

Foreign Tariffs and Commercial
Policies during 1932.

U. S. DEPARTMENT
OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE
Frederick M. Pollock, Director

FOREIGN TARIFFS AND COMMERCIAL POLICIES DURING 1932



Trade Information Bulletin No. 812

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1933

FOREWORD

Particularly during this period of disturbance in the conditions of international trading, and with active preparations under way for the World Economic Conference, is it important to have a clear understanding of the current developments and trends in the tariffs and other trade-control measures of foreign countries. To meet the many requests for such information, this review has been prepared.

In addition to the general characterization of the developments of the year 1932, which has already appeared in *COMMERCE REPORTS* of February 25, this bulletin presents a more detailed review by broad world areas. A similar survey of the year 1930 (and early 1931) appeared in *COMMERCE REPORTS* for April 20, 1931, and *TRADE INFORMATION BULLETIN* No. 790 presented a like study for the year 1931.

It is hoped that those interested in international affairs, as well as firms engaged in foreign trade, will find this objective review of current trends in this important field of foreign commercial policy timely and informing.

FREDERICK M. FEIKER, *Director,*
Bureau of Foreign and Domestic Commerce.

MARCH, 1933.

FOREIGN TARIFFS AND COMMERCIAL POLICIES DURING 1932

By Henry Chalmers, Chief, Division of Foreign Tariffs

GENERAL CHARACTERIZATION OF THE YEAR

With the continuation and deepening of the world depression, unusual motives and methods marked the tariffs and other measures of control of foreign trade taken by the various foreign countries during 1932. Aside from the restrictions on commerce arising from exchange controls, the year saw trade barriers increased by various means in over 35 of the 65 commercially important countries, with a general downward tendency in tariffs observed in only a very few areas.

DOMINANCE OF FINANCIAL AND TRADE BALANCE MOTIVES

To a degree seldom seen have the developments in this field during 1932 been dominated in many countries by urgent monetary and financial considerations, and by the pressure upon governments to maintain or regain something like a balance in their international payments, in the face of further reduction in the value and volume of goods that reduced purchasing power and increasing trade barriers abroad allowed them to sell. The necessity of meeting the interest or payments on a volume of debt, public and private, the burden of which had increased by the decline in prices, trade and general economic activity, contributed to governmental difficulties in balancing payments and receipts.

OUTSTANDING TRADE-CONTROL MEASURES OF THE YEAR

Of a specific and immediate nature, the striking trade-control measures of the past year have been increases in tariffs primarily for revenue or import curtailment rather than for protection, the widespread European recourse to quotas and other methods of import restriction, and the very wide resort in Europe and elsewhere to exchange controls. Of a long-term character, the year's outstanding developments in this field have been: England's abandonment of its traditional position and the adoption of a general tariff; the subsequent Imperial Economic Conference at Ottawa, which resulted in considerable extension of the system of tariff and other trade preferences among the areas constituting the British Empire; and the various efforts or projects for regional tariff arrangements or multi-lateral agreements, particularly in Europe but also in Latin America.

The method of allocation of import quotas varied considerably in the different countries. Sometimes they were apportioned in accordance with the volume of goods brought in by the particular importer during earlier years; more often they were divided up into national quotas, with the total amount of a particular commodity permitted importation during the year or quarter usually declared to be determined by the relative imports from the various countries during earlier unrestricted periods.

However, this method of allocation of national quotas in proportion to earlier trade does not appear to have been very uniformly carried out. Variations in the prior-period base for different commodities have been quite common, and the amount of the quota to be allocated to a given country—or even the freedom of certain commodities from quota restrictions—has often been made a bargaining matter, and adjusted in accordance with the counterconsiderations obtainable from the government of the country of origin in favor of the merchants or the trade of the operating country. Considerable complaint was heard, from both governments and merchants in various countries, regarding the fairness of operation of the different quota and license systems, although no clear principles for the operation of such systems have yet been worked out or internationally recognized.

FINANCIAL DIFFICULTIES AND FOREIGN EXCHANGE CONTROLS

Another type of foreign trade control prominent in Europe during 1932 arose from the financial difficulties of the governments of many countries, which became prominent in midsummer of 1931 and were aggravated during the latter months of that year by the suspension of the gold standard in England, followed as that was by most of the British Empire, by Scandinavia, many countries of Latin America, and later by Japan. In the effort to prevent depreciation in the exchange value of the country's currency or check the measure of depreciation, and to conserve gold reserves or credits accruing from exports, either for the payment of fixed foreign obligations or for insuring a means of purchase of indispensable commodities from abroad, all but seven (Belgium, Finland, France, Lithuania, the Netherlands, Poland, and Switzerland) of the countries of continental Europe had, by the end of 1932, adopted some measure of foreign exchange control.

These controls of the allotments of foreign exchange for various purposes—whether operated by the central national bank, some other specially constituted body, or by the voluntary agreements of banks—varied widely in the degree of severity with which ordinary commercial transactions were affected. In a few countries the prime effort was to prevent speculation in exchange and the transfer of capital for investment or deposit abroad, and regular foreign trade transactions were afforded the necessary exchange upon documentary proof of the importation, and subject only to the usual import duties. A majority of the European exchange control systems, however, are reported to have operated as material additional restrictions upon importation, often to the point of rendering unimportant the height of the duty or the ability to find a buyer or obtain an import permit.

PREFERENTIAL OPERATION OF EXCHANGE CONTROLS

With funds derived from exports insufficient to meet earlier obligations, as well as to pay for all imported commodities as might be desired, exchange control bodies usually gave priority to food-stuffs and raw materials, or such products as were essential to the export industries of the country, with many classes of manufactures often completely barred as dispensable luxuries. In addition to this commodity preference, which, however understandable, operated to curtail imports from some countries more severely than from others, direct national preferences in the allocation of exchange have also developed in many cases, i.e., more severe limitation on the amount of foreign exchange for which permit is given for the purchase of a particular class of goods from one country than from another.

In a number of cases, exchange controls were either limited or concentrated upon imports from countries which themselves limited the funds made available for the payment of imports from the given country, being thus in the nature of a restriction offset, which was often resolved by a special arrangement for the clearing of credits or other facilitation of trade between the two countries. In cases of exchange controls against imports from all sources, preferential treatment in the granting of exchange, in accordance with the country whence the goods were to come, has not infrequently been admitted by the administering authorities, who justified their action on the grounds of greater volume of purchases by one country than another of the export products of the controlling nation. Such diversion of the supplying of a country's import requirements from one source to another has been defended also on the grounds that it was necessary to bring about a closer balance of imports and exports with each trading country. A tendency has also been observed for some countries maintaining exchange control systems to use them as general bargaining weapons, by making the amount of exchange allotments conditional upon counter considerations or advantages of various sorts, including larger import quotas for its products by the other country or the release of "blocked accounts" or funds due its citizens.

EXCHANGE CLEARING AND TRADE COMPENSATION AGREEMENTS

Efforts have been made to temper the full severity of the system of exchange controls and import restrictions that have been put into effect during this disturbed period. There has developed, both among the European countries and between them and overseas governments, a considerable number of clearing agreements or compensation arrangements for the direct balancing of credits derived from transactions between the two countries, or the exchange of specified volumes of particular classes of goods, sometimes approaching direct barter.

Considering the conditions under which they have been resorted to, these clearing and compensation agreements are declared to afford some immediate relief in allowing a somewhat freer flow of goods or settlement of accounts. However, toward the latter part of 1932, it was reported that many of these arrangements were proving too cumbersome and unsatisfactory and would not be renewed. The criticism has also been heard that such clearing or compensation

agreements are premised upon what some regard as an unsound principle, of expecting that the volume of trade between each set of countries should approximate an annual balance, as against the long-established commercial practice whereby inequalities between the amount any one country annually sells to another and the amount it buys from that country are balanced off, in the aggregate of world commerce, by triangular or polyangular trade movements and settlements.

OBJECTIVES OF TREATY NEGOTIATIONS UNUSUAL

In the matter of bilateral commercial treaties between various pairs of countries, which has traditionally been one of the important means of adjustments of tariffs among the countries of continental Europe, the year 1932 saw unusual developments. There were few new treaties made with European or oversea countries, and those usually simple exchanges of most-favored-nation assurances.

The majority of the large number of treaty negotiations consisted rather of revisions of old agreements, and principally for the purpose not of exchanging new concessions in duties but rather for securing release from the treaty obligation not to increase the duties on specified lists of products. Such releases of old bound rates were not always compensated for by substitute concessions on other products, and the countries usually took advantage of the release from bound rates promptly to increase the duties.

The apparent chafing over the lack of liberty of action to change the rates of duty on commodities bound by treaties, and the desire to keep more free for the period ahead, were evidenced further in the provision embodied by France in the agreements with Italy and Germany that were revised during the year. Hereafter, each contracting government is to have the right to modify any one of the conventional rates, upon brief notice; whereupon the other government may request the immediate opening of negotiations, in order to restore the equilibrium of tariff advantages, and, failing that, receives the right to increase its bound duties to an equivalent extent.

IMPORT QUOTAS AND REPRISALS SETTLED BY TREATIES

So definitely do quotas and exchange controls appear to have been accepted as methods of trade control, at least for the relatively short term of the agreement, that promises with regard to the size of quotas on particular commodities or exchange allocations have been written into various European commercial agreements of the year as offsetting treaty concessions in duties or other matters. Revised agreements between at least two or three pairs of countries provided for reciprocal quota allotments, in the effort to attain a particular ratio in the value of the total annual trade between the two countries.

An appreciable number of commercial agreements of the past year have been for the purpose of settling reciprocal complaints, as the action of one country had aroused retaliatory response on the part of the other. The initial action provoking these disputes varied from increased import taxes, between France and Belgium; threatened import quotas, between Germany and Italy; depreciated currency surtax, between France and Portugal; supertariffs, between Germany and Poland; and maximum duties, between Germany and Canada.

EFFORTS TO LIMIT MOST-FAVORED-NATION PRINCIPLE

Possibly the most significant long-term tendency of the year in European treaty making has been the desire, by various means, to limit the scope of the unconditional most-favored-nation principle, which now obligates a contracting country to extend automatically to all her treaty countries any reduced duties or other trade advantages extended to any third country. In at least three revisions of treaties between important European countries during the year the former general most-favored-nation promise was replaced by a promise to extend equality of treatment only with regard to limited lists of commodities, upon the insistence of the French and Spanish Governments.

Moreover, in line with the agitation of several years past in favor of measures of relief to the agricultural countries of eastern Europe, by affording their products assured and preferred outlets in the markets of the grain-importing countries of Europe, France, and Germany each concluded within the last 2 years a series of treaties with each of several eastern European countries in which they undertook to accord either reduced duties or refunds on all or specified quotas of grain from those eastern countries. These duty preferences were to be conditional upon the consent of other grain-producing countries having most-favored-nation rights. Some of these treaty countries have consented, others have not; this provision in the German agreement has not yet been brought into operation, although it is reported that the French provisions have been.

Of a somewhat similar character, although possibly not marked by the same large purpose, has been the still limited but growing number of cases where reduced duties are promised in treaties for fixed contingents of particular commodities from the other country, with imports above that quantity subject to the usual rates. Thus far most of these duty contingents have not been generalized to other treaty countries.

PROPOSED SPECIAL ARRANGEMENTS TO AID DANUBIAN STATES

The agitation for exceptional measures to aid the rehabilitation of central and eastern Europe mentioned above came to a head during September of last year at the Stresa Conference among 15 European powers. It was agreed that the four agrarian States in the Danube Basin—Hungary, Rumania, Yugoslavia, and Bulgaria—were to enjoy duty preferences on their grains in each grain-importing country represented, by a chain of preferential treaties; and recommended that a rehabilitation fund of 75,000,000 Swiss francs annually be raised by the importing countries for distribution by the Bank for International Settlements among the Danubian countries. In return, the agrarian States pledged themselves to reduce their duties on industrial products, which reductions were to be generalized, and to mitigate the severity of exchange and other restrictions now hampering trade with those countries.

Difficulty is reported to have arisen at the last moment regarding the special Danubian fund, but the trade preferences were agreed to, to be brought into operation after approval by the League Commission on European Union and ratification by the respective countries.

NORTH EUROPEAN (OSLO) TARIFF CONSULTATION PACT

Aiming at the same general purpose of relieving the constrictions upon international exchanges and improving the economic condition of the participating countries, but proposing quite different methods for its accomplishment, was the so-called "Oslo Economic Convention" signed in that city at the close of 1930, by five north European countries (Belgium-Luxemburg, the Netherlands, Denmark, Norway, and Sweden), and which became effective early in 1932, upon ratification of the governments of all the signatories. Each Government undertakes to notify the others before putting into effect any upward revision of its tariff, excepting emergency fiscal measures, with opportunity for negotiations before final action.

Finland requested admission as the sixth party to the Oslo group last September, and in line with the declared desire of the signatories to extend this principle of economic cooperation and consultation among themselves also to other fields, representatives of all these countries met toward the close of the year to consider a possible common attitude toward the problems to come up at the proposed World Economic Conference.

BELGO-DUTCH PLAN FOR PROGRESSIVE TARIFF REDUCTION

In the effort to carry multilateral agreements forward by positive measures, a convention between Belgium-Luxemburg and the Netherlands was initialed in June at Ouchy, Switzerland, providing for the reciprocal and progressive lowering of the economic barriers between the Belgo-Luxemburg Customs Union and the Netherlands, by the reduction of present duties by one tenth annually down to fixed low levels. It also provided that in their mutual relations, the parties would not increase duties or introduce any new measures restricting either imports or exports. The agreement was declared to be open for adherence by other nations, which could thus obtain the reciprocal favors granted under it.

Owing to the unreadiness of certain major countries having commercial treaties with Belgium and the Netherlands to recognize any concessions which the contracting countries might make each other under this Ouchy Convention, as special and allowable exceptions from the most-favored-nation obligation to them, it is reported that the participating Governments are holding up the parliamentary ratification necessary to bring the convention into operation.

PROPOSED INTERNATIONAL MONETARY AND ECONOMIC CONFERENCE

With the various efforts of individual nations or groups of nations to relieve the depressed trade condition and general economic situation not having produced material results, expectations at the beginning of 1933, particularly among the countries of Europe, are hopefully directed toward the prospective International Conference on Monetary and Economic Questions. The conference is tentatively planned for London in late spring, and the experts designated by the leading countries were assembling in Geneva early in January to work out the agenda and preparatory material.

SCOPE OF IMPERIAL ECONOMIC CONFERENCE AT OTTAWA

Tariffs and trade-control measures were the only subjects upon which definite agreements resulted from the Ottawa discussions. Twelve bilateral trade agreements were signed by representatives of the participating British countries on August 20, seven of them between the United Kingdom and each of the other governments (excepting the Irish Free State). The others were agreements between the Dominions, several of which had already worked out similar trade agreements during previous years.

Whatever may have been the various objectives set forth or urged in advance for the Ottawa Conference, in the direction of making a start toward an ultimate, all-round relaxation or restrictions on foreign trade, the stabilization of exchange rates within the so-called "sterling area",¹ improvement of price levels, etc., the agreements that issued had as their declared purpose primarily to increase the purchases from each other of many commodities now largely obtained by the various British areas from outside the Empire.

CONCESSIONS EXCHANGED BETWEEN ENGLAND AND THE DOMINIONS

As most of these agreements have since been put into effect by appropriate action on the part of the respective governments, sometimes in modified form, a brief general statement of their essential content is now possible. In return for new or increased tariff references or other import facilities in the different Dominions on various groups of products of the United Kingdom, mostly manufactured goods, the British Government undertook to levy duties on foreign (non-Empire) imports of wheat, corn, copper, and linseed, which had hitherto been admitted duty free from all sources; to increase the existing duties on foreign imports of a large range of mostly foodstuff products, all of which were to continue free from Empire sources; to control by quotas the importation of meats, and later possibly also dairy products, into the United Kingdom, primarily in the interest of the domestic producers and secondarily to afford Empire producers an increasing share of Britain's import trade; to continue the duty-free admission from the Dominions of certain products made dutiable from foreign sources under the British import duties act of 1932; and not to reduce certain specified margins of preference to dominion over foreign products.

INTER-DOMINION AND COLONIAL PREFERENCES

The inter-Dominion agreements provide for exchanges of similar increased preferences on groups of products in which the particular contracting areas saw opportunity of replacing non-British products in the others' markets with the aid of increased preferences. In an effort to make the preferential arrangements Empire-wide, the Dominions also undertook to grant preferences on certain articles of particular interest to the non-self-governing colonies and, in certain cases or under certain conditions, to extend to them most of their existing

¹ The suspension of the gold standard by England in September 1931 with a consequent exchange depreciation of the pound sterling, carried with it the currencies of most of the rest of the Empire—with the notable exception of the Union of South Africa (until late December 1932) and, in a partial way, that of Canada—as well as a number of non-British countries (Scandinavia, Japan, and certain countries of South America), either because the currencies of these areas were tied to sterling, or because of the heavy trade dependence of such countries upon the English or the Empire markets.

In addition, the British West Indies, British Honduras, British Guiana, Bermuda, Northern Rhodesia, Cyprus, Fiji, Mauritius, Federated Malay States, Non-Federated Malay States of Johore, Kedah, and Kelantan, and Sarawak have already voted the enlarged preferences undertaken by England on behalf of the colonies. The Straits Settlements and Hong Kong, whose position as transshipment points has kept them traditionally almost free ports, have adopted Empire preference in the form of a 20 percent registration tax on automobiles from which Empire products are exempt. The governments of certain other colonies have still to act, and several of them had already put into operation increased preferences to British products earlier in 1932, in connection with general revisions of their tariffs.

As a combined result of the Ottawa agreements and autonomous action, the beginning of 1933 finds almost all important areas in the British Empire, many of which had hitherto admitted foreign goods at the same rates of duty as Empire products or had granted preferences to only a very limited extent, within the orbit of the British preferential tariff system, extending to many or most of the products of other Empire areas more favorable conditions of admission than to foreign countries generally. Newfoundland (except on Jamaican products), Ceylon, Malta, and Papua appear the principal ones among the few British areas which have not introduced preferential tariffs to any degree, and the first two are understood to have the matter under consideration, while the Irish Free State and the United Kingdom have recently started to penalize rather than favor imports from each other.²

ANGLO-IRISH TARIFF CONTROVERSY

Following the election of a new government in the early part of the year, radical changes were made in the Irish Free State tariff policy for the purpose of stimulating domestic industries, relieving unemployment, and providing additional revenue. During the year a series of tariff measures imposed new duties on a long list of imported goods and increased the existing duties on many others. In a few cases British Empire goods were not accorded preferential rates or lost the benefits of the preferences they formerly enjoyed. In answer to the special increases in the United Kingdom duties on animal and dairy products, arising from the Anglo-Irish dispute over the payment of land annuities, the Irish Free State imposed special, new, or additional duties on a select group of commodities when imported directly or indirectly from the United Kingdom.

PREFERENCES ENLARGED THROUGH INCREASED DUTIES ON FOREIGN GOODS

It is significant that the majority of the new or increased margins of trade preference to Empire products in the various British areas have been accomplished through the imposition of additional duties or restrictions on the competitive products from non-Empire sources. Viewing the situation in perspective, therefore, and considering that the majority of the imports of the areas comprising the British Empire have hitherto been derived from outside the Empire, the tariffs

² In a number of British colonies in Africa and in certain areas administered as mandates, the commercial "open door" is assured all nations by the terms of the original international agreements, so that Empire tariff preferences cannot well be extended to those areas.

and other trade-control measures of the great majority of the British areas are more restrictive of international trade at the opening of 1933 than they were at the beginning of 1932. A possible important exception is Australia, which, besides reducing the duties on a number of products, removed during the year all of her import prohibitions and many of the duty surtaxes established by the party in power during 1930, although this moderation was probably largely if not wholly offset by the increase of many general duties, toward the close of the year, as a means of giving greater preferential margins to Empire goods.

BEARING OF OTTAWA AGREEMENTS UPON AMERICAN TRADE

The extent to which the past American trade with the United Kingdom or other British areas in the products affected by the Ottawa agreements is likely to be curtailed by diversion to competitive Empire suppliers is a matter which can be definitely determined only by experience. The measure of new advantage being created in favor of Empire products varies widely in the case of the different commodities, with even more variation in the degree to which the developed British or Empire demand for these different products of American origin can readily or fully be satisfied from Empire sources. Moreover, the course of the import trade of the British areas during the next few years is likely to be influenced by quite a number of factors and still unpredictable developments, beyond the official import preferences in favor of Empire products now being established.

PROMINENCE OF HORIZONTAL TARIFF ADVANCES FOR REVENUE

In addition to the dominant motives of protection and increased Empire preference, tariff changes were made in various British areas during the past year to meet fiscal or financial situations, most often in the form of horizontal increases in the costs of bringing in or disposing of foreign goods. Thus Canada increased the special excise tax levied on imports from 1 to 3 percent ad valorem, in addition to advancing the basic rate of the sales tax from 4 to 6 percent. Newfoundland similarly increased its sales tax from 5 to 7½ percent ad valorem and also imposed a surtax of 3 percent of the duty and sales tax payable. The Union of South Africa imposed a customs tax of 7½ percent of the value on most imports.³ Similar duty advances for revenue purposes, whether horizontal or selective, were reported from a number of British colonies. In the other direction were the removal of certain duty surtaxes imposed earlier in the depression by Australia, and insofar as they applied to certain of the British areas, by New Zealand.

TARIFF ACTION TOWARD DEPRECIATED-CURRENCY IMPORTS

Canada, whose dollar had not depreciated as much as had the pound sterling or the currencies of Scandinavia and certain other countries, continued the assessment of regular duty upon imports from certain of the depreciated-currency countries upon the mint

³ The customs surtax of 7½ percent ad valorem and the primage duty of 5 percent ad valorem were removed on Jan. 21, 1933.

or par value of the currencies, rather than upon their current exchange rates, and applied an additional duty equal to the difference between the par value and the current exchange rate. Among the areas of the British Empire, the United Kingdom appears to be the only country for which an official valuation for dumping-duty purposes was established by Canada (\$4.40 Canadian). It was extended during the year to Northern Ireland and the Irish Free State, such additional or special duty being equal to the difference between \$4.40 and the average value of the pound as fixed twice monthly, the value for regular duty remaining at \$4.86%.

The Union of South Africa, which stayed on the free gold standard until the close of 1932, extended to additional countries and to a wider range of products the order issued toward the close of 1931 for the imposition of additional duties upon a specific list of articles imported from certain countries, to the extent that their currencies had depreciated more than 10 percent from par.⁴ Following departure from the gold standard and pending the formulation of new regulations, the collection of the depreciated-currency duties has been discontinued, except, it is understood, on imports from Japan.

CANADIAN ARBITRARY CUSTOMS VALUATIONS

Under the authority to fix the value for duty of any class of goods imported under conditions prejudicial to the interests of Canadian producers, the Canadian Government has been continuing the practice of setting arbitrary valuations upon imported goods for customs purposes "over true invoice value" and to declare imports subject to additional dumping duties if imported at less than that fixed price. On fruits and vegetables, the commodities mainly affected in previous years, the official valuations were usually seasonal; in extending them to industrial products of various kinds since 1930, the valuations appeared to be of indefinite term. Following the Ottawa Conference, where was stressed the desirability of avoidance of uncertainty as to the amount of charges payable on imports, Canada proposed to exempt British Empire goods from fixed values for duty in such cases.

BEGINNINGS OF IMPORT LIMITATION BY QUOTAS

The introduction of quota restrictions on imports of meats into England under the Ottawa agreements, toward the close of 1932, was the first important Empire use of that device, so widely used during the last few years by various countries of continental Europe. Australia had set quantity limitations on the importation of canned asparagus and sheet glass, and a license control on felt hat bodies. The Irish Free State introduced during the past year a system of licenses on imports of wheat flour, on a curtailing quota scale that contemplated independence of imports within two years. The so-called English "wheat quota act" is not a method of controlling imports by quota but rather an internal measure for improving the returns to the wheat growers from the proceeds of a tax on flour.

⁴ Uruguay, Japan, and British India had certain of their products added to the list of those affected by the depreciated-currency surtax (previously applied to United Kingdom, most of the British Dominions, Scandinavia, and Argentina).

NEW BRITISH TARIFF MADE BASES FOR BARGAINING

With the adoption of a general tariff on imports, the United Kingdom secured a basis for bargaining with European and other countries, as a means of bringing about reduction in their tariffs—an objective that England had vainly sought for several years while on a limited tariff basis. Offers for negotiations that promptly came from various foreign countries were postponed until after the working out of a more definite tariff schedule and the completion of negotiations with the Dominions at the Ottawa Conference. In the latter months of the year, representatives from the Scandinavian countries were invited to London for trade negotiations; representatives of South American countries were likewise reported in England; and discussions with other countries of continental Europe were expected to take place in the spring of 1933.

An official statement of the British Government indicated that offers of tariff negotiations had come to it from 19 countries. No definite outcome of any of the negotiations had been reported by the close of 1932, although considerable speculation was reported from both Europe and South America as to the nature of possible arrangements, in view of the Ottawa agreements with the Empire and the long-time British adherence to the most-favored-nation policy toward all non-British countries.

EXPORT SUBSIDIES AND CONTROLS

On the side of export controls or aids, probably the most notable feature of the year in the British Empire was the continuation, at increased rates, of the subsidies established by South Africa in the fall of 1931 on the exportation of its primary products, largely for the purpose of offsetting the handicap on South African producers in selling to depreciated-currency markets, which included practically all the rest of the British Empire, as well as outside countries. The funds for this export item were derived from an additional (so-called "primage") duty of 5 percent on most imports (removed Jan. 21, 1933). Australia increased its rate of export bounty on butter, but abolished the bounty simultaneously with an increase in the import duty on cotton yarn, while Canada did not continue the wheat bounty on this year's crop.

Partly to assist its producers in meeting the import duty recently imposed by the United Kingdom on Irish cattle, pigs, and potatoes, and partly to counteract the general drop in pork prices, the Irish Free State began to pay bounties in the fall of 1932 on exports of cattle, pigs and pork products, and potatoes. Temporary bounties were paid during the year on Irish exports of butter, eggs, poultry, and canned milk and cream, and on the manufacture of leather. Following the British imposition of special duties on certain products of the Irish Free State, the government of that State announced its intention of granting bounties, equivalent to the amount of the United Kingdom duties, on exports of many classes of goods to that country.

Early in the year the British Foreign Office announced that, after consultation with the Netherland Government and the rubber growers, it was found impossible to frame an effective scheme for the regulation of rubber production or exportation for the East Indies.

DEPRECIATED CURRENCIES AS HANDICAP TO IMPORTS

While maintaining no license control on the amount of exchange allowed for the purchase of foreign goods, as have so many countries of continental Europe during the past year, the depreciation of the currency of almost all of the British Empire countries during 1932 enforced the various increases in the tariff rates enacted by these countries and operated as an additional barrier to the sale of many classes of products of the United States and other gold-standard countries, insofar as they had to meet the competition of suppliers in other British areas or in outside depreciated-currency countries. In the case of commodities not subject to direct competition from depreciated-currency countries, as in raw cotton, or in those of the British areas which did not object to imports of foreign goods at lower prices than prevailed in the home country, exporters in gold-standard countries have been able to overcome the exchange handicap in a measure by sharing it with their customers.

However, in most of the British dominions, constituting a very large part of the total Empire market, efforts to reduce export prices in order to meet part of the currency disadvantage were largely prevented, in the case of goods competitive with local products, by a strict application of the antidumping laws. These are reported to have been enforced so severely as to check commercial arrangements designed to temper the handicap of exchange disparities and, in some cases, also to prevent any possible gain to foreign firms from the use of the proceeds of their sales within these countries. The United Kingdom and British India, as well as a number of colonies, have no antidumping laws, although the assessment of duties on home-market values in many of the British areas often operated partially to the same effect. Owing to the instability of the exchange rates during the year, however, prices of competitive goods from depreciated-currency countries have seldom been changed very promptly or to the extent of the depreciation of the currencies of these buying countries in the British Empire.

OUTSTANDING DEVELOPMENTS IN LATIN AMERICA**TARIFF CHANGES PRINCIPAL METHOD OF TRADE CONTROL**

While the fiscal considerations continued an important motive for foreign trade control measures in Latin America during 1932, and the majority of countries there either resorted to exchange control or had limited exchange available for foreign purchases, restriction on import trade through exchange control was by no means the prime determinant of what foreign trade was possible to the same extent as among the countries of continental Europe. With foreign markets for their staple food and raw material exports continuing weak, and with the market prices for these natural products sharply depressed, reduced purchasing power was probably the most important and inherent limitation upon imports of foreign merchandise. With a few notable exceptions, where exchange control was reported severely enforced, changes in the regular import duties and related measures were the principal means of adjusting control of foreign trade in Latin America during 1932.

DUTY REDUCTIONS NUMEROUS AND SIGNIFICANT

Four of the 20 Republics south of the United States put into operation fairly general revisions of their tariffs during the past year (Cuba, Ecuador, Nicaragua, and Panama). Seven additional countries made substantial alterations in their import duties on fairly wide or important ranges of commodities, namely, Argentina, Chile, Costa Rica, Mexico, El Salvador, Uruguay, and Venezuela. Cuba and Guatemala, which are among those that collect as consular fees a percentage of the value on shipments, increased that percentage, thus making a horizontal increase of 2 or 3 percent ad valorem on all duties. Chile ordered a surtax of one tenth of the existing duties on a broad range of goods termed luxuries. Most of the others made only small changes in their duties or on commodities small in trade volume.

While the majority of the import duty changes in Latin America during the past year were by way of increases, the cases of reductions in existing duties were numerous and often significant. Larger revenues appear to be the primary motive for most of the duty increases ordered, with protection to domestic producers often mentioned, and curtailment of the volume of imports frequently present as a prime or collateral objective. On the other hand, in a surprising number of cases existing duties were lowered, sometimes to reduce the price of staple foodstuffs but most often to facilitate the importation of equipment and materials for certain industries which it was desired to stimulate. This tendency, observed in past years, appears to have been accelerated during this period of depression as a means of making unnecessary the continued purchase of so many staple products from abroad that it is believed could be locally produced. Reductions in duty to facilitate such local production appeared among the measures taken during the year by Mexico, certain Central American countries, Brazil, Uruguay, and Chile. Argentina removed the duties on a list of foodstuffs, machinery, and other products which had been made dutiable last year.

RELATIVE ABSENCE OF QUOTAS AND SIMILAR IMPORT RESTRICTIONS

The countries of Latin America have been relatively free from quota systems and similar import restrictions that have been adopted so widely by the European countries during the past year or two. The Chilean Government was authorized to establish an import quota system, but has thus far applied it only on sugar imports. The wheat or flour mixing regulations prominent in Europe found their counterpart in a limited way in the requirements established by Costa Rica and Cuba during the past year for mixing domestic yucca with foreign flour and bakery products. National petroleum monopolies have been established in Chile and Costa Rica and proposed in Peru. The Chilean Government has authorized the commissariat of prices and subsistence to take control of the production and trade of the country in prime necessities, including the authority to alter import and export duties. It has also authorized the President to change duties on products found to be "in a state of overproduction." Uruguay has been considering proposals, for broad governmental authority in connection with trade control, possibly involving Government monopolies on the importation of certain staple products.

TRADE TENSION AND READINESS TO EXPERIMENT

As a whole, the year has been characterized in Latin America by measures taken or proposed that are indicative of the tension of the situation under present unstable conditions, and of the readiness of many governments of Latin America to experiment with new methods of regulating their foreign trade, by either autonomous measures or agreements with other countries. In addition to the new authorities vested in the executive branches of the governments already mentioned, the Mexican Legislature has prolonged the authority to its President to change tariffs up or down, and has also authorized him to amend the customs law and report at the next session; Guatemala has extended the tariff-changing authority to its President for 2 years, and Colombia for the period until Congress reassembles. In these and other countries, the executives have been authorized not only to change tariffs in accordance with changing conditions, but particularly to take measures to meet tariff discriminations against national export products in foreign markets.

UNUSUAL ACTIVITY IN TREATY NEGOTIATION

The year has been exceptionally active for Latin American republics in the matter of trade negotiations with each other and with countries of Europe. In contrast to the traditional practice on the part of Latin American countries of maintaining single-column tariffs applied equally to imports from all countries and of engaging little in special commercial treaties, an increasing number of these governments are planning differential tariffs. Several have already negotiated agreements establishing two sets of rates on particular classes of goods, which are extended to some countries and not to others. Brazil has negotiated over 30 commercial agreements of the simple most-favored-nation type and of limited duration, in connection with the proposed introduction of a double tariff. Chile has made several such temporary agreements during the last 2 years with the United States and certain European countries, under the most-favored-nation provisions of which the Chilean duty reductions in the treaty with France have been generalized. It is notable, however, that these most-favored-nation treaties are temporary and easily terminated.

Partly induced by the agreements between England and the Dominions at the Ottawa Conference of 1932, it is reported that at least six of the Latin American governments have made approaches to the Government of Great Britain for the negotiation of reciprocal tariff agreements, for the purpose of maintaining or improving the favorable tariff treatment that their export staples had hitherto enjoyed in the British market. Negotiations are understood to be under consideration also with certain countries of continental Europe, often with regard to the outlet for certain leading export products.

TENDENCY TOWARD PREFERENTIAL TARIFF AGREEMENTS

The readiness of a number of the Latin American Republics to grant special tariff concessions on particular products, in return for corresponding concessions on their own exports, has already been definitely expressed in certain temporary tariff agreements recently negotiated with each other, notably that between Chile and Peru, and that between Argentina and Chile, with negotiations for reciprocal favors between Argentina and Brazil reported to be in prospect. No progress has been reported on the tariff agreements worked on toward the close of last year at the tripartite economic conference between Argentina, Brazil, and Uruguay, partly owing to political difficulties during the year. However, these three countries have been conferring, with a view to a common attitude on the export disposal of their meat product, and discussions of other phases of their trade relations are in prospect.

The Governments of Brazil and of at least 2 other South American countries have been considering plans for trade-barter agreements, possibly of an exclusive character, and at least 1 country has made several such agreements. With about a half dozen of these 20 countries already having tariff treaties in operation, with the governments of about an equal number possessing specific authority for the purpose, and others reported negotiating, presumably under the general treaty-making authority, the period ahead is likely to see some very active tariff negotiations and treaty agreements among each other and with overseas countries.