their imports down to the amount they can pay for and concentrate on the ones they really need, just as an individual of limited means does in preparing his family budget. So the charter permits the use of quotas to accomplish this necessary budgeting only so long as a real shortage of foreign exchange lasts.

Thus, in situations where the agreed principle cannot be fully put into effect, members are not asked to do the impossible. They are, however, obliged to comply to the fullest extent and at the earliest moment that they can, and they may be called to account by other members or by the Organization if they fail to do so. The conditions under which failure to comply fully with the rules can be justified are very specifically defined.

I give these illustrations because concern has been voiced in some quarters that exceptions in the charter will have the effect of vitiating the rules which it lays down. Quite the contrary. The existence of the exceptions is what makes it possible for many nations to accept the rules, and start putting them into effect, at least partially, pending the time when they can do so fully.

PROCEDURES FOR SETTLING TRADE DISPUTES

The ITO would provide a permanent mechanism for the orderly settlement of international economic disputes. This permanent feature is important. We learned from the experience of the World

Economic Conference in 1927 and the London Monetary and Economic Conference in 1933 that intermittent international conferences, accompanied by broad declarations of principle (as some people now propose), are not an effective means of resolving world economic problems, of avoiding depressions, or of averting economic warfare. A permanent international agency, operating on the basis of specific commitments, is a far more effective instrument for these purposes.

An international body to handle trade must have flexibility if it is to handle changing world conditions satisfactorily. Therefore, the charter, like the United States Constitution, has a procedure of amendment and provides for a comprehensive review of its provisions within five years.

Each member of the ITO would have one vote and decisions would, in the main, be by majority vote. The Organization could not force any country into any act against its desire. But if a member violated a commitment accepted under the charter, the Organization could authorize other members to withdraw from the offender the privileges that all members grant to each other under the charter. The right to withhold privileges to offenders, together with the persuasion exercised in the ITO forum, plus the force of public opinion, would constitute the sanctions of the ITO.

I have been asked whether the United States, with only one vote, will not be outnumbered in the ITO by the many smaller countries and forced to accept all kinds of things that it does not like. I do not think we need to be afraid. Such a thing has not yet happened in any international agency with which we work. Such a fear leaves out of account the strategic position of leadership that the United States enjoys in the world. As a matter of fact, many smaller countries are concerned that the United States and other large countries will dominate ITO, regardless of the one vote for each, simply because, in the nature of the case, the larger countries cannot help having more influence in world affairs.

The truth is that there are always those who fear that their country will be outnumbered by other countries in any kind of international organization. If reason did not overcome this narrow fear, there would never be organized international cooperation between sovereign countries. I am not such a fatalist. I believe that sovereign nations can work together. I do not think that pessimistic resignation pays dividends either in business or in national success. American life is built upon a different foundation—faith in our destiny, courage for the future.

FUTURE COURSE

I have given particular emphasis to the ITO in this discussion of a sound international trade program, first, because it is new and less well known than the other facets of our international trade policy, and second, because of the very special potentialities which it has today for the businessmen of the United States. As I have indicated, the private-enterprise system in which we believe is now called upon to operate in a very different and less congenial world than that which existed before World War I or even between the two world wars. New and powerful forces are at work which tend to make it more and more difficult for the private trader to do his business abroad. These forces are the result of economic adversity, or new philosophies, or both. This Government has the responsibility of working out with other governments agreement on principles which will give the maximum opportunity for the private trader to conduct his business and exercise his ingenuity and ability.

We do not guarantee that the measures taken or proposed will cure the deep seated ills of the world trading systems overnight. And we do not undertake that they will restore international trade completely to private enterprise. The changes which have taken place in the world are too deep for that. But we are convinced that these measures are positive steps which will help to cure those ills, help to eliminate the necessity for continued assistance to other countries by the United States, and help to create the conditions under which private enterprise can have its best chance.

Let us assume for the moment that we go forward without the ITO. What would be likely to happen?

I have pointed out that governments are in the international trade picture more than ever before; that they have at their disposal new, highly effective, and ingenious techniques for the control of trade; and that the circumstances in which their countries find themselves create powerful demands for the use of these techniques in the narrow and short-run national interest. The charter, basically, imposes limitations upon the use of those techniques, confining it to cases which all have agreed are legitimate. If the rules of the ITO are not accepted, countries will be free to use these control techniques, not only in the cases permitted by the charter, but in all other cases as well.

To be specific: If the rules of the ITO are not accepted, countries will be free to use quotas as long as they like to limit or change the course of their trade not only for reasons of exchange shortage, but also for pure protection and political favor. They will be free to give new preferences in their tariffs. They will have no obligation

whatsoever to negotiate for the reduction of their tariffs or for the elimination of their present preferences. They will be free to maintain and intensify confused, complicated, arbitrary, secret, and obstructive customs regulations. They will be under no obligation whatever to do anything at all about the restrictive practices of international cartels. They will be free to take any form of arbitrary action they desire with respect to the treatment of foreign capital within their borders. They will be free to conduct state trading enterprises in wholly uncontrolled competition with private enterprise.

Where does the private trader stand in such a world? And where does his government stand when he comes to it and asks it to protest on his behalf against the arbitrary action of some other government that injures his business? We can say to the other government that we don't like what it is doing and that its action hurts our citizens. And this often produces results. But we have worked to develop the ITO because we want to be able to say to that other government that we are protesting what it has done, not only because it hurts our citizens, but also because it violates an obligation which it has assumed not only to us but to other countries as well. And we want to be able, if necessary, to call that government to account before those other countries and before the public opinion of the world. This will immeasurably strengthen our hand in serving the legitimate interests of our citizens.

CONCLUSION

Finally, we cannot get away from the fact that in today's world political and economic considerations are inextricably interrelated. Political uncertainties make for disturbed economic conditions. It is brought home to every one of us each morning as we read our daily paper that one of the basic factors retarding the world's recovery has been the strength and aggressiveness of international Communism. The economic and political difficulties which have existed since the war have been exploited to the full by the Soviet Union and its agents abroad.

Every one of the measures which I have described—the International Bank, the International Monetary Fund, the General Agreement on Tariffs and Trade, the International Trade Organization—has been open to the Soviet Union. It has been invited to join in these cooperative efforts to restore world production and world trade. It has consistently refused to do so. It has opposed these efforts. It has inveighed against them in its press, and over the air, and in the United Nations. The ITO, for example, which we regard as a means of promoting and stabilizing trade by the common effort of all friendly na-

tions on equal terms and for the benefit of all, has been called by the Soviets an organization to "contribute to the domination of the U.S.A. in world markets", part of "the drive of American imperialism toward world domination". We are charged with "seeking to open world markets and sources of raw materials to the further penetration of American monopolies" and through the Marshall Plan and the ITO "to enslave not only Europe, but the whole world". *Foreign Trade*, the monthly magazine of the Soviet Ministry of Foreign Trade, said:

"One of the means of establishing world domination is the foreign trade program of American imperialism. This program has found its final expression in the American proposals for the creation of an International Trade Organization. The objective of these proposals lies in the creation of a new trade organization of the type which will make possible the strengthening of the economic position of the U.S.A. in the capitalist world."

Why this spate of abuse of ITO? Why do the Russians use every means at their command to sabotage the European Recovery Program? Because they fear and fight any measure which will have the effect of strengthening and unifying the non-Communist world. They fear and fight the program I have described because to the extent that it helps to establish stability and sound markets and fair rules of trade, as it will, so does it also help to strengthen and unify the non-Communist world to stand against the menace of an alien ideology and to prove by the acid test of accomplishment that the way of the free nations is the better way.

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THE AMERICAN FARMER *and the* ITO CHARTER

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The American Farmer and the ITO Charter

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BY NORMAN BURNS[1]

Adviser, Office of International Trade Policy

The charter for an International Trade Organization (ITO) was drawn up by representatives of 54 countries during the four-month United Nations Conference on Trade and Employment at Habana, Cuba, in the winter of 1947–48. This conference climaxed over two years of intensive international negotiations, by the major trading countries, in preparing the charter.

The ITO charter does two things. It would establish a code of principles and rules of fair dealing that countries voluntarily agree to follow in their conduct of trade with each other. It would create an organization, composed of all governments that accept the charter, to help them carry out these principles and rules in actual practice. The basic principle of the charter is that countries, by agreeing in advance upon definite procedures, can work together to solve their common problems so as to expand world trade and hasten world economic recovery.

The charter is a means of avoiding economic warfare. It was born of prewar experience, when the 60-odd countries of the world, with different economic structures, problems, and objectives, each attempted to solve its own problems heedless of the effect of its actions upon the economies of the others. The result was economic strife that "dried up" international trade in the 1930's, that created economic distress and unemployment in many countries, and that contributed much to the economic and political instability and the steadily mounting political tensions that led to World War II. Unilateral action has shown by the hard test of actual experience that it will not work; it leads to disaster.

In the world of the future, with rapidly growing population pressures upon limited resources, and with the development of ever more powerful instruments of destruction, the consequences of economic conflict would be even more severe than in the past. The cost of economic conflict would be so great, in terms of unemployment, poverty, and human suffering, the hazards so great in terms of preserving democracy and peace, that some better and safer method of handling international economic problems must be found.

This conviction was the driving force in the minds of the representatives of the various countries who forged the charter. They sought to establish a trading pattern based upon concerted action that would expand world trade, production, and consumption—and that would lay the economic foundation for world political stability in the years to come.

The charter will be submitted shortly by the President to Congress for decision as to action by this country. It will go into effect for the ratifying countries when 20 countries have joined. Australia has already ratified it, contingent upon its being put into effect by the United States and the United Kingdom. Other countries are awaiting action by the United States.

American Farmers' Stake in ITO Charter

The ITO charter is an integral part of our over-all foreign economic program. If adopted and put into actual operation by many countries, it can contribute materially to the over-all objectives of our economic foreign policy. The American farmer has a vital stake in these objectives and thus in the ITO charter.

First, American farmers have a stake in international cooperation as a basis for world political stability. The charter contributes to that goal. It is an instrument of international economic cooperation. It offers definite procedures and an organization for carrying out such cooperation.

United States action will determine, in large measure, whether other countries accept or reject this instrument of cooperation. The United States has become the economic giant of the world. What this country does, affects the lives, thoughts, and hopes of the Italian factory worker using American cotton to make cloth, of the English city dweller consuming American meat, of the Congo copper miner selling metal to America, of the Australian wheat farmer competing with us in world markets. Not only in the economic but also in the political and moral sphere, American leadership exerts decisive influence in the world today. In our democracy, American farmers share in that leadership and have it within their power to help shape the future course of world events—forward toward international cooperation.

Second, American farmers have a stake in strengthening the economic foundation of world democracy. The Charter, in conjunction with our

[1] A paper presented before the eleventh annual session of the National Farm Institute on "American Agriculture in World Affairs", Des Moines, Iowa, Feb. 18–19, 1949.

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other foreign economic programs, contributes to that goal. Democracy rests upon an economic foundation. We have seen how economic distress, poverty, and social confusion breed totalitarianism and dictatorships. People living on the brink of economic insecurity have little chance to widen their political liberties.

The charter complements the European Recovery Program in strengthening the world economic foundation. The ERP was launched to put the Western European democracies on a self-supporting basis by 1952. The 19 densely populated ERP countries, with a population double and an area one half that of the United States, must import large quantities of raw materials to supplement their own inadequate resources. They pay for these imports by exporting manufactured products. In the fiscal year 1948–49, the 19 ERP countries plan to export 6.2 billion dollars to the outside world (as compared to 8 billion dollars in 1938), or about one half as much as their imports from the outside world in 1948–49. To become self-supporting by 1952–53, they believe they must export 10.6 billion dollars to the outside world (i.e., to countries other than themselves, or their dependent colonies—assuming their imports from the outside world at 12.8 billion dollars in 1952–53 and allowing for expected increases in their own production, trade, and invisible income; all figures in 1948–49 dollars). This means that other countries must buy more European products if Europe is to become eventually self-supporting.

The development and maintenance of good world markets is thus indispensable to the long-run success of the European Recovery Program. For, if Europe cannot stay on its feet after emergency American aid ends, our efforts and sacrifices will have been in vain. The charter, by establishing a code of fair dealing in international trade, and the Reciprocal Trade Agreements Program, by promoting a reduction of world-trade barriers, attempt to establish a trading pattern that makes for good world markets. In so doing, they contribute to the prospect of an eventual self-supporting Europe and to an improvement in the economic well-being of the democracies.

Third, American farmers have a stake in free private enterprise as opposed to governmental regimentation. The charter benefits free competitive enterprise in various ways. Its rules limit the sphere of action of governments to interfere with the competitive flow of trade by restricting their liberty to increase tariffs and preferences, or to impose quotas and other governmental restrictions, except in certain agreed-upon circumstances. The charter requires countries to negotiate for a reduction of such governmental barriers. The charter requires governments engaged in state trading to conduct their international trade on the basis of commercial rather than political considerations. The charter, by averting economic warfare, helps to improve the economic conditions of other countries, thereby reducing their need for governmental controls. Depressions perpetuate government controls.

The Communists realize clearly that the charter benefits private competitive trade. Mr. Arutiunian, representing the Soviet Union at the meeting of the United Nations Economic and Social Council, August 11, 1948, charged that the charter would "secure the economic expansion of the United States on the world market" and would "exert pressure on countries practicing state-controlled trade".

Fourth, American farmers have an important stake in maintaining a thriving United States foreign trade. The charter contributes to that goal.

United States agricultural production has increased more than one third in volume since 1939. We need good domestic and foreign markets to absorb the output. Approximately one tenth of our total domestic agricultural output is sold abroad. For some products, such as wheat, cotton, dried fruits and tobacco, exports take from one fourth to one half of our production.

The domestic market for farm products is influenced by the level of industrial activity which depends, in part, upon exports. One tenth of our total industrial production is exported; in certain industries, such as industrial machinery, electrical equipment, office equipment and automobiles, the proportion is much larger. The Department of Labor estimated that in the first half of 1947 (latest statistics) 2.4 million nonagricultural laborers, representing 5.6 percent of the total nonagricultural employment in the United States, were dependent upon exports for their jobs. Since wage levels are higher in export industries, exports meant a better market for American farm products. Farmers and city workers are interdedependent; they prosper together or not at all. Loss of the export market, for either agricultural or industrial products, would reverberate throughout the whole domestic economy.

The United States cannot export without importing. In 1947, United States total exports amounted to 14.3 billion dollars and total imports to 5.6 billion dollars (estimates for 1948 are 12.5 billion dollars and 6.9 billion dollars, respectively). We need imports to maintain a healthy competitive economy. Import competition helps to prevent monopolies and economic stagnation. We need imports, also, because the huge American industrial machine cannot operate at present levels—cannot maintain present employment and present urban demand for farm products—without imported materials, particularly various minerals of which our domestic reserves are being rapidly depleted. The United States imports substantial quantities of "complementary" agricultural products, such as coffee, tea, cacao, bananas, and so forth, which are necessary to maintain our present

standard of living. As regards competitive agricultural products, our exports were slightly larger than imports before the war and have been about twice as large as imports since the war. In 1947, United States total exports of agricultural products were valued at 3.4 billion dollars and imports of competitive so-called "supplementary" agricultural products at 1.4 billion dollars. This indicates both the competitive strength of the American farmer relative to foreign farmers, and also the importance to the American farmer of our export markets.

Basic Provisions of the ITO Charter

What are the basic provisions of the charter which, if put into operation by many countries, will promote an expansion of world trade?

Reduction of Trade Barriers. Perhaps the most far-reaching principle is that members agree to negotiate with each other to reduce artificial trade barriers. This does not mean that members must adopt free trade or that they must reduce tariffs on an arbitrary "straight across the board" basis. It does mean that each member must negotiate with the others, on a selective product-by-product basis, to reduce tariff rates on individual products in accordance with its own calculated national advantage. Each country decides what it will grant in the light of what it gets from the other countries. This is precisely what the United States has been doing since 1934 under the Reciprocal Trade Agreements Act.

Under this procedure, countries may cooperate in a practical way to reduce world trade barriers so trade will expand along normal market channels. This reverses the process of trade shrinkage that occurred before the war when each country raised its tariffs to curtail its imports, thereby provoking other countries to similar actions that shut out its exports.

Countries have already demonstrated their will to carry out this provision. Twenty-three countries cooperated in the General Agreement on Tariffs and Trade at Geneva in 1947 to reduce, or bind against increase, tariff rates on 45,000 individual items accounting for over one half of the total foreign trade of the world. This agreement, already in effect for all of the 23 countries except one, includes the United States, the British Empire countries, France, Benelux, Norway, Czechoslovakia, China, Cuba, Brazil, Lebanon and Syria. Thirteen more countries have agreed to meet with the original 23 for further reductions of world-trade barriers at Annecy, France, in April 1949.

The charter favors a broad expansion of trade, but it recognizes that in some cases an abnormal increase in imports of a particular product might disrupt the domestic economy. At the suggestion of the United States, it contains an "escape clause", similar to that in our reciprocal trade agreements, which says that if, as a result of unforeseen circumstances, imports of a particular commodity enter this country in such abnormally increased quantities as to cause or threaten serious injury to the domestic industry, the United States (or other member country) would be free to withdraw the concession. Such action does not require the consent of the other affected country. Advance consultation with the affected country is prescribed, if time permits, but in emergency cases action may be taken without consultation. However, if we should withdraw a concession, it is only fair that the charter permit the other affected country to withdraw an equivalent concession from us.

Non-discrimination. Another basic principle is that members must not discriminate against the trade of each other, except in certain previously agreed-upon cases. The charter opposes discrimination because it makes for unfriendly international relations. When governments discriminate for or against the trade of a particular country, it means that (*a*) they are directing trade along political and diplomatic lines, thereby imposing a greater or lesser degree of governmental control over private trade; and (*b*) they are diverting trade from normal market channels. The United States believes that a world trading system, based upon nondiscrimination or multilateralism, under which each country is free to sell in the best market and to buy from the most economic source, offers the best long-run possibility for a maximum expansion of world trade and world production.

The charter establishes nondiscrimination as a guiding principle but recognizes that immediate, rigid application of this principle would not be practical in all cases. In these cases, the charter limits the area, and establishes procedures for the reduction or termination, of discriminations.

In the case of the British Empire and United States-Cuban preferential systems, where sudden action would disrupt long-established trade channels, the charter requires that existing preferences be not increased, and that countries negotiate to reduce existing preferences on individual items. Such preferences were reduced or eliminated on hundreds of individual items in the General Agreement on Tariffs and Trade of 1947. A country in balance-of-payment difficulty may favor imports from a country where it has adequate supplies of foreign exchange (soft currency country), over imports from another country where it lacks foreign exchange (hard currency country). There is no practical alternative, because otherwise a country would be forced to limit its imports from all countries proportionally to the level of its imports from the country where it is shortest of foreign exchange. However, the charter requires that such discrimination cease when the International Monetary Fund (in which the United States has a 30 percent voting power) determines that the country is no longer in balance-

of-payment difficulty. The ITO may authorize neighboring countries to grant each other limited preferences on individual products to insure an adequate market for new industries, in the interest of economic development. Tariff preferences leading to a customs union are also permissible.

State Trading. Partly as a result of war-time dislocations, many countries are turning more and more to state trading involving government ownership and operation of business and trade enterprises. The charter requires governments engaged in international trade to conduct such trade "in accordance with commercial considerations" and not to discriminate against one country in favor of another for political reasons. Heretofore, governments engaged in international trade were free to do as they please; under the charter this authority is restricted. The restriction is important because private business finds it difficult to compete in international trade against foreign governments that buy and sell on the basis of political considerations rather than market price.

Curb on Cartels. When private companies in different countries collaborate to allocate markets, fix prices, or restrict production and sales, the effects may be quite as burdensome on international trade as are governmental trade barriers. Cartels injure farmers who have to pay higher prices for manufactured goods controlled by them. The charter does not eliminate cartels. It submits them to certain restraints which limit their activities more strictly than in the past. Members recognize the obligation to curb cartel activities that restrict international trade. A member may bring complaint before the ITO that certain business practices restrict international trade. The ITO, after investigation to determine the facts, may recommend to the members appropriate measures for curbing such practices. Members obligate themselves to take full account of these recommendations in acordance with their own legal systems.

Economic Development. The charter recognizes the far-reaching importance of improving the underdeveloped countries. When two thirds of the world's population is undernourished (as the FAO points out) and resentful over their fate in the present scheme of things, there is a major threat to world democracy. An improvement in their economic well-being will help them and us. The United States sold twice as much to Canada, with a population of 12 million people, as to South America, with a population of 84 million (pre-war trade).

The charter establishes the principle that the developed countries should cooperate to make available capital, equipment, and technical know-how to the underdeveloped countries who, on their part, should assure just and equitable treatment for what they receive. International investment stimulates economic development. Members determine the terms upon which they will receive or allow such investment in their territories (as sovereign countries always do) but they obligate themselves to give "adequate security for existing and future investments". To stimulate economic development, the ITO may permit underdeveloped countries to protect their infant industries and to expand local preferences to enlarge their markets. At a member's request, the ITO may furnish advice on the best programs of economic development within a member's territory.

Commodity Agreements. American farm organizations have pointed out that certain crops, such as wheat, which are grown in many parts of the world, by many small producers, are often in surplus production. This causes violent price declines and a resulting shrinkage of purchasing power in the producing areas for the manufactured goods of other countries.

The charter establishes a procedure for making intergovernmental commodity agreements on such primary commodities. When a conference of all members interested in a particular commodity decides that there is a burdensome world surplus, which is not likely to be corrected by normal market forces, and which causes serious hardship to many small producers, the members may make a commodity-control agreement to regulate the quantity of production, exports, or imports, or to regulate the price of that commodity. Exporting and importing countries must have equal vote in the agreement. They must assure sufficient supplies to meet world demand at prices that are fair to consumers and that give reasonable return to producers. Commodity-control agreements are limited to five years, subject to renewal for another five years, and their terms must be public. Negotiations are now in process for a commodity agreement on wheat.

The charter permits certain other types of commodity agreements to conserve natural resources, or to assure equitable distribution of products in short supply, with less rigidly-prescribed procedure than in the case of commodity-control agreements. None of these regulations on commodity agreements restricts our authority to make international sanitation and health agreements on animal or vegetable products.

Export Subsidies. When one country subsidizes its exportation of a particular commodity, other countries frequently employ similar subsidies to retain their share of the world's market for that commodity. Thereupon, importing countries frequently impose quotas or countervailing duties on their imports of that product to protect their own producers against foreign subsidies. The result is economic strife.

The charter establishes practical rules for export subsidies that are fair to everyone. A country may use either export subsidies for primary products or direct producer subsidies, but not in

such a way as to capture more than its "equitable share" of the world export market. The country itself decides, in the first instance, what it considers an "equitable share" of the export market. If another member complains, the ITO decides the "equitable share" on the basis of the country's share in a previous representative period, the importance of the product in the economies of the producing and consuming countries and other special factors. Importing countries injured by an export subsidy may protect themselves with countervailing duties. If a country uses export subsidies, it must agree to negotiate with other countries that are trying to make an intergovernmental commodity agreement to deal with the over-all maladjustment between world supply and demand.

These provisions are important to American farmers because they permit the United States, if it desires, to continue subsidization of agricultural exports under section 32 of the Agricultural Adjustment Act. The United States has not employed export subsidies on a large scale, but, under the charter, it retains the right, subject to the conditions described, to use them when necessary.

Import Quotas. Many European countries, lacking dollar exchange, use import quotas to restrict their imports (U.S. exported four times as much to Europe as we imported from Europe in 1948). These import quotas handicap our exports of agricultural products.

The charter prohibits import quotas, except under certain previously agreed-upon conditions. In these cases, the charter establishes an orderly procedure for determining when quotas may be used, how they may be used, and when they must be terminated, so as to disturb international trade as little as possible.

Countries in balance-of-payment difficulties may use quotas to keep their imports within their means of payment. They must not use import quotas for this purpose after their balance-of-payment difficulties are ended, as they would be free to do in the absence of the charter. The International Monetary Fund determines whether a country has balance-of-payment difficulties.

When a country (such as the United States) has a domestic crop-restriction program, it is not equitable to curtail the domestic crop but to permit unlimited imports to capture the internal market. For this reason, the charter permits import quotas on primary products when necessary to enforce governmental programs either to restrict domestic crop production or to remove temporary surpluses from the domestic market. Such quotas must not restrict imports proportionally more than the domestic crop is restricted. The amount of the quota must be public.

The charter gives scope to section 22 of the Agricultural Adjustment Act which authorizes the President to impose quotas on imports if imports enter the United States in such quantities or under such conditions as to materially interfere with domestic crop-restriction programs. Section 22 authorizes import quotas in conjunction with domestic price-support programs, but the charter would not appear to permit quotas for such purposes, unless the domestic price-support program is accompanied by a domestic crop-restriction program.

The International Trade Organization. Charter members agree to settle their trade differences in accordance with the rules of the charter and the decisions of ITO. Of major significance is the rule that members must consult with each other, or with the ITO, in taking any action that affects the economies of the others. Thus, the ITO will serve as a permanent forum where members may discuss and settle their trade disputes. One reason why previous world trade conferences (such as the World Economic Conference in Geneva in 1927 and the London Monetary and Economic Conference in 1933) failed to halt economic warfare was that they did not create any regular machinery to handle trade problems on a day-to-day working basis.

The ITO will be composed of member governments, each with one vote, and decisions will be by majority vote in most cases. The ITO will not be a super-government; national governments will make the decisions. The ITO may lead countries towards cooperation but it cannot force a country to take any particular action. If a country dislikes a decision of the ITO, after appropriate appeal and 60 days' advance notice, it may withdraw from the ITO. Thereafter, it would not be entitled to benefits that ITO members grant each other. Each ITO member would be free to decide whether or not it wished to extend charter privileges to the withdrawing member.

The ITO is not intended to be a static organization but rather a body to handle problems as they arise in the light of changing world conditions. The charter, like the United States Constitution, has a procedure for amendments. It provides also for a general review of the charter within five years after its coming into force.

The charter provides for ITO consultation with private international organizations to assure that the ITO will develop along practical lines. This is analogous to the consultative arrangements of the U.N. Economic and Social Council, and the Food and Agriculture Organization, with the International Federation of Agriculture Producers (which includes in its membership the American Farm Bureau Federation, the National Farmers Union, the National Grange, and the National Council of Farmer Cooperatives).

Private national organizations may always present their views on ITO questions directly to their own governments. The American Farm Bureau Federation and the National Farmers Union submitted information and views, during

the public hearings held by the United States Government in the spring of 1947, which were utilized in formulating the United States position on the charter at the Geneva and Habana conferences. Representatives of the American Farm Bureau Federation, the National Grange, and the National Council of Farmer Cooperatives served as advisers in the U.S. Delegation during the Habana conference in 1947–48.

Conclusions

The ITO charter will soon be considered by the United States Congress and by the legislatures of other countries. American leadership was largely responsible for formulating the charter. Our example will largely determine whether other countries adopt it. The basic issue is whether the democratic countries shall take another step forward towards the calm meadows of economic peace, or a step backward to the old battlefield of economic warfare.

The charter offers an adequate basis of economic cooperation among nations. But, it can work only if the nations of the world want it to work. In the past, nations have not found it easy to work together, even when they willed to do so. The difficulties were varied and complex. Nor will these difficulties and problems disappear in the future. But surely whatever hope there is of coping with these difficulties in the future must come from courageous positive action rather than from pessimistic surrender. There is truth in the old folk saying: "He that counts all bolts in the plough will never yoke her. He that counts all costs will never put the plough in the earth. He that sows may reap a harvest".

The democratic countries have shown their will to cooperate in economic matters. Fifty-four countries, representing widely different economic systems, have agreed upon the text of the ITO charter, the most comprehensive code of commercial conduct ever formulated. Twenty-two countries have already put into effect the General Agreement on Tariffs and Trade, the most comprehensive attempt ever undertaken to reduce world trade barriers. Thirteen more countries will join this endeavor in further tariff negotiations next April. Nineteen ERP countries, as stated in their December report, have worked out, within the short period of one year, a program of "cooperative activity unlike anything hitherto known in the economic relations between any group of independent states".

The ITO charter, as former Secretary of Agriculture Clinton P. Anderson said at the end of the Habana conference, is a symbol of the desire of the great majority of countries to deal with international trade problems in a friendly and neighborly fashion. This goal is, in a broader sense, the goal of the American farmer and of American democracy.

McCray

U.S. Foreign Trade in Agricultural Products

[Millions of dollars]

Year starting July	Exports of domestic agricultural products	Imports of agricultural products	
		"Supplementary" (of kinds similar to those grown in U. S.)	"Complementary" (of kinds not grown in U. S.[1])
1929	1,496	889	1,010
1933	787	419	420
1939	738	572	667
1944	2,143	1,111	618
1945	2,836	1,030	855
1946	3,575	1,385	1,328
1947	3,445	1,443	1,417
1947 Jan.–Oct	3,337	1,181	1,103
1948 Jan.–Oct	2,771	1,359	1,243

[1] E. g., coffee, tea, cocoa, silk, carpet wool, spices, bananas, natural rubber, etc.

Source: U. S. D. A. *Foreign Agricultural Trade*, May 1948 and January 1949.

U.S. Agricultural Production and Employment

Year	Agricultural production	Farm employment		Acres harvested
	Index 1935–39=100	Index 1935–39=100	1000's of workers	Millions
1929	99	103	11,289	355
1939	106	98	10,740	322
1947	136	94	10,761	349
1948	138	93	10,671	351

Source: U. S. D. A. Agricultural Outlook Charts, 1947, with preliminary revisions to date by U. S. D. A. The index of agricultural production represents volume for sale and home consumption.

Principal U.S. Agricultural Exports, 1948

(calendar year)

Product	Quantity of export	Percentage of total U. S. supply exported
Dried fruit [1]	497 million lbs	42.9
Wheat	520 million bu	39.7
Cotton [1]	3,228 thousand bales	28.5
Tobacco [1]	520 million lbs	26.5
Food fats, oils	468 million lbs	8.6
Fresh fruit	913 million lbs	4.4
Eggs	195 million doz	4.0
Canned fruit	86 million lbs	2.8
Dairy products	2,766 million lbs	2.4
Canned vegetables	100 million lbs	1.7
Corn	27 million bu	1.2
Meat	166 million lbs	.8
Fresh vegetables	175 million lbs	.5

[1] Indicates crop yr. 1947–48 instead of cal. yr. 1948.

NOTE: Figures for dried fruits, canned fruit and canned vegetables are processed weight; those for fresh fruit and fresh vegetables are farm weight; those for meat are carcass equivalent; those for dairy products are milk equivalent; those for food fats and oils are fat content basis. Canned fruit does not include juices. Food fats and oils do not include butter.

Source: Report to the President by the Council of Economic Advisers transmitted to Congress, Jan. 7, 1949, p. 117.

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C Y M

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inches 1 2 3 4 5 6 7 8

cm 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19

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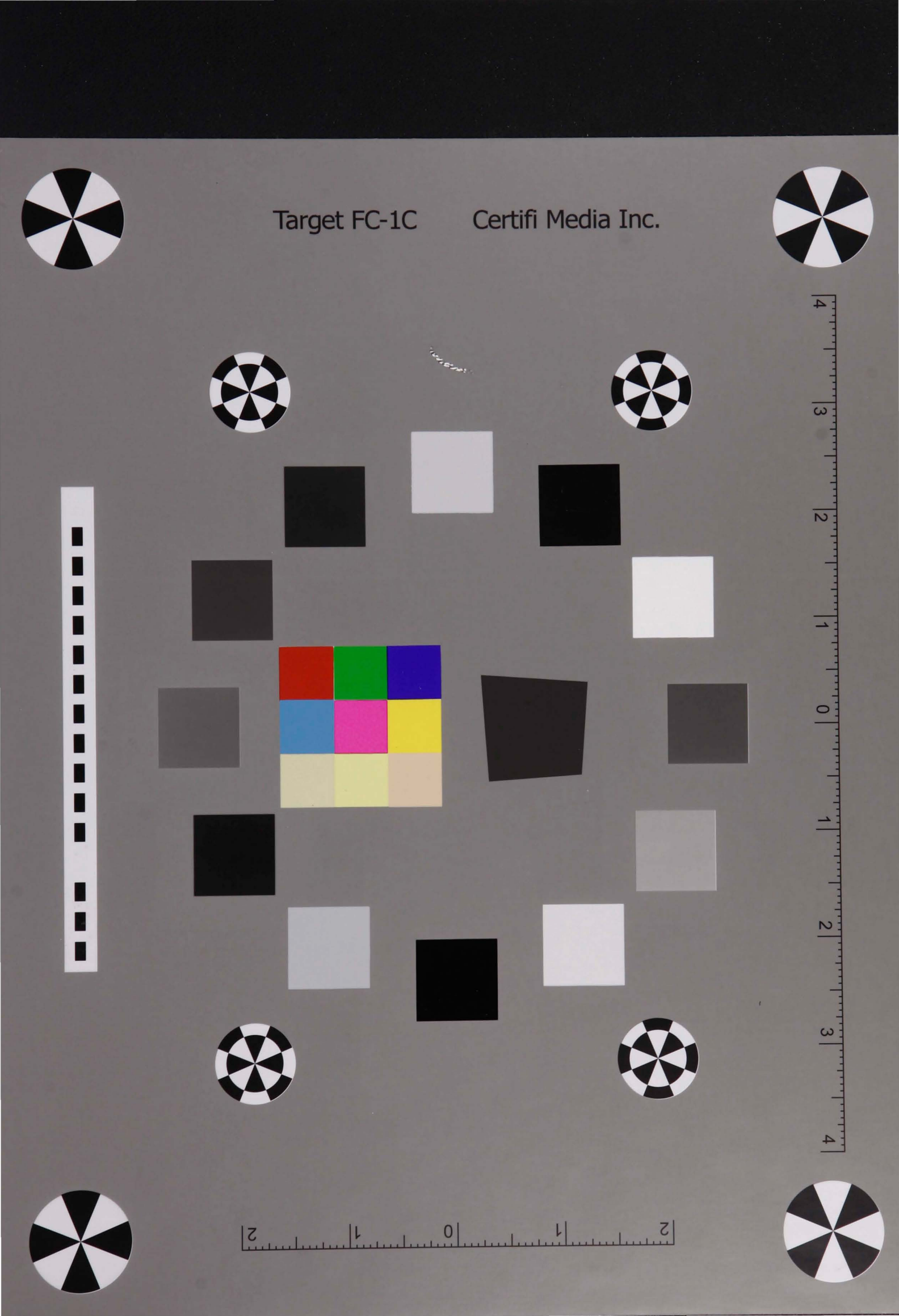
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