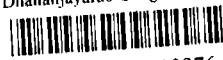
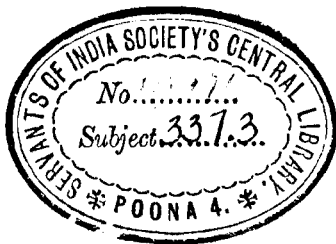


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No. 6. French Import Quotas

FRENCH IMPORT QUOTAS

A NEW INSTRUMENT OF
COMMERCIAL POLICY

BY

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INTRODUCTION

THE economic depression, which has enveloped the world since 1929, will prove rich ground for the historian. Causes, effects and attempted cures will be submitted to his careful scrutiny and will assume their proper position in his scales of value and importance. At present such an analysis is more difficult but attempts are being made to examine and analyse the multifarious aspects of this period of economic deterioration. The purpose of this book is to assist in the task by examining one particular feature in the hope that it may throw some light upon an important problem.

Probably the most interesting problems are in the field of international trade and finance, for the economic difficulties of the world are essentially international in character. Governments in practically every country have been given extraordinary powers and the result has been general interference by the State in economic life, particularly in the realm of foreign dealings. Most of the methods used by various nations to improve their relative position fall into three categories: (1) control over international payments, (2) restrictions on the movement of goods and (3) currency depreciation. The experience of the last few years has shown that any short-run benefits, accruing to a particular country from such measures, are generally lost in their effects upon the world as a whole. The numerous restrictions upon trade and payments are largely responsible for the tragic decline in trade between countries, which is so familiar as to require no exposition, and it is possible (many would regard it as axiomatic) that these measures have, *in toto*, prolonged the depression.

It is intended to direct attention in this study to one particular form of restriction, viz. the quantitative limita-

tion of imports by means of quotas. A quota on the importation of a commodity limits the quantity which may be imported during a specified period. It is not entirely without precedent but was formerly applied only to a few commodities and then usually by agreement between the countries concerned. During the Great War it was used extensively but never until 1931 was it given a position of great importance in peace-time customs legislation. Quotas have been employed in recent years, under the pretext of extraordinary and abnormal circumstances, purely as a temporary expedient. Their importance at present arises from the appearance of permanence which they have assumed and from their influence on the commercial policy of many countries. The modern use of the import quota, as an instrument of trade policy, really began in France in 1931. It has been developed by that country to a high degree of perfection, covering a wide range of goods and leading to a variety of administrative methods. Being typical of quota systems, as they exist in Europe to-day, it will be profitable to study this French system particularly.

The depression has brought to an end the liberal era of 1925-30. In those years the outlook for international trade was comparatively bright, for most nations were willing to consolidate their minimum tariff rates in commercial agreements and were granting most-favoured-nation privileges and treatment. The situation has changed radically in the last four years and direct control of foreign trade is now a common policy. Whereas in 1927 many countries were prepared to sign the Convention for the Abolition of Import and Export Prohibitions and Restrictions, in 1935 nearly every country in Europe has more such restrictions than ever before in its history. The old controversy between free trade and protection is no longer topical and has given place to the more vital question of freedom to trade as opposed to the balancing of imports against exports under State supervision. In the formulation of this new trade policy the import quotas, as used by European countries since 1931, have played a rôle of

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paramount importance and thus, as part of a world problem, they are deserving of careful study.

My thanks are due to Dr. J. R. Hicks for his invaluable advice and counsel during the completion of this study.

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CHAPTER I

THE FRENCH IMPORT QUOTA—DESCRIPTIVE

1. *French Tariff History.*

IN order to understand the use of the import quota in France, the reasons for resorting to it, its relation to French commercial policy and the reactions of other countries, it will be necessary to review briefly the tariff history of the country.¹ For this purpose it is necessary to go back to the period following the treaty with Great Britain in 1860. Those years were marked by a liberal tariff policy, which resulted in the conclusion of numerous trade agreements all containing the most-favoured-nation clause and consolidating customs duties. The economic difficulties of France following the Franco-Prussian War and during the depression of the seventies and eighties brought with them demands for a greater degree of protection, which were partly satisfied in the new policy expressed in the law of January 11th, 1892.²

The new tariff established general and minimum rates; the general tariff was applied in the absence of an agreement, while the minimum rates were conceded, in whole or in part, in commercial treaties; there was no consolidation of duties. Many treaties were concluded and most nations secured the minimum tariff for most of their products and also the most-favoured-nation clause, which was granted reciprocally and unconditionally. The minimum

¹ For an outline of this history see the report of M. Boissard: *Les Échanges Internationaux et la Politique Douanière Française au Cours de la Crise Économique*. Conseil National Economique.

² This movement away from free trade was becoming general throughout the world: between 1877 and 1891 higher tariffs had been set up by Germany, Austria, Italy, Switzerland, Spain, The United States and Russia.

tariff was meant to equalise costs and to represent that degree of protection which was absolutely essential to the national economy.

This system remained practically unaltered until the outbreak of the Great War, the only important change being the revision of 1910 which was, ostensibly, a reply to the Payne-Aldrich tariff of 1909. Until 1914 the rates were comparatively moderate; the average duty was equal to about 15 per cent *ad valorem*. Of the 62 conventions in force in 1913, 35 contained the most-favoured-nation clause and accorded the minimum tariff. The results of this legislation were broadly satisfactory, although there was always a deficit on trading account.

All this was changed during the war, when the State resorted to export and import prohibitions and complete control of foreign trade. The law of 6th May, 1916, gave the Government discretionary powers and, before its abrogation in 1923, gave rise to 65 decrees, modifying about half the items of the tariff schedule. Prohibitions were instituted in 1917 and, while most of them were removed in 1919, some were retained as late as 1927. These measures were not considered sufficient—denunciation of nearly all agreements, containing the most-favoured-nation clause, was desired, and was accomplished by the decree of 23rd April, 1918, thus giving the Government a free hand in moulding a new customs policy.

The unconditional most-favoured-nation clause had become very unpopular, because favours granted to low tariff countries had to be extended to others. According to the new policy only those countries granting terms particularly favourable to France were to benefit from the minimum tariff and the unconditional clause. Thus the treaties with Great Britain and the Scandinavian countries required no revision. It was found, however, that, if the export trade was to be retained, it was necessary to concede most-favoured-nation treatment, but the application of the clause was to be limited as much as possible, i.e. limited to certain countries and to certain goods. With this in mind an intermediate tariff was introduced into the new

treaties, about 50 of which were concluded, generally for one year.

During these years of economic uncertainty and monetary instability a permanent revision of the tariff and treaties was impossible. Owing to the depreciation of the franc it was deemed necessary to increase the customs duties (which were mostly specific) in order to adjust them to the value of the currency and to re-establish, in the necessary measure, the customs protection granted by the tariff to national products and industries. Thus the duties were increased 30 per cent in April 1926 and by another 30 per cent in August. With the virtual stabilisation of the franc confidence returned and the Government were encouraged to the point of undertaking the revision of the treaties and the tariff.

The negotiations with Germany were long and complicated. The Provisional Agreement of August 5th, 1926, accorded most-favoured-nation treatment in certain cases and consolidated certain duties; the French general rate, which had formerly applied to German goods, was replaced by minimum and intermediate rates. On July 28th, 1927, a law was passed giving the Government power, for three months, to make tariff changes by decree for the urgent conclusion of commercial treaties. Under this law many French duties were increased and were later consolidated at the higher rates in the Agreement with Germany, which was signed in August. These new duties formed the first instalment of the general tariff revision. In this new German Treaty most-favoured-nation treatment was applied to nearly all goods, Germany granted her conventional tariff rate and France gave the benefit of her minimum tariff. France retained the right to modify most duties in accordance with fluctuations in the French index of wholesale prices, but Germany consolidated most of her duties in terms of gold marks.

The net effect of this Agreement, so far as the French tariff is concerned, was to reduce the duties on many German goods but, owing to the revision of the French minimum duties on a large number of articles, to increase them on

many classes of goods imported from other countries, which, unlike Germany, had since the war enjoyed the benefits of the most-favoured-nation clause. This consolidation and the use of the most-favoured-nation clause constitute a return to the policy of the years before 1892, and on this basis most of the treaties, concluded in the following years, were established.

The revision of the tariff, thus begun, was continued in the first months of 1928, and was guided by the avowed principles: (1) to give more protection to agriculture and (2) to increase the minimum tariff in order to protect industries against certain German products which would, owing to the extension of most-favoured-nation treatment, enter the country at the minimum rates at the end of the year. There were also some reductions of duties resulting from the new agreements with other countries. The treaty with Germany was followed by one with Switzerland in January 1928 and one with Belgium in February, all of which were confirmed by the law of March 2nd. These three Agreements and those with Italy (March) and Czechoslovakia (July) were chiefly responsible for the consolidation of about 5,000 of the 7,000 items in the tariff schedule.

This consolidation of duties, which became a cardinal feature of commercial agreements, calls for some description. It means that one or both parties to the agreement announce the duties which shall be levied upon certain goods from the other contracting party and agree not to alter those duties without that other party's consent. When this is done for a wide range of articles in treaties with numerous countries it involves, when the most-favoured-nation clause is granted broadly, the virtual fixation of the minimum tariff, which cannot then be raised without the consent of each country concerned, unless all treaties are cancelled. As practised by France, this policy has resulted in the treaty consolidation of nearly all items in the list of manufactured articles but of only a few food products. This general consolidation and the incorporation of the most-favoured-nation clause in its broadest form

illustrate the confidence with which the Government entered upon its new contractual policy.

Such was the position of France in 1931, when the effects of the world-wide depression were first seriously felt. Since that time commercial policy has been reversed: the most-favoured-nation clause and fixed duties have become unpopular and the Government have had recourse to extraordinary measures, including the import quota, in an attempt to improve the economic position of France and to circumvent the obligations of the commercial treaties.

2. *Reasons for the Quota.*

The establishment of the import quota system in 1931 may best be described as a *pis aller*: it was adopted because other measures were considered inadequate or because the Government were not at liberty to use them freely. The method of restricting imports, which first suggests itself to a Government in times of stress, is the increase of customs duties and this was done as much as was permissible under the terms of the existing commercial conventions.

Since the duties on only a few food products had been consolidated in treaties it was possible to raise them: an action which was facilitated by the *loi de cadenas* (padlocking law) of December 13th, 1897. This law had been passed for the protection of agriculture and gave to the Government power to increase duties by decree subject only to subsequent ratification by Parliament. In the days of less noxious restrictions this manipulation of duties was thought to provide for the sudden opening and closing of the frontier, according to the state of supplies on the French market. Under this law duties were raised from time to time but, as it provided originally for such action regarding only 46 commodities (certain cereals, wines and meat), it was extended to allow similar increases on other commodities. The scope of this law was broadened in December 1929, March, April and July 1931, and it now covers more than 200 commodities, including most of the important items of farm produce. The following figures

illustrate how agricultural protection has been strengthened in recent years :

Commodity.	Unit.	Former Duty.	Revised Duty (1933).
Wheat	per Quintal	35 Francs	80 Francs
Butter	" "	100 "	850 "
Cheese	" "	60 "	100 "
Potatoes	" "	15 "	42 "
Food Pastes	" "	80 "	200 "
Horses (for Slaughter)	Head	250 "	400 "
Fresh Pork	Quintal	125 "	250 "
Frozen Pork	" "	65 "	130 "
Lard	" "	150 "	350 "
Ham	" "	175 "	400 "

The great obstacle in the way of raising the tariff was the policy, pursued between 1927 and 1930, of consolidating duties in commercial agreements. As this consolidation covered 70 per cent of the tariff schedule this method could be applied only within a very limited scope ; of course, general rates could be increased against non-treaty countries, but the contractual policy had been carried too far to allow much of this. In 1930-2 there were very few increases of the tariff on manufactured goods : automobiles and clothing, such as stockings and socks and boots and shoes, are practically the only articles which received additional customs protection.

When, in the summer of 1931, it was found that increasing duties by vote of Parliament or by decree under the *loi de cadenas* was insufficient to stop the influx of agricultural produce, the Government sought other means and decided to establish a system of import quotas.¹ These quotas have caused a great controversy both in France and abroad ; they are defended on various grounds and are the object of much criticism. Before considering the arguments put forward in its defence it might be well to examine the legal basis of this new device.

¹ Since 1931 the importation of goods has been impeded in various ways although the quota system is by far the most important. The import tax, for example, was increased in April 1932 from 2 per cent to 4 per cent on semi-finished goods and to 6 per cent on manufactured articles. A special exchange surtax of 10 or 15 per cent was used to protect the French market from the danger of a flood of goods from countries with depreciated currencies. And the wheat producer has been given the benefit of a milling quota in addition to the very high duty.

What provision is there in French legislation which permitted the Government to take this step? In order to justify its use of the quota, reference is made to the dispositions of the law of 29th March, 1910, which has been incorporated in the Customs Code as Article 17, paragraph 5. This law authorises the Government "à prendre d'urgence, dans le cas où des mesures arrêtées par des pays étrangers sont de nature à entraver le commerce français, toutes dispositions appropriées aux circonstances," and upon this basis the defensive system was built up by the Laval Government. This hardly permits the import quotas on considerations of a purely internal nature and when they are applied indiscriminately against all countries. As M. Proix¹ said: "D'une clause de représailles, on a fait une clause de sauvegarde."

The quota would seem to be insecurely based on a law which was intended for quite different purposes. This illegality is admitted by many ardent advocates of the system, e.g. M. Augé-Laribé,² general secretary of the National Confederation of Agricultural Associations, has said: "Ce qui manque le plus au système des contingentements, c'est une base juridique solide." But these advocates ask whether legality is important at a time of emergency. Many of them find consolation in the fact that the quota is now justified because similar measures have been taken by other countries: now that French exports are restricted in the same way France is legally justified in extending her own system, and the legality of the original measure becomes a matter of purely historical interest.

There may, however, be more justification for quotas against Germany, because the *protocole de signature* of the Franco-German Treaty of 1927 contains a provision which reserves to the two signatories the right to take, in the case of extraordinary and abnormal circumstances, any measure, with regard to exports and imports, necessary for the protec-

¹ Rapport général du Congrès du Commerce des Produits Contingentés.

² Quoted by M. Marcel Nadaud: *Bulletin du Comité National des Conseillers du Commerce Extérieur de la France*, Nov.-Dec. 1932.

tion, and to assure the safeguarding, of the vital economic and financial interests of the country. This is followed, however, by the significant sentence: "These measures may only be taken in case of exceptional necessity and must not constitute an arbitrary means of protecting national production."

In this, as in other respects, the German Treaty became the prototype for subsequent agreements with other countries. Similar provisions, though not identical in wording, appear in the commercial accords with many countries. Thus the Agreement of July 1929 with Switzerland said that, subject to the usual exceptions (those given above), no import or export prohibition or restriction involving discrimination is to be imposed by either party. But in the 1928 Agreement with Czechoslovakia each party reserves the right to impose import and export prohibitions and restrictions against each other in so far as they are applied to trade "with all countries in which conditions are similar."

There is a further point on which the French use of an import quota system does not seem legally justifiable. As M. Gallois¹ explains, decrees based on the law of 1910, as with duty increases under the *loi de cadenas*, should be submitted subsequently for ratification by parliament. He knows of no case in which this has been done.

The quota is defended, firstly, by arguments which purport to show that French economy was in a perilous condition and that some drastic measure was essential and, secondly, by the claim that it was the only adequate tool the Government had at its disposal. The economic argument has two main points: the growing trade deficit and the increasing avalanche of imports. These points are brought out in the following figures:²

	Trade Balance (ooo Francs).	Imports of Food Produce (ooo Quintals).
1927	+ 1,874,881	66,064
1928	- 2,060,823	58,249
1929	- 8,081,471	67,121
1930	- 9,675,591	63,760
1931	- 11,770,036	91,017

¹ *La Politique des Contingents*.

² These statistics are given in greater detail in Chapter III.

Certainly, in the years between 1927 and 1931, the trade balance grew much less favourable, but this is not as valid an argument as it might seem, as the following figures of the balance of trade show :

(ooo,ooo Francs.)					
1909 . . .	- 2,640*	1924 . . .	+ 1,540	1929 . . .	- 8,082
1910 . . .	- 4,695*	1925 . . .	+ 1,660	1930 . . .	- 9,676
1911 . . .	- 9,945*	1926 . . .	+ 80	1931 . . .	- 11,770
1912 . . .	- 7,590*	1927 . . .	+ 1,875		
1913 . . .	- 7,705*	1928 . . .	- 2,061		
Total	- 32,575		+ 3,094		- 29,528
Average	- 6,515		+ 619		- 9,842

* The actual figures were multiplied by 5 to allow for the subsequent devaluation of the franc.

Thus it would appear that the favourable balance between 1924 and 1928 was abnormal and that the growing deficit in recent years was to some extent a return to the pre-war position. In fact, there was only one year between 1875 and 1924 which showed a surplus of exports over imports.

As the quota was first applied as a measure to defend French agriculture, the increase in imports of food produce in 1931 is the most significant figure. It gives some measure of the intensified competition which the French farmer had to face in his home market. These conditions might be expected in a country with a rigid economy not yet affected by the depression which was causing a steep decline in prices in the rest of the world. This situation is mentioned in all arguments advocating or defending the quota system. The spread between French and world prices is attributed to lower costs abroad, lower wages and salaries, lower taxes and to a lower standard of living. It is customary to regard these phenomena as evils from which France must be protected; they are presented as circumstances leading to unfair competition, with which the home producer should not be expected to compete.

A more substantial argument is that which deals with dumping. It is claimed that vast quantities of goods were thrown on the French market, at prices much below the costs of production, by firms in financial difficulties.

Foreign exporters having lost their customary markets have turned to France and found an opportunity of underselling and of securing certain payment in a stable currency. By the middle of 1931 so-called exchange dumping was becoming a menace, as the currencies of many South American countries, Australasia, China and Spain had depreciated in value, and some means of restricting their exports was demanded. This argument was invoked particularly in the case of Germany, because of the subsidy granted on exports; this was severely criticised and some retaliatory measure demanded. It was claimed that other countries were also dumping goods in France by means of export subsidies, reduced freight rates to the frontier, tax rebates, etc.

Other arguments were based on the difficulties of producers, due to the decline of domestic demand, making it essential to reserve a larger share of the home market for French producers. This case was strengthened by the loss of foreign markets due to diminished purchasing power, the high level of French prices and restrictions on imports imposed by foreign countries. Although the quotas were intended, primarily, to be a measure of protection, they were meant also to be a means of safeguarding the currency. There were many credit items in the balance of payments, such as tourists' expenditure in France, which had been greatly reduced, thereby placing a certain amount of strain on the monetary system. The surplus of imports, if allowed to continue, would aggravate the difficulties, arising from this state of affairs, and would lead to the reduction of French assets held abroad.

In considering the possible alternatives it will be illuminating to quote M. Louis Rollin, the Minister of Commerce and Industry, who said on the 24th April, 1932: "Aurions-nous d'ailleurs voulu recourir à cette majoration des tarifs que nous ne le pouvions pas près de trois quarts de nos positions tarifaires, ayant été consolidées dans les différents accords commerciaux conclus de juillet 1927 à août 1928." The plan of denouncing all agreements, in order to negotiate new ones without consolidated duties, was not acceptable,

nor was the procedure of making supplementary arrangements for the increase of duties sufficiently rapid to meet the needs of the situation and, in any case, it was not found satisfactory because something always had to be given in return. Governments frequently shrink from any proposal involving negotiation and compromise—they prefer to take unilateral action, not stopping to consider that such action is almost certain to bring about retaliation, thus producing less favourable results than the former method.

In spite of the heavy duties on food products, the Government were convinced that other and more drastic measures were necessary. They considered that no tariff wall, however high and broad (it was frequently likened to the Great Wall of China), could stem the flood of imports at a time when excessive stocks were being liquidated, when there was general over-production throughout the world, when there was such a wide spread between French and world prices and when exports from many countries were subsidised. But these arguments have failed to convince some critics: M. Gallois,¹ for example, thinks that higher duties would have been sufficient to protect the home market from low prices abroad and that the Government should have been satisfied with extensions of the *loi de cadenas*, increases of unconsolidated duties and with the deconsolidation which could have been accomplished by negotiation.

There are many who object to the quota on the ground that it lacks the advantage of duties which bring revenue to the State. Imports may be reduced by, say, 25 per cent, but the 75 per cent enter at the old rates, whereas, if duties were raised sufficiently to effect the same reduction in imports, the 75 per cent would be charged the higher rate and the State would benefit. Like tariff increases the quota causes prices to be higher than they would otherwise have been but this difference, instead of being collected, goes to the holder of the licence or certificate, i.e. the French importer or the foreign exporter. Since customs

¹ *Op. cit.*

revenue is of great fiscal importance in France (the 1932 budget included francs 5,629,731,000 from customs, which is one-eighth of the total) an increase of say 10 per cent in the tariff would have assisted in balancing the budget.

The quota has also been defended because of the rapidity with which it can be applied; a measure requiring long debates in Parliament would give an opportunity for a large volume of goods to flood the market in anticipation of the new legislation. Simplicity was claimed in its favour; it is not a complicated system and the effects of it can be easily seen. It is supple; it can be tightened or relaxed quickly in accordance with the needs of each succeeding month or quarter year.

There were, perhaps, particular reasons in the case of France for the adoption of protectionist measures in 1931. The world deflation was manifesting itself in various ways in different countries, but with most of them the greatest problem was that of financial stability for which relief was sought either through experiments with exchange control or by means of depreciating currencies. With France, however, the essential feature of the problem was external rather than internal: falling prices abroad were becoming a menace but, up to that time, industrial activity and employment had been fairly well maintained at home. This situation became more acute in the summer of 1931 when the financial difficulties of Central Europe were intensified and increased protection for French producers was then regarded as an immediate necessity. Since the quota system was begun before England's abandonment of the gold standard there would seem to be no connection between the two (the exchange surtax was the weapon used specifically for defence against depreciating currencies) but in 1932 and subsequent years high protection and fluctuating currencies have undoubtedly been associated very closely as two features of the world problem.

Thus the quota was born: another of the numerous measures taken by various governments caught in the *tourbillon protectionniste*. It was generally advocated as a purely temporary measure, to be discarded when its pur-

pose had been fulfilled, and was designed primarily to limit imports to what might be considered a normal amount.

3. *Scope of the Quota.*¹

The scheme was first put into operation by the Ministry of Agriculture by the decree of May 5th, 1931, which required importers to secure licences for fertilisers (*engrais azotés*). This method, which did not involve the announcement of the volume of goods to be admitted, was used by the Department of Mines on July 10th, when the importation of coal was subjected to similar requirements. The first application of a quota fixing a definite quantity was in the decree of July 17th, which limited imports of flax to 50,000 metric tons for a period of one year. From then on the system was extended rapidly and by the end of the year had been applied to imports of wood, wine, fish, cattle, meal, cheese, butter, sugar and other farm and dairy produce.

In January 1932, and for several months thereafter, attention was centred upon the development of a quota system for manufactured articles. Being taken up by the Department of Commerce and Industry its scope was made much broader, being applied in January to sheet iron and electrical material, in February to leather goods, in March to machinery and clothing, in April to scientific instruments and in May to shoes and glassware.

Thus the quota acquired a real significance in French customs policy. In the ten months following July 1931 there were 61 decrees covering more than 1,100 items of the tariff schedule, or about one-seventh of the whole. The change in policy in June 1932 came with the change in the Government following the general elections but the system, so quickly built up, was retained with a few modifications. During the remainder of 1932 and throughout 1933 the quotas were continued from one quarter-year to the next, some were made more restrictive while others were relaxed and from time to time new articles appeared in the lists of restricted goods. The most important extension of the

¹ The details of the quotas are given at greater length in the Appendix.

system was on January 1st, 1934, when 600 new items were quoted and it is now estimated that 3,000 articles or classes of goods are subject to these restrictions. A departure from previous practice occurred on March 14th, 1934, when the importation of numerous raw materials (copper, zinc, etc.) was brought within the scope of the system.

In applying these restrictions it was found necessary to accord special treatment in some cases. For example, reparation payments in kind had to be admitted irrespective of quota regulations. Other exemptions include goods shipped to embassies of foreign countries, small quantities carried by travellers, the property of persons going to France to reside, goods to be sold by the administration, etc.

It has been the policy of the Government to regard France and Algeria as one unit in the application of this system. Except in a few cases, therefore, the amounts announced are those which may be imported into these two countries.¹ Generally colonial produce may be imported without limitation and trade between the colonies and foreign countries is unrestricted except in cases where the colonial territories have been given quota systems of their own. Protection of the colonial market for non-French cotton textiles began in 1932 with the restriction of imports of foreign goods into French Indo-China and French West Africa. In 1934 Tunis and Madagascar were also given a quota system of their own.

4. Theoretical Considerations of the Effect of a Quota.

The subsequent sections of this book will contain many criticisms of the quota system and references to its effects on prices and production. A brief review of its theoretical aspects should, therefore, be useful.

Placing an impediment in the way of goods coming on to the market is almost certain to cause some increase in the price at which the available goods are exchanged. The quantitative limitation of supplies from foreign countries

¹ The quota on electric meters, for example, does not apply to imports into Algeria, and in the case of apples and pears each country was allotted a quota of its own.

is no different from other forms of restriction in its broad aspects, but there is a vital difference which will be best seen in a comparison of the effects of tariffs and quotas. When a duty (so much per unit of either quantity or value) is placed on the importation of an article, someone must pay this duty to the customs officials. This is usually done by the importer. It may be taken for granted that the importer cannot continue buying and selling goods at former prices when it is necessary for him to make this new payment to the Government on each shipment of goods he brings into the country and, unless he can make some alteration in the terms on which he does business, he will seek more remunerative employment elsewhere and the article will cease to be imported. That is to say, the duty is prohibitive unless the importer can secure a higher price from the retailer and/or obtain his goods at a lower cost from the foreign exporter so as to leave him with a margin to cover the duty.

Whether or not it is possible to raise the wholesale price of the commodity after importation depends upon the state of the market, i.e. upon the conditions of supply and demand. If the foreign goods can be easily replaced by increased production at home, a slight increase in price would soon bring new supplies on to the market and imports would be reduced. On the other hand, if this is not possible and if the local demand for the foreign product is highly inelastic the price can be increased considerably without reducing sales. In the first case the exporter must reduce his price if he is to continue selling in the protected market and he thereby bears the burden of the duty, but in the second case the price is raised in the wholesale and retail markets and it is the consumer of the goods who pays the duty. Actually the consumer pays more than that, for the goods produced at home will also sell at the higher price. It is not likely that either of these two things will happen by itself but rather the foreign producer and the ultimate consumer will share the payment of the duty, the price on the internal market will rise somewhat and there will be a fall in price abroad.

The conclusion is that an import duty will, in almost every case, result in some increase in price and, which is more important, there will inevitably be an extraordinary disparity between home and foreign prices. It should be remarked, however, that this difference in price is strictly limited to the amount of the duty.

The effects of an import quota are slightly different. When imports are reduced by this means there will be a shortage of supplies on the home market and an increase in price will result. The higher price permits producers who could not previously compete to enter the market and replace at least a part of the supplies shut out. The foreign producers having lost one of their markets, which they cannot regain by any alteration in price, must seek an outlet elsewhere and are forced to reduce prices in order to dispose of their goods. Thus again there is a difference created between the national and foreign prices for the commodity but it will be observed that this difference has no limits placed upon it as in the case of the duty, i.e. no adjustment of prices can equate supply of and demand for foreign products on the markets of the quota-imposing country—their quantities are definitely fixed by law. The internal price will be forced up (or prevented from falling as it might otherwise have done) in accordance with the conditions of supply and demand. If the prohibited goods can be readily replaced by increasing home production, the increase in price will not be great, but if this cannot be done and if there is an urgent demand for the commodity the price may rise without limit. The actual increase caused by the quota, while dependent upon the principles just set out, is likely to be great if the prohibited goods formerly made up a large percentage of total supplies.

The effect of a quota on price may be shown diagrammatically. In the following diagrams units of commodity C are measured along OX and the price of these units along OY.

The position of the market for C in country A, before the quota is applied, is shown in Diagram 1. The curve SH represents cost of production in A and S₁F the cost in

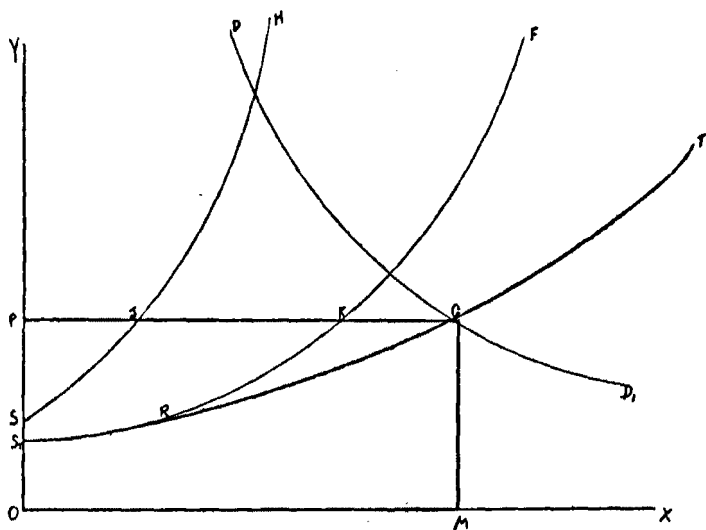


DIAGRAM I.

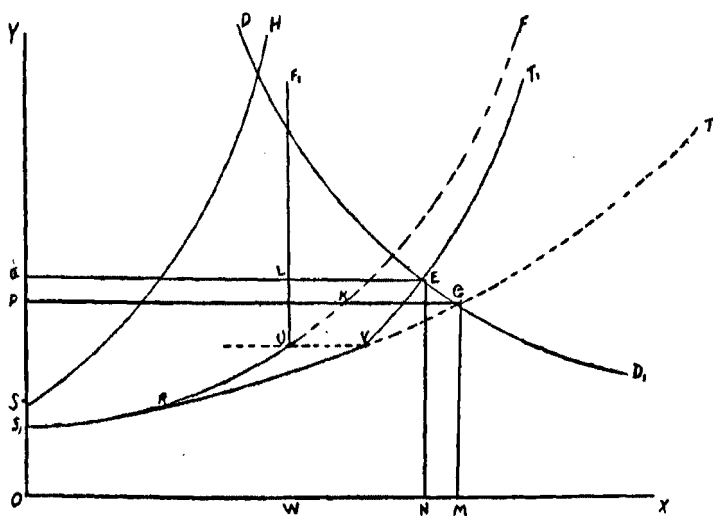


DIAGRAM 2.

other countries. (S_1F need not begin below SH but is likely to be much more elastic.) The total supply curve S_1T is the sum of the other two curves, so that, if A 's demand is as represented by DD_1 , then OM of C will come on the market to be sold at OP , and of these PK will be imported and KG produced at home ($KG = PJ$).

If country A decides to restrict imports the position of the market will be altered to that shown in Diagram 2. On the application of the quota (OW) the foreign supply curve becomes S_1UF_1 . Beyond V a curve must be drawn parallel to the home supply curve to form the new total supply curve (S_1RVT_1). Thus, in the new position ON of C will become available and will sell for OQ . Whereas, formerly PK were imported and KG produced at home, now only QL may be imported and home production will increase to LE . The total receipts of foreign sellers, from their trade with A , will (subject to the considerations of the next two paragraphs) be $QL.OQ$ instead of $PK.OP$ and this may mean a loss or gain according to circumstances.

The restriction creates a national market for the commodity on which the price will be higher than the world price. On the goods imported into A , therefore, this difference will go either to the importer or the exporter, and interlopers will be tempted to take part in the trade. If the goods are shipped into the country to be sold by the exporter's agents it will be the foreign exporter who will gain this extra profit but if the goods are bought abroad by the importer he will pay only the world price and will secure for himself the difference between that and the price in his own country.

When licences for the importation of these goods are distributed the holder of a licence is in a much better position to secure this difference. If they are distributed within the quota-using country the importers who hold them are the only ones who can bring the goods into the country and consequently the goods must be sold to them on their terms. On the other hand, if the exporters in foreign countries are the recipients of the licences they may

create their own selling organisations in the importing country or else they may secure the price prevailing on that country's market (less cost of transport and taxes) from the importers, who can buy from no one but them.

It should be quite clear from this study that this difference in price is due to the restriction and not to any action of the merchants. Even though an exporters' or importers' monopoly be formed in order to secure the extra profits from the trade, these profits, whether from speculation in goods or in licences, are limited to the difference in price and have no effect upon it.

5. *Unilateral Quotas.*¹

In the examination of the working of this new system each phase of its development will be examined critically and the administrative difficulties which have arisen will be considered. For this purpose the evolution of the quota is divided into several parts: the global quota, division among countries, the distribution of licences, etc., but it should not be assumed that the system as a whole moved from one stage to another. That would be its logical course of progress and, broadly speaking, it did develop in that way but it will be noticed particularly after consulting the Appendix, that some quotas began with the requirement of licences and have never reached the stage of allotments to individual countries, while others which began with definite amounts, publicly announced, are still importable without licence. The system, consequently, is not uniform in structure, nor is the following presentation entirely correct in so far as it suggests a chronological sequence in its development. The quotas described in this section are called "unilateral" because they are imposed without consulting the exporting countries, and they are called *contingentements d'autorité* because they are simply announced in decrees.

Determination of Amounts.—The Administration fixes the amounts which may be imported during a given period,

¹ This section refers particularly to the quotas on agricultural products.

usually three months. Thus, the Ministry of Agriculture decides which articles of farm produce are to be restricted and determines the quantities importable, while the Ministry of Mercantile Marine does the same for fish. Generally the quota is based on the average imports in certain years, which amount is frequently reduced to a certain percentage calculated to be the volume of imports in normal pre-depression years.¹

The choice of the number of years is an arbitrary factor for one cannot say which were normal years and which were not. Furthermore, this method of determining amounts does not take sufficient account of realities: particularly in the case of food produce, production and consumption are subject to seasonal variations and when quotas are calculated from annual statistics and divided into four equal parts production is not protected nor is the fluctuating demand considered; there is, for example, a shortage of dairy produce in France between November and April.

These import quotas are applied to headings of the customs nomenclature. This frequently has unfortunate results because numerous articles are sometimes included under one heading and a measure which restricts one, restricts all; there is, for example, no distinction made between industrial and domestic coal.² On these grounds such restrictions stand condemned, for only the users of the products can give the information essential to their judicious determination. Agricultural and other quotas are sometimes determined after consultation with syndicates of producers, but in no case are the importers, merchants and consumers consulted—they are presented with a

¹ The quota for wood was the average amount of imports in the five years 1925-9, while for wine the years 1926-30 were chosen. For most agricultural produce the basic period is January 1927 to July 1931; the average of five figures is the quantity to be imported in future: 60 per cent of the imports in each year from 1927 to 1929 and 40 per cent of those in 1930 and the first six months of 1931. Although the system was begun as a means of reducing abnormal imports the authorities have not strictly adhered to this principle. As M. Angelini has pointed out, imports of all articles which appeared in the quota lists had not increased in recent years (*La Politique du Contingement des Importations*).

² The administration did not wish to restrict domestic coal.

fait accompli. This relegates the quota to a position with other trade restrictions which are established upon consideration of the interests of only one element in the economic system.

The Global Quota.—The decree of July 17th, 1931, dealing with flax, gives the initial formula of the quota : it is applied broadly to the whole world, without any division among exporting countries, and without import authorisation being required. Under this regime anyone may import and any country may send any amount until the quota is filled, then an announcement appears in the *Journal Officiel* warning importers of the exhaustion of the quota and that no further shipments will be allowed to enter the country before the end of the period. The announcements of exhaustion have been numerous in every quota period and have led to a change in the system, but for certain goods the broad global quota is still used.

It is obviously impossible for the authorities to know each day how much has been admitted through each customs house and this has become one of the greatest administrative difficulties. Reports are sent in each ten days but there are certain to be some goods admitted over and above the quota in almost every instance and sometimes the excess is very large. One method of dealing with this difficulty is to subtract the excess from the quota for the following period, which sometimes results in the frontier being completely closed for three months or more, and another method is to divide the quota among the various customs houses.

The general experience has been that a large volume of goods is rushed towards France on the announcement of a quota, or at the beginning of a new period, in an endeavour to get it across the frontier before the quota is exhausted. This proves disastrous to those whom the quota is meant to protect. The rapid exhaustion of the quota and the sudden closing of the frontier have had regrettable consequences ; importing firms have been entirely cut off from supplies, many contracts have had to be broken, goods sent hastily were frequently of bad quality and perishable goods

have been lost.¹ The system led to a great deal of speculation which harmed the regular trade: speculators attempted to secure a large part of the quota, which they sold in France at increased prices after the quota was exhausted. Customs houses were overworked making up numberless statements and reports. It involved a loss of time and money for many people—importers, merchants and consumers.

The chief argument in favour of this system, which does not discriminate between exporting countries, is that, from one point of view, it is the only system compatible with the most-favoured-nation clause which appears in all the treaties negotiated in the years following 1927. While there is no discrimination in theory, it does discriminate in practice in favour of neighbouring countries, which can be the first to send goods and may even send the whole quota, resulting in a complete loss of trade to distant countries. Exporters in such countries would have to calculate the time required for goods to reach France, and make their shipments so as to reach their destination at the beginning of a period. This would usually have to be done before the amount for that period had been announced. Whether the goods would be admitted, or not, would be a matter of great uncertainty.

If allowance is made for goods *en route*—goods shipped before exhaustion of the quota—the whole value of the measure is lost. There is a Transitory Clause in French customs legislation which applies in the case of duty increases: goods shipped before the announcement are admitted at the old rate. Such clauses figure particularly in the application of decrees under the *loi de cadenas*. A Transitory Clause is used in connection with most quotas,

¹ Many critics have referred to the amusing incident of the shipment of bulls from Czechoslovakia, which arrived at the frontier after the quota was filled; as the beef quota was not exhausted, they were subjected to *une formalité vétérinaire*. The following report appeared in *The Times* of July 10th, 1934: "Twenty-seven tons of Turkish eggs, valued at £1,160, have been destroyed at Port Bou, Spain. They were refused admittance because they had not been authorised under the Government's quota system and sanitary officials finally ordered their destruction as unfit for use."

although it should not be necessary when licences or certificates are issued, but must be formally announced by the Department administering the quota. When it is used, documents showing date of shipping, etc., must be produced.¹

Division among Countries.—It soon became apparent that the global quota required some modification. Beginning with special treatment for certain countries, the geographical division of amounts was developed until it became the new formula and was applied in most, but not all, cases. It began with the decree of the 27th August 1931 which fixed global quotas for wood and wine,² but the principle of division among countries was not wholly adopted for any one commodity until the decree of 21st October 1931 fixing quotas for fish. Usually a decree announces that a restriction is to be placed on a certain item, then one or more orders fix the quantities and later a notice to importers gives the quota allotted to various countries, a small amount being left for the group called "other countries." The amounts are determined according to statistics for previous years: each country is granted a quota equal to its proportion of the average figure of imports which is chosen as the base.³

This division among countries leaves French importers and the foreign exporters to see that none of the quotas is exceeded. Failing joint action this result could not be entirely achieved but the system did remove some of the evils which arose from the application of the global quota.

¹ "La méthode notamment de la frontière alternativement ouverte ou fermée, dès que les contingents périodiques sont épuisés, engendre des inconvénients qui ont été maintes fois soulignés: interruption des contrats, marchandises en souffrance, procès éventuels. C'est ici la négation même de toute stabilité."—M. Boyer in the *Bulletin de la Chambre de Commerce de Paris*, 9th July 1932.

² 250,000 hectolitres were reserved for Italian and 325,000 for Greek wine and quantities of wood were designated to certain countries. These were declared retroactive and it was immediately announced that the Italian wine and the wood quotas were already exhausted for the first period. The decree of 30th September divided 49,000 quintals of the meat quota among Argentina, Uruguay and Brazil, leaving the other 21,000 for the rest of the world.

³ The special allocations are given to those countries which supplied more than 10 per cent of the imports in the base period.

It eliminated much of the injustice to distant countries and, by applying the principle of restricting imports from each country to the same proportion of trade in previous years, it seemed, from that point of view, to maintain their rights under the most-favoured-nation clause. There were objections, however, in view of the fact that even the average of five years' trade does not necessarily represent the "normal" division among countries: in the years between 1925 and 1931 France may have imported unusually large quantities of some goods from certain countries and much less than usual from others. It might be said that the division among countries permits favouritism in the choice of base years and many complaints have been raised on this ground but it also opens the way to abuses advantageous to exporters, since they are frequently able to force goods of inferior quality on to the French market. Moreover, statistics giving the country of origin are not always dependable; in order to assure fair treatment the power given to the Government in April 1932, to issue decrees requiring imported produce to be marked with an indication of their origin, has been widely used.

When quotas are divided in this way, quantities allotted to some countries may be exceeded, while those reserved for others may not be all used. Many examples of such excesses and unused portions might be given but a few instances should suffice to illustrate the method of handling these difficulties. When the quota on wood, for the second quarter of 1932, was announced, a notice explained that the quota for the first quarter for the United States had been so far exceeded that none would be granted for the second and that for the third quarter would be reduced from 5,744 metric tons to 2,616. In fixing the quotas for the second quarter of 1933 on fresh or frozen sea-fish it was decided, in order to avoid the inconvenience caused by merely reducing the amount of the quota, to postpone the resumption of imports for a period sufficient to account, in theory, for the excess. Thus the announcement of March 26th closed the frontier and the ports to fish from the United Kingdom until June 21st. Later, when the statistics

of imports for March had been completed, the prohibition was extended to August 1st. And another example: the United Kingdom exporters did not use all of their wood quota in the second quarter of 1932. Therefore the 514 unused tons were added to the quantities which might be imported in the third and fourth quarters.

Distribution of Licences.—Although the geographical division of the quota was a step forward in its evolution it was not found sufficient to overcome all the difficulties and criticisms given above. In order to make the quota effective, i.e. to put a stop to the tendency of imports to exceed the figures determined and to prevent speculation, which was damaging to the ordinary course of business, the Government decided to revive the system of import licences which had been employed during the war and which was already in use for coal and several other commodities. The licensing system was therefore gradually extended during the autumn months of 1931 and was finally applied to nearly all quotas on agricultural produce.

The establishment of the licensing regime was a difficult matter. Licences could not easily be distributed without calling forth charges of favouritism, they were very unpopular in France after the experience of the war years and had been denounced at the World Economic Conference of 1927. In addition to the division of the quota among countries, according to exports in previous years, it then had to be divided among French importers in accordance with their record of imports.¹ For purposes of the distribution an *inter-professionnel* Committee was set up charged with the delivery of licences to traders in good standing in proportion to their imports in some previous period.² The Committee includes representatives of producers and merchants in the trade concerned. Although the principle is the same in each case, the methods of obtaining licences differ. Some Departments or Committees require importers to produce their merchant's certificate, to provide statistics

¹ Licences for tallow, lard, oils and fats, quoted by the decree of 28th December, 1933, are distributed among consumers only.

² e.g., 1929-31 in the case of wood, 1930 and 1931 for fish.

of their imports in the base years and to send samples of the goods required.¹ The Committee examines the application, verifies the statements, and sends a recommendation to a Commission, which either returns the application or grants a licence and sends one of the samples to the customs house. The licence is valid only for a limited period and for import through a particular customs house; it is non-transferable.

Many such Committees have been established; one for each product or group of products. They determine their own regulations regarding the issue of licences and usually require importers to forward their applications during the first two weeks of each quarter for all the goods they wish to import during that period. The practice of charging a licence fee, which began in 1932, was confirmed by the law of February 28th, 1933: it provided that importers of any product subject to quota restriction, which is imported under licence, may be required to pay a fee. The Committees have used this means of defraying expenses and notices of the fees payable have appeared from time to time. It is possible that these fees merely cover the expenses of the Committees, but in so far as they exceed those costs they provide a means of appropriating part of the profits arising from the restrictions.²

The Committees have been criticised in some quarters and praised in others. M. Proix³ said in his report that most of the "Rapporteurs" paid homage to their zeal

¹ This system has not always been well administered and has sometimes permitted, even caused, an increase in trade. Importers have received licences upon production of their invoices, while the agents of some countries' exporters have used their bills of lading; between them they have secured licences for a much larger quantity of goods than they ever imported before and the higher prices resulting from the restriction have allowed this increased importation from certain countries.

² The principle of levying these fees was again confirmed by the emergency Finance Law of December 23rd, 1933, in which they were regarded as a source of revenue. It is claimed by some French writers that they are a protective measure, used because of the Government's failure to secure power to raise duties by decree, dressed up as a fiscal tax with the excuse that they are meant to secure part of the profit on quotaed goods for the Government (cf. "La Politique Donauière et les Accords Commerciaux," by M. Naudin in *La Revue d'Economie Politique*, May-June 1934, p. 948).

³ *Op. cit.*

and impartiality. The distribution of licences, however, is subject to the severe criticism of favouring merchants, who were engaged in a certain trade at a certain time, to the prejudice of occasional traders and to the total exclusion of all others who might wish to engage in it.¹ It is directly contrary to the principle of free competition and trade.

The use of licences is also chargeable with incoherency, for there are numerous authorities delivering them. Although it was designed to remove the speculative element it does not entirely accomplish that important task as many applicants ask for more than they really want.² The Committees are flooded with applications and find a fair distribution extremely difficult.³ The necessity of securing a licence to import before placing an order results in costly delays and introduces one more element of uncertainty into business operations. Further complications have arisen through the practice of delivering licences for certain commodities to exporters or producers abroad.⁴ As these were not always made non-transferable it was sometimes possible for one or two of the largest exporters to get all the licences into their own hands, and they were then in a better position to secure the full price prevailing on the French market.

The restriction on imports of coal illustrates very well the various difficulties which have been encountered in administering the system. The decree of July 10th, 1931, provided that the import of coal into France should be

¹ Some attempts to remedy this injustice have been made: for example, when the quota on coffee was increased towards the end of 1932 a part of it was reserved for firms which were established since 1931.

² In November 1933 the Ministry of Agriculture considered (but finally rejected) a plan for the sale of import licences to the highest bidder, hoping by that means to divert profits from speculators. Non-transferability of the licences has not eliminated speculative purchases: the practice of offering a *pourcentage* to the legitimate holder of a licence in exchange for the purchase of goods on behalf of others is said to be common.

³ In October 1934 it was announced that import permits would only be granted for the importation of clearly defined goods forming the object of commercial contracts, concluded subject to a licence being granted, but the Ministry of Agriculture reserves the right to dispense with this requirement when he deems it expedient.

⁴ In Switzerland, Holland, Italy and Austria, for example, licences for exporting cheese to the French market were given to exporters.

subject to import licence: these licences to be issued on the advice of a representative Committee set up for this purpose; application for licences to be addressed in quadruplicate to the Ministry of Public Works (*Direction des Mines*). The restrictions came into force on July 20th in respect of imports by railway but did not become operative until July 27th in respect of imports by sea or by water. Metallurgical coke and coke "fines," intended for coke works, might be imported without licence until September 1st; this exception was later extended to the 1st of June 1932.

This coal quota was fixed at 80 per cent of the average imports in the years 1928, 1929, and 1930. According to this formula they should not have been more than 1,978,000 tons in the month of August 1931 (the quota was divided into monthly instalments) but, on account of exceptions (*dérégations*) which the administration made, they actually amounted to 2,214,000, or 99.4 per cent. This quota did not satisfy all interests concerned so it was reduced to 70 and later to 60 per cent. Apparently others then persuaded the Commission that it would be in the national interest to make the measure less restrictive, so the figure was brought back to 70, to be effective from July 1st, 1932. Even this decision was not final for the figure of 65 per cent was announced for February 1933 and 55 per cent for December.

A meeting of the Commission for the preliminary examination of licences was held on the 29th of September 1932 at the Ministry of Public Works.¹ They decided to maintain the coal quota at 70 per cent for November and December and assigned 58 per cent of the English figure to importers, the 12 per cent remaining at the disposition of the Department of Mines. Requests to import English coal might be presented simultaneously for November and December on the basis of 58 per cent—a separate request was required for each month. Licences for November were to be valid until December 15th and those for December until January 15th, 1933. In addition to the 70 per cent quota an

¹ Reported in *L'Ordre*, November 5th.

allocation of 100,000 tons was granted to the maritime ports for each month. This extra tonnage was to be, as previously, distributed by the Union of Maritime Chambers of Commerce to its members and by each Chamber to its adherents. Of the 80,000 tons reserved for the gas, electricity and railway companies, 30,000 in each month had to be imported overland or by river and 10,000 by way of the Normandy ports from Dieppe to Rouen inclusive. A Commission was appointed to enquire into the possibility of distinguishing between industrial and domestic coal and to study under what method free imports of the latter might be allowed.

It is by such methods as these that the French quota system is moulded, turned, twisted and juggled in a desperate effort to make it serve its purpose and yet satisfy the varied interests concerned without having a harmful effect on important branches of economic activity. There is seen here an attempt to aid the mining industry without harming too much the consumers of coal, including those who may urgently require special supplies, and those engaged in providing the various transportation facilities. It also illustrates the fact that the system is subject to the danger of restricting numerous products when it is only meant to reduce the imports of one.

6. *Bilateral Quotas.*

The next step in the evolution of the quota was the development of the *contingentement amiable*. Whereas the modifications described above were the results of efforts to improve the system, this new formula was the outcome, particularly, of the desire to extend its scope so as to include manufactured articles, but partly, of the work of the Franco-German Economic Committee which met in Berlin in September 1931 (some means of reducing the growing trade deficit with Germany was urgently sought). "Bilateral" quotas are so-called because they are determined after negotiations with the foreign Government, or interests concerned in the foreign country, but the term does not imply that the other country also restricts imports.

Following the meetings of this Committee the French Government encouraged (in some cases almost compelled) industrialists (or importers) to confer with their competitors (or suppliers) in Germany with a view to arriving at some mutually satisfactory agreement regarding the restriction of imports of their products. This policy resulted in the establishment of industrial ententes. In most cases there was no quota previous to the entente, and, when quantities had been decided upon, a report was submitted to the two Governments for ratification and, if accepted, the restriction was announced in a decree. The figures were usually based on statistics for previous years, sometimes 1928 and 1929, sometimes 1931 only, but in other cases it became a matter of arbitration and compromise. The average figure chosen to serve as a basis was usually adjusted to meet the reduced needs of the French market—it was usually reduced by 30 or 40 per cent but was sometimes cut down to one-tenth. Most of these agreements were to last for one year. When accepted, similar restrictions had to be applied to other countries, in accordance with the terms of the most-favoured-nation clause.

The first of these ententes was for toys and games, January 9th, 1932, which required the German product to be accompanied by a certificate secured from the Chamber of Commerce of Nuremberg. In the first quarter of 1932 about 50 such agreements had been concluded with German industrialists¹ but of these only half had been approved by the French Government as late as June 22nd.² This list of 50 includes a great variety of manufactured articles such as: electrical apparatus, hides and skins, glassware,

¹ The entente for hosiery is a typical example. On February 18th "La Fédération des Syndicats et Groupements industriels de la Bonneterie française" and "L'Union syndicale des Industries de la Ganterie de France" concluded with representatives of the German industry an accord regarding various articles of linen, hemp, cotton, wool, natural and artificial silk hosiery. The quota was based on average imports from 1928 to 1930 reduced by 40 per cent and was divided into monthly parts. The terms were to apply for one year from February 15th. If necessary the International Chamber of Commerce would name an arbitrator. Other ententes were similar in form but differed widely in detail.

² Boyer, *op. cit.*

furniture, non-ferrous metals, printing materials, machine tools, hosiery, photographic apparatus, as well as many items of slight importance.¹

The new system met with approval in official circles and was soon extended, ententes being negotiated for many articles with the producers of the leading supplying country. Agreements were concluded with foreign governments establishing the system of industrial ententes and regulating the distribution of export certificates. The initiative was taken abroad as well: several countries asking to participate in these negotiations. The Swiss Government alone forbade their industrialists to engage in *contingentements amiables*. Such agreements were concluded with Holland, Belgium, Poland, Czechoslovakia, Hungary, Roumania, Yugoslavia and Italy. The agreement usually placed the following obligations on the foreign government: (1) The quota must not be exceeded, (2) shipments must be spread throughout the period, and (3) regular commercial relations must be maintained (i.e. export monopolies must not be formed). It is sometimes agreed that if the full amount of the quota is not sent the balance will be added to the quota for the following period, but equal treatment in this matter is not given.

Owing to the lack of organisation among French and foreign agriculturalists, it was difficult to apply this new formula to their products, and yet the Ministry of Agriculture has used it in some cases and provision was made for it in the Italian agreement of January 11th, 1932, with regard to certain agricultural commodities. In direct contrast to the *contingentement d'autorité*, which frequently requires licences to be distributed to French importers by the Administration or by some French organisation the system of *contingentements amiables* almost invariably calls for the distribution of export certificates by the foreign Government or by some industrial or commercial organisation in the foreign country. Thus a firm in France wishing to import a certain article from Germany must place the order with the supplying firm which must then apply for,

¹ Angelini, *op. cit.*

and receive, an export certificate before the order can be definitely accepted.

The countries chiefly interested in French trade have gladly taken up this duty of regulation and the French administration are glad to be free of the charge of favouritism which would inevitably follow if they undertook the distribution at home. These certificates have in some cases replaced licences for goods on the quota lists previous to 1932 and, even in the case of free imports, countries have sometimes asked to be given control of the trade. With some countries the certificate is the rule for nearly all goods on the quota list; in Germany this system has been established following nearly every quota decree. Many of these agreements have been renewed from year to year but the amounts are frequently altered.

As is shown in the Appendix, not all the quotas on manufactured articles were imposed after negotiations such as those described above: many were of the unilateral kind discussed in section 5. There is one important difference, however, between the unilateral quotas on agricultural and industrial goods, viz.: that for the latter licences are not used. Thus, unless arrangements are made with foreign countries for the distribution of export certificates, goods may enter the country without authorisation until such time as the quota is exhausted. The announcements of new restrictions, throughout the first five months of 1932, were followed by a notice advising importers either that import licences would not be granted or that authorisation would be required only in the case of goods coming from certain countries where special arrangements as to certificates had been made. But whether the quota on a manufactured article began unilaterally or bilaterally many arrangements were made subsequently for the control of exports to France. The initiative in these agreements has been taken sometimes by the foreign Government or foreign exporters, but the decisions regarding the method of distribution invariably rest with the authority in the foreign country which undertakes the control.

In Great Britain these arrangements were made with the

consent of the British Government and numerous organisations have undertaken this control or have been set up especially for this purpose.¹ Methods of distribution are similar though not identical in detail. On October 1st, 1932, the Manchester Chamber of Commerce undertook the task of distributing licences for the export of cotton piece goods, yarns and clothing. Firms in Great Britain, wishing to export these goods to France, are required to secure a licence from the Chamber, and goods unaccompanied by a licence are detained at the French Customs House. The form of application for licences is reproduced on page 34. The Chamber published a *Guide to Applicants for Allotments*, which explains the principles of the system adopted. According to the Agreement between the French and British Governments a licence may be issued only when the information asked for on the application form has been satisfactorily provided. The Chamber reserves the right to demand evidence that shipments by the firm concerned, and of the size proposed, are not unusual in the normal business of the applicant. Applications for licences are dealt with strictly on the basis of priority of their receipt by the Chamber until the official quota is exhausted.²

¹ A list of these would include:

- British Toy Manufacturers' Association.
- Radio Manufacturers' Association.
- British Electric and Allied Manufacturers' Association.
- Society of British Gas Industries (gas burners).
- Federation of British Industries (metal products).
- Association of British Manufacturers of Machinery for the Printing and Allied Trades.
- Furniture Trades Federations' Joint Committee.
- Wall Paper Manufacturers Employers' Association.
- London County Council (paper).
- Federation of Bone Users and Allied Trades (glue).
- British China Clay Producers' Federation (replaced by a French organisation in March 1933).
- United Tanners' Federation.
- Wholesale Clothing Manufacturers' Association of Great Britain.
- Manchester Chamber of Commerce (cotton yarns, etc.).

² Charges for issuing licences are made on the following scale. For a shipment up to a value

(c.i.f. French Port) of	£50	.	.	.	1s. 6d. per licence.
"	"	"	"	"	£100 3s. " "
"	"	"	"	"	£150 4s. 6d. " "

increasing by 1s. 6d. for every £50 of value up to £1,000 value. Members of the Manchester Chamber of Commerce are allowed a discount of 33½ per cent.

French Import Quotas

MANCHESTER CHAMBER OF COMMERCE.

APPLICATION FOR ALLOTMENT

under French scheme of quota restrictions on Cotton Yarns, Piece Goods and Clothing.

Name.....
 Address.....
 Date.....

We hereby make application for an allotment in our favour relating to the shipment of cotton goods to France, in accordance with the undermentioned particulars and enclose a remittance of..... to cover the Chamber's fees therefor.

We declare on our full responsibility that the application is based on a bona fide order of which the following are the true particulars :

1. Name and address of French Importer.....
2. Date of Order.....
3. Date of Shipment (Contract Terms).....
4. Goods will be cleared through the French Customs at.....
5. Value of Shipment, c.i.f. French Port.....
6. Description of Goods.....

We are familiar with the Chamber's printed regulations and agree to be bound by them in all matters connected with this application.

We further declare that the goods which form the subject of this application are of United Kingdom manufacture.

.....
 (Signature)

The inconsistency of the system, where authorisation is concerned, leaves it open to severe indictment, for confusion is the inevitable result. A characteristic example of the multiplicity of schemes for authorising importation was given by M. Proix :¹ imports of coal must be accompanied by a licence or certificate delivered by various authorities as set out on the following page.

A French importer of coal must, therefore, be familiar with these regulations; he must make application to different bodies for imports from different countries; his application for imports in a certain period must be received before a fixed date and all the details of the purchase must be known and given. For Belgian coal, on the other hand, he places his order and leaves the

¹ *op. cit.*

exporter to secure the authorisation. It is obvious that a variety of schemes would tend to favour trade with countries for which the authorisation is most easily secured.

Exporting Country.	Authority issuing Licence.	Receiver of Licence.
Britain . . .	Direction des Mines (France)	Importer
Russia . . .	" " "	Importer
Holland . . .	" " "	Representatives in France of Dutch mines
Germany . . .	" " "	Representatives in France of the Kohlen Syndikat
Poland, until 30/9/31 . . .	" " "	Importer
after 1/10/31 . . .	Convention minière polonaise	Importer
Belgium, in 1931 . . .	Direction des Mines (Belgium)	Exporter
and later . . .	Fédération des Mines belges	Exporter

The determination of quotas on agricultural goods being entirely in official hands, the amounts can be readily increased or decreased as the Ministry of Agriculture sees fit.¹ But when quantities are fixed by private interests, as they are for many manufactured articles, some mechanism must be provided whereby extra quantities of goods may be imported when thought advisable. The dislocation of trade resulting from the application of these restrictions has led to numerous demands on the part of French interests for permission to import goods over and above the amounts specified in the quota regulations. For the purpose of authorising these excess imports numerous organisations have been appointed. Firms which cannot secure supplies within the quotas make application to these organisations and, if they are able to persuade them that it would be "in the interests of the national economy" to admit more

¹ In October 1933 the Ministry of Agriculture was given power to increase quotas on agricultural produce by 33 per cent (on butter by 60 per cent).

goods, they are given a special licence.¹ These special powers have been so generally used that statistics of imports frequently bear no relation to the quotas. It would seem that many quotas, as announced, are too restrictive and, if enforced, would seriously disorganise the French distributive trades.

It is generally recognised that the negotiated quota is preferable to the unilateral: being fixed by the producers themselves it should satisfy at least that section of the community and, being the result of a conference with foreign competitors, it should help to appease the critics abroad. By this method the action of the State is reduced to a minimum, as it is only required to give authority to the agreements. Thus it was hailed as a great improvement on the old system. Its advocates claim for it the attractions of a planned economy. It is said to be of the same order as the geographical division of markets, regulation of prices, fixation of production, sales quotas and other measures taken, ostensibly, to adapt supply to demand. It is an attempt to elaborate an international economy organised by the contractual regulation of competition. The quota ceases to be a source of trouble to international trade and becomes a factor working for order. In reviewing the developments in the world since 1929 one is struck by the tendency toward such control, and the French quota system appears to be one of the most important advances in that direction. The outcome of such a policy should be very carefully considered, for it involves the introduction of an entirely new order—the replacement of the comparative

¹ The following are a few of the organisations which have been given this authority:

- The French Machinery Federation.
- The Federation of Syndicates of Chemical Products.
- French General Electric Construction Syndicate.
- Central Committee of Glass Manufacturers.
- French Syndicate of Technical Precision Instruments.
- The General Customs Department.

In order to avoid confusion, in cases where French authorities have issued permits for quotaed goods to be imported outside the fixed quotas on the ground that they are necessary for the national economy or on other grounds, exporters were requested, in August 1934, in the case of quotas administered by organisations in the United Kingdom, to forward particulars of any permits so granted to the organisation concerned.

freedom of competition permitted by tariffs by a system of prohibitions and decrees manipulated by authority.

The relative stability of business and price levels in France in 1931 at a time of general instability in other countries has led to the curious argument that the French import quota will assist foreign countries in regaining a similar stability and will prevent the continuance of overproduction abroad.¹ But these restrictive measures are likely to have an adverse effect on foreign countries and to intensify their difficulties. This stability which France desires is not without dangers at any time, but is particularly dangerous when the rest of the world is changing rapidly.

In concluding this review of the defensive arguments reference might be made to the inevitable statement that the quota will strengthen France's bargaining power and may lead to an all-round lowering of tariffs. When beaten on every ground the protectionist puts on the liberal cloak, declares himself an ardent advocate of world-wide free trade but pleads for tariffs, quotas and prohibitions so that he may be better armed to achieve this worthy end. Thus, in defending ententes, M. Julien Durand, Minister of Commerce and Industry, said in the *Journal du Commerce* of February 9th, 1933, "Elles peuvent être utilisées pour abaisser méthodiquement les barrières douanières."

The application of the quota to certain goods leads one to suspect that certain influential interests have been at work to secure protection for their products. Quotas have been placed on many manufactured articles, ostensibly because it is in the public interest that abnormal imports should be prohibited, but apparently the encouragement given to industrialists to negotiate ententes has led many of them to do this in order to remove even normal competition. Some of the powerful industrial interests are well represented in the Chamber or Senate and even a

¹ Thus M. Edouard Néron, vice-president of the Commission des Douanes et des Conventions commerciales, wrote in *Le Capital* of January 5th, 1932: "Le contingentement peut substituer l'ordre au désordre économique puisqu'il oblige les pays étrangers à réglementer, à organiser leur production. . . . Le fait de limiter les quantités de marchandises importées met ces pays dans l'obligation de se discipliner et de s'organiser."

less-influential firm may be able to secure this new kind of protection by making representations to the Deputy for its constituency.¹ Moreover, many critics complain that the quota has not been applied scientifically in so far as it has deprived some industries of materials and equipment. It has restricted machinery urgently needed by various industries, materials for the finishing trades and parts and accessories which cannot be made in France.

The main objections to the system of ententes are directed against the distribution of certificates abroad. This inevitably gives a certain amount of control of the French market to foreigners who may compel the importers to pay the full price prevailing on the French market. In the distribution of certificates it allows certain firms or brands to be favoured, as importers can buy only from those who are able to secure the necessary documents for shipping. The holders of certificates, therefore, can be more exacting as to conditions of sale and prices. It means that foreign firms are tempted to interfere in the affairs of French buyers or even to supplant them with foreign agents. With distribution abroad the arbitrariness of the system remains and, if the certificates are not made non-transferable, it does not reduce the speculative element. It is considered humiliating for importers to have to make application to foreigners in order to bring goods into their own country. Even the entente does not remove one of the fundamental evils of the quota, namely, that importers and exporters are not always, and consumers never, consulted.

It would be difficult to establish a broad contractual policy on the basis of "friendly quotas." Negotiation is not always possible on account of distance, variety of products of the same industry and the absence of organisation, nor is it possible to negotiate with all at once and to satisfy each country. Some think that ententes, in themselves, are good, but that the State should not intervene—they should never be given a legal status. This system

¹ Can it be sustained, for example, that there is a national interest at stake in giving added protection to manufacturers of artificial jewellery, picture albums, beaten gold and umbrella frames?

does not entirely eliminate the danger of bitter feeling in other countries : many times the foreign industrialists have to accept the terms offered under threat of a less-favourable unilateral quota. M. Gallois¹ claims that ententes were forced upon Germany with the threat of denouncing the 1927 treaty.² And if ententes fail to meet with approval abroad reprisals may result.

The National Committees of the International Chamber of Commerce discussed this problem at the meetings of the Committee on Commercial Treaties and Trade Barriers held in December 1932. Only the Committees of France, Greece and Roumania were in favour of the quota system. They gave as their reasons the following :

1. In the mind of the Governments who have set up the system, the question is one of temporary defence imposed upon them by the abnormal importation of goods with which they had to deal urgently.

2. The system may be considered as less harmful to trade than an increase in customs duties would have been.

3. Properly managed, it is nothing more than the application, in a particular form, of the principle of international industrial ententes brought about by private initiative.

4. The possibility of an arbitrary establishment of quotas is noticeably lessened by organising exchanges of views between representatives of the producers concerned.

The great majority of National Committees consulted declared themselves against the principle of import quotas for the following reasons :

1. It runs counter to the letter, and in any case to the spirit, of commercial treaties and might completely cripple their effectiveness.

2. It introduces into them an arbitrary and rigid element

¹ *op. cit.*

² The German press has published many complaints against this method. The *Deutsche Allgemeine Zeitung* of March 2nd, 1932, in discussing the recently concluded ententes, claimed that the German negotiators were at a disadvantage because they were threatened with governmental action and the imposition of a *contingement d'autorité* ; it thought that these negotiations should be carried on by the two Governments. The *Berliner Tageblatt* of February 15th, 1932, made the same complaint and pointed out that German industries had adapted themselves to meet the needs of the French market.

entirely contrary to the constantly shifting requirements of trade and industry.

3. It brings with it a dangerous element of governmental interference which is likely to lead to decisions contrary to the efficient running of business.

4. It seems impossible to avoid, when fixing quotas, all discrimination between countries and to ensure entire respect for the most-favoured-nation clause. As a result there is friction and the danger of reprisals.

In the memorandum prepared by the Economic Section of the League of Nations for the Preparatory Committee of the World Economic Conference there are some interesting comments on import quotas. It states that whereas customs duties exercise a restrictive influence on trade, without having a prohibitive effect, quotas break some of the wheels in the commercial mechanism and replace world markets with a series of national markets. They lead to accumulations of stocks abroad which mere changes in price cannot always correct and, if supply and demand in the protected country are inelastic, a marked rise in price results. The memorandum also points out that ententes cannot be sustained as a means of organising production, because the higher prices bring in new competing producers.

Thus the system of ententes, as well as the unilateral quotas, has been generally and severely criticised. It constitutes another attempt to regulate economic activities and to "plan" the nation's production. Each method has been regarded by a large section of the business community, and of course by all consumers, as an unwarranted interference by the State in economic life.

CHAPTER II¹

THE FRENCH IMPORT QUOTA—RESULTS

THE system of import quotas as used in France since 1931 has been described at some length—a description which gives in detail the various aspects of the question of such restrictions on trade, the administrative difficulties encountered and the alterations which have been made in the system in order to eradicate these defects. The system has been criticised from the French national, as well as the international, point of view; its probable effects upon French trade and internal economy and the external repercussions have been pointed out. It now remains to find how the system has worked in practice, what effects of its application are discernible and to give some statistical verification of the numerous criticisms of the preceding chapter.

This task presents many insuperable difficulties, for trade control expedients never can be tested on purely empirical grounds. There have been, at the same time, many other factors at work, influencing the course of trade, prices and production and it is impossible, therefore, to isolate completely any one of the effects of the quota system. Particularly at a time when conditions throughout

¹ Statistics of trade which appear in this chapter and the next were taken from the *Statistique Mensuelle du Commerce Extérieur de la France*, published by the Ministère des Finances. All figures for 1933 and 1934 are subject to revision. Throughout these chapters figures in Tables are described "Special Trade." Until recently the official statistics also provided figures of "General Trade" which included certain goods imported for other purposes than consumption. Since the quotas are applied only to goods coming under the heading "Special Trade" (after subtracting those admitted temporarily, for making up and re-export) these are the figures here used. The value of goods given is the value declared on arrival at a French port or customs house before payment of duties or taxes of any kind.

the world are changing as rapidly as they have done in these last three years, the assumption that "other things have remained equal" is wholly invalid. These other factors are too many to enumerate but include, to mention only a few, the world-wide fall in prices beginning in 1929, the subsequent rise in some countries beginning in 1932, the abandonment of the gold standard by many countries and the numerous measures which have been used throughout the world to restrict trade, such as foreign exchange controls.

The best that can be done is to review the course of French trade, prices, etc., before and after the application of quotas, drawing attention to certain changes, and absence of changes, for which the quotas were, at least in some degree, responsible. In the present chapter,¹ therefore, the direct effects on the importation of goods are considered, first, by examining the statistics for certain commodities and later by investigating the influence of the restrictions on the direction of trade. In the next chapter some attempt will be made to assess the effect on prices in France relative to those prevailing in the rest of the world, the effect, through their influence on the price and cost structure, on the export industries and finally the position of the trade balance and the balance of payments will be examined.

I. Agricultural Goods.

In Chapter I were given the reasons for the quotas on agricultural goods, which were, primarily, the increasing quantities of such goods coming upon the French market at low prices, and the increasing surplus of imports in total trade. In order to consider the justification for this

¹ It will be observed that figures of trade in terms of number or weight are used to a greater extent than will please many critics, but it should be remembered that the trade restrictions under consideration relate directly to quantities. For that reason, and also because we are concerned with the quantities as well as values of foreign goods on the French market, such statistics, while they must be used and interpreted with discretion, are of great value in this study. It might further be pointed out that the wide fluctuations in currency values which have taken place in recent years deprive trade returns in terms of currency units of much of their normal significance.

measure, it will be necessary to examine the relevant statistics.

TRADE IN FOOD PRODUCE

		<i>Imports.</i>		
	Volume (000 Quintals).	Value (000,000 francs).	Value per Quintal (000 francs)	
1927	66,064	13,893	215	
1928	58,249	12,541	216	
1929	67,121	13,167	196	
1930	63,760	11,822	185	
1931	91,017	14,001	154	
1932	86,280	10,979	127	
1933	68,980	9,604	139	
1934	59,020	7,451	126	
		<i>Exports.</i>		
	Volume (000 Quintals).	Value (000,000 francs).	Value per Quintal (000 francs).	
1927	14,367	5,399	375	
1928	16,828	6,241	372	
1929	15,132	6,078	402	
1930	21,444	5,886	275	
1931	16,018	4,301	275	
1932	11,673	2,920	250	
1933	12,100	2,544	210	
1934	14,530	2,566	177	

It will be observed that the increased duties, which were made by decree under the *loi de cadenas* in December 1929, may have had some restrictive effect upon imports, for they declined in 1930 in spite of a fall in value. But when prices began falling seriously in 1931 and other duties were raised by similar decrees in March, April and July, these measures were considered insufficient to stem the flood, which increased with each succeeding month (in the first six months of 1931, 44 million quintals were imported, compared with 26 million in the corresponding period of 1930). Provision was then made for a system of import quotas and many were applied before the end of the year.

The annual quota, for most commodities thus treated, was to be the average of imports in the three years 1927-9, reduced by 40 per cent, and of those in 1930 and the first six months of 1931, reduced by 60 per cent. If this had

been rigidly applied to all goods, imports in 1932 would have been about 32 million quintals. The fact that 86 million entered the country is due to several causes. In the first place, not all goods were subjected to these restrictions; the system was extended gradually and by the end of 1931 had been applied to a great many of the important items (those in which the increase had been most serious), but even at the end of 1932, after more extensions, it did not cover the entire list. Secondly, some items, particularly cereals, were subject to restrictions of a different order, which may have been more or less restrictive. Thirdly, colonial produce was exempt. And, in the fourth place, it was frequently found impossible to keep imports within the limits set: there were numerous and large excesses and the policy of deducting such excesses from quotas for succeeding quarters was not strictly adhered to; and after the licensing system was adopted for agricultural goods, it was frequently found desirable, for various reasons, to admit more than the quotas called for.

In 1933 and 1934 the restrictions were made more stringent and many commodities were added to the quota lists, with the result that a considerable reduction in the quantity of goods imported was effected. The success of these measures was partly due to the fact that foreign prices were at that time showing a steadier tendency while prices in France, i.e. the value of French exports, were declining sharply. The above figures also show the extent to which the French farmer lost his foreign markets during 1931 and 1932 and how falling prices have assisted him in recovering them during the two subsequent years.

Apart from the trade balance, however, the need for restrictions was argued, chiefly, on the grounds of extraordinary importation of certain goods. In a more detailed analysis of imports the argument for emergency measures becomes more apparent. The published résumé of external trade divides imports of food produce into several categories and those of most value to this analysis are given in Table 1. Column 8 of this Table shows that the bulk of imports are included in the first seven columns, but Column 7 (cereals)

must first be considered separately. It will be noticed that the various restrictions placed on the importation of grain and flour, such as licensing and milling quotas, did not reduce imports; in fact, in 1931 and 1932 they were higher than in any of the previous years.¹ Thus the large increase of food produce in 1931, amounting to 27 million quintals, was accounted for chiefly by the increase in cereals, to which the new restrictions did not apply; only about 8 millions of the increased imports in that year were attributable to the goods given in Columns 1-6, yet it was these products which the first quotas were designed to restrict.²

TABLE No. 1
IMPORTS OF FOOD PRODUCE
(000 quintals)

	1	2	3	4	5	6	7	8	9
	Meat.	Dairy Produce.	Fish.	Beverages.	Fresh Fruit.	Vegetables.	Cereals (Grain and Flour).	Total of Previous Columns.	Total Imports of Food Produce.
1927	1,778	380	1,455	13,114	3,523	4,603	31,462	56,315	66,064
1928	1,037	395	1,569	14,769	4,284	6,167	18,428	46,649	58,249
1929	840	496	1,714	15,247	4,373	7,002	25,177	54,849	67,121
1930	2,081	596	1,285	16,085	6,010	5,230	21,339	52,626	63,760
1931	3,221	1,006	1,445	19,059	7,127	6,764	40,652	79,274	91,017
1932	1,523	549	1,079	17,133	7,365	6,018	39,972	73,475	86,280
1933	1,265	523	1,222	20,762	7,187	4,861	18,841	54,661	68,980
1934	938	368	1,044	15,263	6,747	4,292	15,766	44,418	59,020

It would not appear from these figures that such drastic measures were justified: most of them certainly increased in 1931 over previous years, but in the case of fish this did not happen. Quotas were applied first to meat and dairy produce, which show the most remarkable increase, and these quotas seem to have been fairly successful, for imports in 1932 were about 50 per cent lower. Even these figures do not really show to what extent the quota system was

¹ Quotas were applied to barley in September 1932 and to oats, rye and buckwheat in August 1933.

² Not included in this table (except in column 9) are sugar and its products which have also been subjected to quotas (Dec. 1931).

justified, nor the success of its application, but they do show that it could not be expected greatly to reduce the total imports of food produce or to assist appreciably in reducing the import surplus in total trade. Not all goods included in these headings, however, were restricted in this way and in order to see more clearly the flooding of the market in 1931 and the enforced reduction since then, imports of particular commodities must be examined.

For this purpose, certain items coming under the headings meat and dairy produce are the most useful. Table No. 2 gives total imports of 8 items in each year from 1927 to 1934. Except in the case of horses quotas on these products began in the autumn of 1931. Trade returns made no division between imports from the colonies and from foreign countries until 1932; therefore, it has been necessary, in order to have comparable figures, to give total imports for each year. Since quotas do not limit trade with the colonies this is not quite an accurate picture. In some cases colonial imports are negligible, in others they form a substantial part of the total; the relationship between quotas and colonial trade will be considered later. The Table shows why emergency measures were considered necessary in 1931 and the extent to which the French farmer has been protected in his home market. Imports are now much lower than in 1931 and for this the quotas must be chiefly responsible.

TABLE No. 2
IMPORTS OF MEAT AND DAIRY PRODUCE

Tariff No.:	1 bis.	4-7.	12.	16A.	16B.	34A.	36.	37.
De- scrip- tion.	Horses.	Cattle.	Pigs.	Meat (Fresh and Chilled).	Meat (Frozen).	Eggs.	Cheese.	Butter.
Unit.	Head.	Quintals.	Quintals.	Quintals.	Quintals.	Quintals.	Quintals.	Quintals.
1927	5,401	28,434	93,677	—	—	82,300	199,020	54,391
1928	3,094	5,930	85,401	286,058	188,586	102,263	198,146	25,740
1929	4,002	8,923	33,678	81,471	249,559	147,092	231,653	44,008
1930	17,589	234,833	256,259	272,522	478,676	143,253	297,191	58,514
1931	55,307	724,413	475,951	382,424	664,633	306,824	375,624	185,234
1932	32,415	175,338	157,105	119,270	351,229	128,747	237,081	118,569
1933	15,194	102,887	142,308	87,652	297,841	157,370	209,124	92,111
1934	7,307	54,498	68,447	48,636	229,666	120,059	159,541	43,562

The total quantity of each of these items divided into the value, as recorded in the trade returns, produces a rough estimate of the fall in price of agricultural goods in other countries and helps to explain the abnormal exports to France. There is only one exception to the general fall in price.

	Value per Unit.	
	1929.	1931.
Horses	1,150	1,480
Cattle	680	520
Pigs	860	590
Meat (fresh and chilled)	810	780
Meat (frozen)	550	510
Eggs	790	590
Cheese	910	770
Butter	1,880	1,450

In Table 3 imports of four of these commodities for each three months of 1932 and 1933 are placed opposite to the quota for the same period. This makes possible a more careful study of the effects of the restriction. These figures call for explanation :

1. The quotas do not restrict imports from the colonies, protectorates and mandated territories. Therefore, figures of imports from foreign countries only, which are now provided in the official reports, are here used.

2. For many customs purposes France and Algeria are considered one unit, and consequently the quota applies to imports from foreign sources entering either France or Algeria. Our figures of imports, on the other hand, are for France only. Thus, on many items, the quota would be exhausted before being quite equalled by the figure in this Table.

3. In some cases a part or all of the quota has been reserved for the Saar. These reservations are most important in the case of cattle: there was actually a prohibition on the importation of cattle into France proper throughout 1933.

Examination of these Tables shows that 27 of the 32 quarterly quotas were exceeded and that in the two years imports of these commodities were 18 per cent higher than

TABLE No. 3

IMPORTS FROM FOREIGN COUNTRIES AND THE QUOTAS FIXED

	Cattle (4-7):		Meat (16A).	
	Quintals.		Quintals.	
	Imports.	Quota.	Imports.	Quota.
1932 :				
1st Quarter . . .	27,095	50,000	31,627	36,000
2nd Quarter . . .	61,382	40,000	28,789	27,000
3rd Quarter . . .	38,231	36,300	28,219	26,000
4th Quarter . . .	31,312	32,000	28,629	26,000
Total—1932 . . .	158,020	158,300	117,255	115,000
1933 :				
1st Quarter . . .	33,753	27,000	26,890	25,500
2nd Quarter . . .	21,818	15,000	23,346	23,000
3rd Quarter . . .	14,807	14,000	19,182	19,600
4th Quarter . . .	23,590	9,000	12,503	12,200
Total—1933 . . .	93,968	65,000	81,921	80,300
	Meat (16B).		Cheese (36).	
	Quintals.		Quintals.	
	Imports.	Quota.	Imports.	Quota.
1932 :				
1st Quarter . . .	85,563	71,000	56,197	52,000
2nd Quarter . . .	64,684	55,000	57,156	56,000
3rd Quarter . . .	75,332	55,300	56,327	56,000
4th Quarter . . .	56,198	52,800	67,301	56,000
Total—1932 . . .	281,177	234,100	236,981	220,000
1933 :				
1st Quarter . . .	63,930	50,300	59,339	56,000
2nd Quarter . . .	64,703	40,000	65,433	53,000
3rd Quarter . . .	35,437	40,300	41,219	26,500
4th Quarter . . .	45,411	16,200	42,986	22,000
Total—1933 . . .	209,481	146,800	208,977	157,500

the regulations called for. The difficulty of limiting importation to the quantity specified, when no licences are required, was discussed in Chapter I, but this is of no assistance here

because delivery of licences for these products began in December 1931. When licences are distributed by the Ministry of Agriculture on the advice of the *Inter-professionnel* Committees, there should be no excesses above the quantities fixed: the fact that these excess quantities did enter the country must be due either to inefficiency in customs houses or, which is more probable, to the practice of issuing extra licences in accordance with the needs of the market. In so far as extra goods are required, the restriction is too severe and yet each quota given in the Tables was smaller in 1933 than in 1932. The basis, upon which quantities to be admitted are determined, has been altered but not in the same manner for each product.

The preceding pages of this chapter have dealt chiefly with the justification for and success of the quota restrictions; in order to study the administration of the system it will be necessary to consider one commodity by itself. For this purpose butter is a good example, because of the difficulties and confusion which have attended the application of the limitation of imports. The figures in Tables 4 and 5 support many of the criticisms given in Chapter I. In presenting these statistics certain reservations should be made even though they are of slight importance. In the first place, a part of some of these quotas was reserved for the Saar, but generally the figure was not large. And, secondly, owing to the altered method of giving import statistics in the trade reports, it has been impossible to give tables, such as No. 4, which consistently exclude imports from the colonies, but, as colonial imports of butter are less than 1 per cent of the total, this does not invalidate the figures here presented.

After glancing at the imports in 1930 and 1931 two things become apparent: the great increase in 1931 and the seasonal trend. It is in the winter months, December to April, that French supplies are inadequate and must be augmented from abroad, and it will be seen that some account of this has been taken in fixing the quotas for different times of the year. It is worth noting that this increased importation was not attended by a considerable fall in

TABLE No. 4
IMPORTS AND QUOTAS FOR BUTTER
(Quintals) (1 quintal = 100 kilogrammes.)

	1930.		1931.		1932.		1933.	
	Imports.	Imports.	Quota.	Imports.	Quota.	Imports.	Quota.	
Jan. . .	10,073	13,536		448	12,000 + another	31,579	Duty increased to 8½	
Feb. . .	6,715	33,100		11,545	12,000 after Feb. 10.	20,350	francs on Feb. 17.	
March . .	11,469	30,292		20,616	Divided among coun- tries in Jan.	16,383	No Quota announced until Mar. 8 :— 40,000.	
April . .	8,217	30,659		23,241	16,000 + another	2,041	16,000 (from which ex- cess was to be de- ducted) cancelled on April 19 owing to ex- cess in previous quar- ter.	
May . .	3,374	15,591		8,180	12,000 after April 13.	596		
June . .	2,237	8,122		3,999		894		
July . .	1,356	8,322		1,349	13,000. Customs Du- ties were increased from 2 to 7 francs per kilo on Sept. 27.	441	No Quota (prohibition).	
Aug. . .	1,026	9,938		650		562		
Sept. . .	869	8,995		1,896		708		
Oct. . .	1,222	23,381	12,000, exhausted	9,190	No Quota, following	4,405	18,000.	
Nov. . .	2,113	2,901	Oct. 28.	14,349	duty increase.	3,753		
Dec. . .	9,818	237	Licenses were re- quired after Nov. 30.	22,915		9,680		
Total . .	58,489	185,074		118,378		91,492		

French Import Quotas

price : in the first six months of 1930, imported butter was valued for customs purposes at 1,691 francs per quintal, and in the same period of 1931 at 1,505 francs.¹

Throughout 1931 imports were greatly in excess of the previous year and for this reason the decree was passed on September 30th limiting imports in the succeeding three months to a given quantity. The quota of 12,000 quintals, which was announced for the last quarter of 1931, was very quickly exceeded : French merchants hurried to secure their supplies for the three months. The fact that about 23,000 quintals had been imported before the quota was declared exhausted on October 28th shows the defect of a system which is not controlled by means of import licences. Other orders, however, had been placed and goods had been shipped. Provision, therefore, had to be made for the admission of supplies dispatched before the announcement of exhaustion. These imports alone exceeded those of November 1930, but in December the frontier was practically closed to foreign butter—the time of year when imports are normally increasing—and during that month the goods admitted came from Argentina and other distant countries.

In order to overcome the difficulties of keeping imports within the limits set, an *inter-professionnel* committee was set up in November and persons or firms desiring to import butter were invited to send in applications for licences. Under the new system there would be no rush to import at the beginning of a new period, as a licence could be used at any time during the three months. Importers were required to send statements of imports in previous years ; that and other delays in getting the new machinery running properly account for the small amount imported in January of 1932. The flood of applications for licences led to the increase of the quota from 12,000 to 24,000 on February 10th. But even this did not suffice and before the end of March licences had been issued for more than 32,000 quintals. Imports had been cut down from the 1931 figure but were still above that of 1930. In January the quota was divided

¹ There are about 220 lb. in a quintal : therefore a price of 1,500 francs per quintal is equivalent to about 1s. 1d. per lb. at par.

among countries in accordance with their exports to France in previous years.

The experience of the first quarter was repeated in the second three months of 1932. The original quota was increased (within two weeks) but this also was exceeded: it has not been impossible to convince the Administration that it would be "in the interests of the national economy" to relax the restrictions. In April Parisian creameries threatened to close unless they were allowed to secure additional supplies; this, however, could hardly have been due entirely to an actual shortage on the market, for the wholesale price in Paris was only slightly higher than in April 1931. Probably it was due to their desire to buy abroad—the price of imported butter had fallen in those twelve months.

In the third quarter applications for licences fell far short of the quota fixed: apparently home supplies were plentiful, and the retail price fell from 28 to 19 francs per kilo. The Government then decided to abandon the attempt to control imports by means of a quota and chose instead to increase the duty, hoping that that would be sufficient to remove the danger of importation at low prices. The new duty of 7 francs per kilo was thought adequate to prevent "unfair" competition. The value of imported butter at that time was about 9 francs, so that the new duty, together with numerous other taxes, costs of transportation and retailing, etc., would not allow foreign butter to sell in Paris below the prevailing retail price of 21 francs. But the price of imported butter continued to fall.

Imports continued in large volume throughout the last quarter and in January of 1933. On February 17th the duty was again increased, this time to 8½ francs.¹ But again the measures taken were deemed inadequate and the quota regime was restored and licences were again required for importation. A quota was announced for the second quarter and licences for several thousand quintals had been issued before it was found that imports in the first three

¹ The 7-franc duty was restored on February 2nd, 1934, but at the same time the licence tax was increased from ¼ franc to 2 francs.

months had exceeded the quantities fixed for both the first and second quarters. During the summer permission to import was granted cautiously, although there was a nominal prohibition, and imports were kept much below those of 1930. In October the Administration took account of seasonal requirements in fixing an amount of 18,000 and for the second time in eight attempts imports were kept within the limit set.

TABLE No. 5
VALUE OF IMPORTED BUTTER AND PRICES IN PARIS

Per Kilogramme.	1930.				1931.				1932.				1933.			
	Imported Butter.		All Butter.		a	b	c	d	a	b	c	d	a	b	c	d
	a	b	c	d												
	Declared Value at Port of Entry (approx.).	Duty Payable.	Wholesale Price in Paris.*	Retail Price in Paris.*												
Jan. .	18	1	22	29	15	2	21	25	11	2	20	24	6	7	17	23
Feb. .	18	1	22	29	15	2	23	26	11	2	23	28	8	7	17	22
Mar. .	19	1	20	28	16	2	22	27	13	2	22	27	9	8½	17	23
Apr. .	17	1	18	24	15	2	20	25	11	2	22	28	5	8½	17	23
May .	15	1	15	21	14	2	17	22	12	2	16	22	8	8½	14	19
June .	14	2	16	21	14	2	18	22	9	2	15	20	8	8½	15	19
July .	16	2	17	22	14	2	18	22	10	2	15	19	10	8½	15	20
August	15	2	16	21	14	2	17	21	10	2	15	19	10	8½	18	23
Sept. .	17	2	16	22	14	2	16	21	9	2	17	21	10	8½	20	25
Oct. .	17	2	17	22	12	2	16	20	9	7	18	23	6	8½	19	26
Nov. .	17	2	19	24	12	2	16	20	8	7	18	23	11	8½	19	25
Dec. .	15	2	20	25	11	2	18	22	7	7	17	23	7	8½	19	25

* Bulletin de la Statistique générale de la France.

† A fee of ½ franc per kilo. was charged on import licences.

Table No. 5 shows the value of imported butter, the duty payable on it and the retail and wholesale prices in Paris. A slight fall in the value of foreign butter is noticeable in 1930 and the first nine months of 1931 although the price was the same in June of each year. When the imports were restricted in October 1931 the value of imported butter fell

from 14 to 12 francs per kilo. Prices in Paris showed the seasonal improvement in December but, probably due to the practical closing of the frontier, foreign butter fell in value.

This decline in the value of imports continued throughout 1932 and 1933, becoming more pronounced when the duty was increased from 2 to 7 francs. Paris prices also showed a tendency to decline during this period but the fall was not nearly so marked; in other words, the spread between the declared value of imports and the price at which they could be sold in Paris widened. While the quota was in force this difference went to the importer, and for five months after the duty was raised it went to the Government.

It is apparent that the quota assisted in maintaining prices in France while it forced foreign exporters to sell their goods more cheaply. There were frequently cries of protest against the quotas, which arose from French importers, who claimed that they had to have supplies from abroad and were being charged exorbitant prices. This may have happened in certain cases, but it is evident from these figures that the French importers were, on the whole, the gainers. That is, on the butter which actually entered the country, the importers secured a wider margin of profit but against this must be set the large losses through the decline in trade as shown in Table 2, page 46.

This survey of imports of food produce, before and after the introduction of the quota system, points to the conclusion that there was genuine cause for alarm at the flood of imports of certain goods on to the French market. Examples have been given of this increase, which assumed serious proportions towards the end of 1930 and in the first nine months of 1931, and the success of the restrictions in limiting this inflow to more or less normal proportions has been demonstrated. If the quota had been used sparingly and judiciously it might have served a useful purpose as a purely temporary expedient, but agricultural interests are very powerful in France: 37 per cent of the occupied persons are engaged on the land and 49 per cent of the population live in local administrative units of less than 2,000 inhabitants. Thus the rural element is a strong political

force and no Government can afford to disregard the demands of the farming communities. While it is one of the cares of each Government to see that the farmer secures a good price for his produce, protection for agriculture is not merely a matter of political expediency for Paris and the industrial areas of the north, for it is largely in the rural areas of Central and Southern France that the military strength of the nation lies.

Numerous considerations, therefore, have for many years prompted the high tariffs and other measures applied to agricultural produce and when quotas were introduced demands for the extension of this new device to cover all the important products of field and pasture could not be resisted. The effects of this system on the general economy of the country, on the cost of living and costs of production will be considered in the next chapter; suffice it to say at this stage that this measure of protection has gone much further and has had more far-reaching effects than were ever contemplated by those responsible for its adoption.

2. Industrial Goods.

In the case of food produce it was rightly said that the French market was flooded in 1931: from 1927 imports were fairly steady, but in 1931 they increased by about 50 per cent. In the case of manufactured goods, however, the reverse is true: imports more than doubled from 1927 to 1930 but fell off in 1931. The application of the quota system to industrial products, therefore, cannot be defended as an emergency measure, necessitated by the peculiar conditions of 1931. They were adopted to aid in the task of reducing the import surplus in total trade, to reserve a larger part of the French market for home producers, who were suffering from declining exports and to stop the inflow of certain goods at declining prices.

It will be seen that the industrial quotas did not at first greatly reduce the volume of imports. This is due, in the first place, to the fact that, although they are applied to a wide range of articles, they do not by any means cover the whole field, and thus imports of other items have been

allowed to increase, encouraged by the continued fall in value. And, secondly, because the quotas fixed have not been strictly adhered to: except in a few cases, licences are not distributed and, therefore, unless arrangements have been made with foreign countries for the issue of certificates to exporters, there is no direct control. And in the third place provision has been made, in many cases, for the issue of special import licences when considered in the interests of the national economy.

IMPORTS OF MANUFACTURED GOODS

	Weight (ooo quintals).	Value (ooo,ooo francs).
1927	11,376	5,787
1928	15,074	7,913
1929	21,184	9,928
1930	23,741	11,364
1931	20,651	9,169
1932	19,752	5,607
1933	18,413	5,032
1934	18,490	4,237

The reasons for the quotas and the degree of their success may be seen more clearly from the following:

Imports of (quintals).	Mechanical Products.	Thread and Fabrics.	Articles of Clothing.
1927	2,424,527	498,211	17,106
1928	3,237,111	518,621	22,252
1929	5,046,542	659,043	38,391
1930	7,123,458	683,297	45,699
1931	5,436,290	563,150	73,149
1932	2,770,752	457,966	62,791
1933	2,107,368	438,473	51,989
1934	2,325,502	351,133	33,873

Many of the important items thus restricted come under the above headings.

Table No. 6 gives the imports of eight items which figure prominently in French trade and are representative of the quota list. It will be noticed that one of them, china clay, is a raw material and that three others, rolled and forged iron, flat sheet iron and hides and skins, are really semi-finished goods. Imports of each of these were higher in 1931 than in 1927 or 1928, but many of them were lower than in 1930. In 1932 imports of two of them actually increased,

but the others showed a remarkable decline. As in the case of food produce, it would appear that the industrial quotas have failed to affect total trade to the extent desired, but have succeeded in reducing imports of specific commodities.

TABLE No. 6
IMPORTS OF INDUSTRIAL GOODS

Tariff No. (certain items only).	179.	207,207 611.*	210.*	350B.	460E.	476A.	521.	524A.
	CHINA CLAY.	ROLLED AND FORGED IRON.	FLAT SHEET IRON.	GLASS-WARE.	CLOTH-ING.	HIDES AND SKINS.	PRINTING MA-CHINES.	DYNA-MOS.
Month of Ap-plica-tion of Quota † 1932.	May.	Mar.	Jan.	Mar.	Mar.	Feb.	Mar.	Jan.
Unit.	Quintals.	Quintals.	Quintals.	Quintals.	Quintals.	Quintals.	Quintals.	Quintals.
1927	522,321	146,658	45,072	— ‡	274	2,980	17,185	— ‡
1928	640,407	147,824	23,288	43,351	1,806	8,297	26,353	27,681
1929	834,566	404,133	124,008	44,064	6,768	10,003	44,261	58,325
1930	740,726	560,341	305,649	67,131	4,879	8,011	42,623	114,066
1931	714,158	613,396	312,386	89,946	7,075	7,634	30,990	98,118
1932	565,612	676,258	143,748	58,234	9,708	3,347	18,579	41,738
1933	712,996	390,965	130,400	54,668	3,300	3,837	29,083	38,692
1934	601,193	410,243	138,518	52,325	3,418	3,902	14,857	27,241

* Goods admitted temporarily have been deducted.

† Some of them were made retroactive.

‡ Not available.

From Table No. 7 a study of the actual working of four of these quotas is possible. It will be observed that they have not been increased or decreased in any systematic manner: some have been made more restrictive and others relaxed. Excess imports have usually been deducted from the quotas for the following period but this is not brought out clearly in this Table because there are numerous other considerations affecting the determination of amounts.

The administration and form of these quotas have also varied from time to time. Each of them was divided among exporting countries in accordance with previous trade, but importation was to be free of formalities, such as

French Import Quotas

TABLE No. 7
IMPORTS FROM FOREIGN COUNTRIES AND THE QUOTA FIXED

	DYNAMOS (524A).		ROLLED AND FORGED IRON (207, 207 bis).	
	Quintals.		Quintals.	
	Imports.	Quota.	Imports.†	Quota.
1932 :				
1st Quarter . . .	12,521	5,172*	221,587	—
2nd " . . .	15,276	7,526	189,183	89,250
3rd " . . .	8,173	6,487	87,554	89,250
4th " . . .	5,688	7,967	176,811	67,950
Total 1932 . . .	41,658		675,135	
1933 :				
1st Quarter . . .	6,412	6,152	119,737	71,190
2nd " . . .	7,413	9,452	125,918	71,100
3rd " . . .	13,705	6,672	66,844	91,045
4th " . . .	11,051	8,111	80,109	87,348
Total 1933 . . .	38,581	30,387	392,608	320,683
	FLAT SHEET IRON (210).		GLASSWARE (350B).	
	Quintals.		Quintals.	
	Imports.†	Quota.	Imports.	Quota.
1932 :				
1st Quarter . . .	40,282	27,000	26,488	} 18,855
2nd " . . .	26,385	35,400	7,956	
3rd " . . .	42,127	35,400	10,873	3,402
4th " . . .	34,921	35,400	12,911	7,910
Total 1932 . . .	143,715	133,200	58,228	30,167
1933 :				
1st Quarter . . .	36,224	32,140	12,098	11,639
2nd " . . .	32,981	31,718	13,173	11,150
3rd " . . .	28,079	33,905	14,123	11,706
4th " . . .	33,142	35,619	15,270	11,043
Total 1933 . . .	130,426	133,382	54,664	45,538

* Jan. 20 to Mar. 31.

† Goods admitted temporarily have been deducted.

import licences ; goods could be imported until the quota was announced exhausted. As most of these, however, were applied following negotiations between French interests and those in some foreign country, provision was usually made for the distribution of export certificates within that foreign country. In accordance with the obligations of the most-favoured-nation clause the restrictions had to be applied to all other countries, and in many cases subsequent arrangements have been made with the other exporting countries for the distribution of certificates to exporters. Thus quotas were applied after negotiations with Germany to tariff Nos. 350 and 524 and with Belgium to 207. Many more arrangements have now been made with various countries respecting these four articles : in Great Britain, for example, an authority for distribution of certificates has been appointed for tariff No. 524.

Quotas for industrial products restrict imports into Algeria as well as into France, unless otherwise stated ; of these four, only two, glassware and dynamos, are for France only but as Algerian trade is small relatively, this is not of great importance. As with food produce, statistics which compare recent years with 1931, etc. (Table 6), are for total trade while those which deal only with 1932 and 1933 (Table 7) are for foreign trade only. But this also is of little importance in the preceding tables, since imports of manufactured goods from the colonies are negligible. Generally the quotas have been exceeded and, in many cases, by large amounts. This cannot be due so much to the inefficiency of the system as to the practice of issuing special licences. The inference that the restrictions are frequently too stringent is obvious. Possibly this tendency to admit more than the fixed amounts is inherent in any system of quantitative control.

The conclusion to be drawn from this section is similar to that of the preceding. In the case of manufactured articles, the growing ability of foreigners to dispose of their goods in France was prejudicial to certain national interests and by means of the quota regime the Government were able to protect the manufacturers of numerous products, thus

reserving a larger share of the market for home industries and enabling employers to increase their output from the pre-existing low level. But, as with the quotas on agricultural commodities, the growing difficulties of industrialists and the fact that unemployment and short-time were increasing in many important branches of production brought forth many requests for like protection and the system spread rapidly and finally came to be considered, along with tariffs, a normal means of protecting national enterprise from foreign competition. Comments on the effects of import quotas on industry as a whole are reserved for the next chapter.

3. Imports from Foreign Countries and the Colonies.

The quantitative limitation of imports was designed not only to restrict importation of certain goods, but also to assist in redressing the trade balance with certain countries. In this connection the import surplus in trade with Germany was of great concern. The following figures show the trend of Franco-German trade from the French point of view :

BALANCE OF TRADE WITH GERMANY

1927	.	.	.	.	+ 2,347,600,000 francs.
1928	.	.	.	.	+ 722,200,000 "
1929	.	.	.	.	- 1,869,400,000 "
1930	.	.	.	.	- 3,782,100,000 "
1931	.	.	.	.	- 3,392,900,000 "
1932	.	.	.	.	- 1,914,280,000 "
1933	.	.	.	.	- 1,214,180,000 "
1934	.	.	.	.	- 239,010,000 "

The unfavourable trend from 1927 to 1930 is attributed to the terms of the 1927 treaty, but is probably largely due to the cost and price differences between the two countries. Probably the most important factor was the advent of the depression in Germany fully two years earlier than in France, which involved a falling off of German demand for French exports while the movement of goods to France continued, and even increased under the stimulus of lower prices. This situation is brought out by the trade statistics which show an increase of imports from 4,959 million francs in 1928 to 6,142 million in 1931, and a reduction of exports

in the same period from 5,681 to 2,749 million. The transfer of reparations in kind was, of course, a contributing factor and the necessity of making reparation payments might be expected to increase the flow of goods from Germany to France.

The import surplus in trade with Germany does not appear to be of such vital importance when considered along with the trade with other neighbouring countries. Although France bought much more from Germany than she exported to her and also had an import surplus in trade with Spain, the deficit with the five neighbouring countries was in 1930 only 800 million francs or about 7 per cent of the total deficit with foreign countries.¹ Yet it was chiefly against imports from these countries that the quotas were directed, for in 1931 they accounted for 3,100 million, or about 25 per cent of the trade deficit. No doubt the system was largely responsible for reducing this to 1,600 million in 1932 and to only 900 million in 1933.

The situation has changed radically since 1931. The general abandonment of the gold standard brought with it a steep decline in French trade with countries outside continental Europe, with the result that attention is now being turned towards the possibility of increasing trade with the neighbouring countries which now comprise the gold bloc. In trade with Italy, Switzerland, Belgium and Holland France had an export surplus in 1930 amounting to 2,800 million francs and, although trade was about balanced in 1931 and 1932, it moved again in France's favour in 1933. The most remarkable change in the course of trade is in that with Great Britain and Scandinavia: an export surplus of 1,200 million in 1930 was changed into a deficit of 700 million in 1933. The most severe decline in trade has been with this sterling group: while total imports from foreign sources fell 53 per cent in the same period, those from the sterling group were reduced by 68 per cent and the corresponding figures for exports are 63 and 74 per cent.

It might be expected that depreciating currencies would stimulate exports to France but actually this has not hap-

¹ This excludes colonial trade.

pened. Imports from a large group¹ of off-gold countries fell steadily by more than 50 per cent between 1930 and 1933: exports also declined severely so that the deficit in trade with these countries remained practically stationary at about 4,000 million francs. The measures of protection adopted by France (the quotas, the exchange surtax, etc.) have prevented a flood of imports from countries with depreciated currencies while the relatively high prices in France have greatly reduced exports to them. Altogether the course of French trade has not been greatly changed during these four years: the decline has been roughly in the same proportion with each part of the world. The only noteworthy tendencies are, firstly, a movement away from the sterling group and, secondly, an exceptional steadiness in trade with the Little Entente.

TABLE No. 8
IMPORTS OF RESTRICTED GOODS FROM CERTAIN COUNTRIES

Country of Origin.	Description of Commodity.	Unit.	Imports in	
			1930.	1933.
Germany . . .	cattle	ooo francs	221,828	30,441
" . . .	meat	quintals	35,678	193
" . . .	cheese	"	19,879	9,501
" . . .	fruit	"	102,572 (1931)	14,329
" . . .	glassware	"	96,914	51,731
" . . .	machines	"	1,297,773	349,154
" . . .	metal work	"	1,031,572	262,393
Great Britain . . .	meat	"	52,961 (1931)	333
" . . .	fish	"	139,834	74,130
" . . .	fruit	"	88,066	1,678
" . . .	coal	ooo metric tons	13,796	8,992
" . . .	cotton yarn	quintals	25,805	4,428
" . . .	machinery	"	235,524	87,930
Denmark . . .	cattle	ooo francs	70,160 (1931)	7,993
" . . .	fish	quintals	31,875	260
Belgium . . .	meat	"	73,264 (1931)	3,056
" . . .	eggs	"	145,951 (1931)	10,253
" . . .	fruit	"	277,921	55,322
Switzerland . . .	wood	metric tons	23,486	1,690
Italy . . .	cattle	ooo francs	232,655 (1931)	3,693
" . . .	wine	Hectolitres	852,593 (1931)	39,700
Holland . . .	fruit	quintals	312,154 (1931)	14,415
" . . .	vegetables	"	100,144 (1931)	34,406

¹ This group includes: Great Britain, Scandinavia, U.S.A., Canada, Brazil, Argentine, Japan and Spain.

The more immediate purpose of the quotas, however, and the one which would have more direct results, was to restrict the inflow of certain commodities. Table No. 8 gives some of the outstanding results achieved by this regime.

Closely connected with the war on trade with foreign countries is the policy of fostering the exchange of goods with the colonies: "France outre-mer" and "France metropole" are to be made one unit, as economically independent of the rest of the world as is possible. Although France cannot hope to secure adequate supplies of raw materials, such as coal, wool, cotton, copper, rubber, petrol, etc., from her colonies, the desire for imperial self-sufficiency has been frequently expressed in recent declarations of commercial policy, and, although inaugurated for quite different purposes, the import quota system is now regarded as an instrument which may be of great assistance in achieving this aim. The quotas, therefore, do not restrict goods coming from the colonies and this, no doubt, is chiefly responsible for the growing importance of colonial trade.

TRADE WITH THE COLONIES, PROTECTORATES AND MANDATED TERRITORIES AND AS A PERCENTAGE OF TOTAL FRENCH TRADE (000,000 francs)

		1930.	1931.	1932.	1933.	1934.
Imports into France	%	12.5	14.7	20.9	23.7	25.3
	Value	6,531	6,215	6,223	6,730	5,813
Exports from France	%	20.6	24.0	31.5	32.4	30.9
	Value	8,851	7,318	6,204	5,989	5,502

It will be noticed that imports from the colonies have increased while exports to them have fallen; in some cases their imports from foreign countries are restricted by quotas, but they have not developed the system to the same extent. Algeria is the most important of the colonies where trade is concerned—accounting for about one-half of all colonial trade. Since Algeria is, for many customs purposes, regarded as a part of France, it receives special treatment in the administration of the quotas: not only are Algerian imports exempt from these restrictions, but quantities fixed

usually apply to both countries. Thus exports to Algeria are protected as well as her exports to France.

Some remarkable examples of increasing imports from the colonies are given in Table 9, and a comparison with those in Table 8 shows how the restrictions have reduced imports from foreign countries while permitting similar goods to come from the colonies in increasing quantities. Perhaps the most outstanding example is that of eggs: in 1930 only 12 per cent of imports came from the colonies but in 1934 they supplied nearly 82 per cent of total imports. To a considerable extent, then, goods have been imported from the colonies to take the place of those from foreign countries which have been excluded by the quotas.

TABLE No. 9
IMPORTS OF RESTRICTED GOODS FROM THE COLONIES

Country of Origin.	Description of Commodity.	Unit.	Imports in	
			1930.	1933.
Algeria . . .	fish	quintals	24,487	35,799
" . . .	potatoes	"	274,094 (1931)	488,713
" . . .	vegetables	"	309,917	391,107
" . . .	wine	Hectolitres	10,280,000	14,761,000
French East Africa . . .	fruit	quintals	59,634	173,944
French Indo-China . . .	coal	metric tons	17,328	148,179
Madagascar . . .	meat	quintals	54,486	80,177
Morocco . . .	eggs	"	23	90,204
" . . .	fish	"	12,571	60,819
" . . .	potatoes	"	3,990	25,728
" . . .	vegetables	"	42,910	107,268
Syria . . .	eggs	"	1,794	22,080

The colonial economic policy has been gaining strength rapidly and has recently been given more substance. In a speech on March 13th, 1933, M. Daladier referred to the necessity for some degree of self-sufficiency and expressed the hope that this might be obtained through the better regulation of commercial exchanges within the French Empire and that the colonies might be enabled to make their agriculture and industry complementary to those of France

rather than competitive. In April 1934, M. Laval, who was then Minister of Colonies, appointed a Committee to work out an agenda for a Colonial Conference, one of its tasks being to draw up a list of colonial products and needs in order to harmonise the economy of the Mother Country with that of the colonies. "L'Ottawa Français" began on December 3rd, 1934, having as its avowed purpose the further extension of the Colonial Market, the encouragement of preference for goods from the colonies and the final achievement of the economic unity of "Greater France."

CHAPTER III

ECONOMIC REPERCUSSIONS OF THE QUOTA SYSTEM

I. On Prices and Production.

WITH regard to the effects of the depression on prices throughout the world, countries may be divided into three groups. There are, first, a great number, commonly known as raw material-producing countries, which have experienced a disastrous decline in the value of their products with the result that they have been unable to pay their debts and have had to curtail their purchases of manufactured goods. Most of these have found it impossible to maintain a gold basis for their currency, but in this they have been followed by those of the second group which, like Great Britain and the United States, have sought relief in currency depreciation. The third group is made up of the half-dozen countries of Europe which have adhered to the Gold Standard and have used quotas and tariffs as measures of protection against the flood of imports at low prices.

France, as a member of the third group, has been particularly sensitive of the harmful effects of the world-wide decline in prices and has pursued a determined policy of protecting the farmer and industrialist and of maintaining values at a profitable level. Unfortunately the benefits of a stable price-level are not shared by all the community and, while many countries have arrested the decline in business activity by lowering the exchange value of their currency, French industry, particularly the export trades, has become more depressed. Although import quotas have been effective to some extent in shutting out foreign goods, they have no power to protect the foreign markets of French industries, in fact, by maintaining a high cost of living,

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they render the reduction of production costs much more difficult and this involves stagnation in the export industries. Thus, while imports were reduced from 42,200 million francs in 1931 to 28,400 million in 1933, exports fell from 30,400 to 18,400 million. It is the effect of quotas on prices, i.e. a verification of the theoretical analysis of Section 4 of Chapter I, which is the subject-matter of this section; the effect on exports will be considered later.

It was claimed in that analysis that restrictions on the importation of goods created a national market for the commodities affected, on which prices would be higher than in other countries by more than the costs of transport. Thus, although prices have fallen in France, they remain considerably above those prevailing in nearly all countries outside the gold bloc. This phenomenon is noticeable in a comparison of wholesale price indexes, but is particularly striking when individual articles subject to restriction are considered. Let us examine price indexes first.

The most striking disparity is between prices within the gold bloc and those in countries with depreciated currencies. Thus, while prices the world over fell to much the same extent up to September 1931, the off-gold countries have since that time enjoyed comparative stability while gold countries have experienced further deflation: when price indexes are adjusted to take account of currency depreciation, it is seen that the retention of the gold standard places a country under a severe handicap when competing on world markets. Taking France as representative of the gold countries and the United Kingdom and the United States as representing the countries with depreciated monies, the prices in the two groups compare as follows:

	WHOLESALE PRICES (1928 = 100)		
	France.	United Kingdom.	United States.
September, 1931	73·3	66·4	73·6
December, 1933	63·1	65·1	73·2
" " gold prices	—	37·8	46·8

A comparison of changes in wholesale prices in seven countries over a period of four years shows that, with one

exception, the French index fell less than others in 1930, and this helps to explain the introduction of the quota system in 1931. In 1932 and 1933 the fall was arrested in Great Britain and Denmark by currency depreciation while in gold countries it continued. The fact that they have fallen less in France than in Belgium, Holland and Italy, suggests that the protective measures employed by France have been more effective in sheltering the home market from world influences.

PERCENTAGE DECLINES FROM OCTOBER OF 1931.

	Ger- many.	Bel- gium.	Hol- land.	Italy.	Great Britain.	Den- mark.	France.
October 1932 .	12.2	10.5	13.5	7.9	5.6	+ 4.4	9.7
„ 1933 .	10.3	17.5	15.7	16.1	2.3	+ 12.4	13.0

More useful comparisons can be made by reference to statistics of wholesale prices in various countries. Probably the greatest difficulty lies in finding quotations for goods of the same quality, but if suitable prices are available the price at the frontier of the importing country would be higher than that prevailing in the market of the exporter by the costs of transport and all charges; if the import duty is added the difference will be still greater. The influence of quota restrictions will not be evident unless the price given is that of an interior market where the goods are in competition with domestic supplies (this interior price might be better described as that of domestic supplies maintained at an artificial level by the exclusion of foreign goods).

Table No. 10 compares prices in France with those in foreign markets in January 1934. Whenever possible quotations are given for countries which export to France and these are followed by those of other importing or exporting countries. These figures illustrate the low prices which have been forced upon exporting countries, the high prices in the protected countries of Europe and, thirdly, the unusually high price on French markets caused by the exclusion (partial or complete) of foreign supplies. As it is usually difficult to find comparable statistics, particularly for industrial goods, these ten commodities have been chosen as the most suitable for this purpose. The complete results

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TABLE No. 10
A COMPARISON OF WHOLESALE PRICES *
(Commodities quotaed by France)

Country.†	Description.	Market.	Average Price in Jan. 1934 (in French francs). ‡
Maize (quintals = about 220 lb.)			
France . . .	La Plata	Dunkirk	89
Argentine (1) .	Amarillo	Buenos Aires	42
Roumania (2) .	Native	Braila	20
Belgium . . .	La Plata §	Antwerp	33
Holland . . .	"	Rotterdam	47
Yugoslavia . .	Native	Novi Sad	27
Oats (quintals):			
France . . .	Various	Paris	47
Argentine (1) .		Buenos Aires	32
Roumania (2) .	Native	Braila	25
Poland . . .	"	Warsaw	33
United Kingdom	"		43
Beef (Chilled) (quintals):			
France . . .	Average quality	Paris	750
Argentine (2) .	Bullock, type chilled, living weight	Buenos Aires	154
Mutton (Fresh) (quintals):			
France . . .	First quality	Paris	1,600
Germany . . .	Average quality	Berlin	866
U.K. . . .	Scottish		630
Australia . .	Prime and medium qualities	Melbourne	195
Mutton (Frozen) (quintals):			
France . . .	Average quality	Paris	900
New Zealand .	Whole carcass		174

* From the *Revue de l'Institut International de Statistique*.

† Figures in this column indicate countries which export to France. They have been given whenever possible and are numbered in accordance with their importance as suppliers to the French market in 1933.

‡ The prices in French francs have been calculated from the quotations in the national currencies by using the average rate of exchange for January 1934 as provided by the *Monthly Bulletin of Statistics* of the League of Nations.

§ Without duty.

French Import Quotas

TABLE No. 10 (continued).

Country.†	Description.	Market.	Average Price in Jan. 1934 (in French francs). ‡
<i>Pork</i> (quintals):			
France	First quality	Paris	814
Denmark			544
U.S.		Chicago	304
<i>Butter</i> (quintals):			
France	Average of 4 qualities	Paris	1,540
Holland (1)		Vlaardingen	1,650
Argentina (2)		Buenos Aires	610
Denmark (3)	"clairon"	Copenhagen	506
New Zealand	First quality	4 markets	551
<i>Eggs</i> (100's):			
France	Average	Paris	74
Poland (2)	Fresh	Warsaw	32
Germany	Native, fresh	Berlin	65
U.K.	Native	London	46
<i>Coal</i> (tons = 10 quintals):			
France	Run of the mine	Northern Region, at the Mine	113
U.K. (1)	Yorkshire (best)	London	64
Germany (2)	Engine-coal (Fett-Forderkohle)	Ruhr, at the Mine	86
Belgium (3)	Graded, more than 20 m/m.	On board at Colliery	156
<i>Coke</i> (tons):			
France		Northern Region, at the Mine	120
Germany (1)		Ruhr, at the Mine	116
Belgium (3)	Half-washed	On board at Colliery	82

†† See Notes on previous page.

of the investigation are given in this Table—no attempt has been made to select only those which bear out the contention of this study—and show a remarkable disparity between exporting and importing countries. In most cases

the protectionist measures employed by France have been more effective in maintaining prices than those of other importing countries.

An indication of the extraordinary results of the quota on the wholesale trade and the consequent effect on prices was given in *L'Intransigent* of September 13th, 1932: In the first three months of 1931 seven important French firms received 9,427,160 foreign eggs, but in the same period of 1932 they received only 375,760; one firm received only 72,000 against 2,556,720, while another received none although it had imported 900,000 in the previous year. The same article exposed the fact that on March 15th, 1932, Polish eggs sold in France for 13.50 a case and for 9.75 in other countries and on May 13th the corresponding prices were 16.50 and 10.50; Belgian eggs on May 10th cost 450 Belgian francs in France and only 310 in other countries. The shortage of French eggs combined with the restriction upon importation had resulted in a great difference in price between the French and other markets.¹ At the same time foreign exporters began creating sales organisations in France, thus ruining importers. Whereas, in 1931, the Administration was besieged with complaints from certain quarters that the price of foreign eggs was too low, in 1932 it was thought in other circles that it was too high.

Similarly, butter was sold in France at prices much above the world price. Dutch exporters, for example, secured 22 francs in France for the same quantity and quality which they sold in Germany and Argentina for 11 francs. It has been claimed that this profit was put into a fund for the benefit of the Dutch agricultural industry. Undoubtedly the quota restrictions did sometimes lead to "profiteering." The high prices became such a serious matter that a law was passed, on February 28th, 1933, giving the Government power to fix by decree the maximum sale price of goods, the importation of which is authorised by licence or quota certificate. The motive for this measure would seem to lie

¹ This difference is popularly attributed to the delivery of licences in those foreign countries and it is claimed that the exporters demand extortionate prices. The implications of this argument are incorrect if the conclusions of Section 4 of Chapter I are valid.

in the belief that the sellers of imported goods are responsible for the high prices.

The effect of the quota in maintaining national above world prices should be equally evident in retail prices, but an exact similarity of movement cannot be expected as there is usually a time-lag in passing on lower prices to the consumer. In any case quotas do not affect retail prices directly, as these are a compound of the prices of international goods (commodities at wholesale) and prices of domestic goods (transport and distributive services) and the latter are generally less volatile. A comparison of retail prices and the cost of living, for the seven countries used above, shows that in the last four years retail prices have fallen less than wholesale. Again the stabilising effects of a depreciated currency are seen in the British and Danish indices and again the French prices have generally fallen less than those in other countries of the gold bloc.

PERCENTAGE DECLINES FROM OCTOBER OF 1931.

		RETAIL PRICES						
		Ger- many.	Bel- gium.	Hol- land.	Italy.	Great Britain.	Den- mark.	France.
October	1932	10.6	5.9	12.3	3.9	3.9	2.5	7.6
"	1933	8.9	10.0	11.0	9.2	3.0	+ 5.0	9.8

		COST OF LIVING						
		Ger- many.	Bel- gium.	Hol- land.	Italy.	Great Britain.	Den- mark.	France.
October	1932	10.5	6.5	3.5	3.8	2.1	+ 0.7	2.8
"	1933	9.8	8.5	1.4	7.5	2.1	+ 5.9	0.9

The French retail index is composed of 55 foodstuffs on the Paris markets while the index of the cost of living represents the expenditure of a working-class family. Since most of the articles included are quotaed, the restrictions must bear part of the responsibility for the high cost of living but another contributing factor is the unusual spread between wholesale and retail prices. This spread, which is largely due to the organisation of the distributive trades, has received a great deal of criticism and has been the subject

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of investigation by a Cabinet Committee.¹ Mated that and Tardieu, in reporting on their investigations, crywhere the cost of living in France as the highest in the vment They held the almost complete protection enjoyed by to a ducers of foodstuffs to be partly responsible and found tfor a great deal of the damage is caused by the retail market They recommended, therefore, the control of various markets, fixation of maximum prices and the appointment of special squads of food inspectors to supervise retail traders.

The high cost of living is particularly burdensome at a time of increasing unemployment. Although there are no reliable statistics of unemployment, the number has been roughly estimated at 800,000 or 1 million in 1934 and as early as November 1931 the Minister of Labour calculated that 2 million were on short-time. While the number of persons out of work has rapidly increased, the burden of industrial depression has been considerably mitigated by the net emigration since 1931 of four to five hundred thousand foreign workers. The fact that there has been only a moderate tendency towards lower wage rates is advantageous from certain points of view but militates against the reduction of costs of production and against improvements in the competitive power of French industry both at home and abroad.

It is not easy to trace the effects of import quotas on industrial activity, but it may be assumed that they have increased the market for certain agricultural and manufactured products. Whether they have resulted in a net gain is dubious, for the maintenance of prices and costs must have very seriously affected the export trades, but the

¹ "Foreign coals at ports appear to range from 80 to 110 francs a ton yet are sold retail at about 250 to 280 francs in the chief ports of entry and at 350-380 francs in Paris." . . . "Customs, excise and analagous imposts, quotas, price fixing either by public authority or by formal or tacit arrangements covering substantial branches of industry or commerce (e.g. coal, gas, petrol, alcohol, electricity, iron and steel, aluminium, tinplate, chemicals, building materials, wheat, bread, milk, butter, sugar, railway fares and freight rates, credit and banking conditions, etc.) are among the factors that play their full part in creating and maintaining more or less artificial price levels." Report of Department of Overseas Trade on "Economic Conditions in France," June 1934, page 631.

benefits obvious particular industries are frequently perfectly One and it is on such results that policies are based. and instance which might be given is that of radio valves the sets: it was found upon enquiry that within a year of restriction of imports (January 1932) French factories had increased their number of workers by 3,000, that several plants had re-opened and that the share of the market monopolised by foreigners had been reduced from 75 to 55 per cent.¹ On the other hand, manufacturers of linen yarn have been sacrificed to the interests of farmers and have protested annually against the quota on flax.²

Altogether the Doumergue Government, who came into power in February 1934, were fully aware of the dangers of a relatively high price level and very soon embarked upon a rigorous programme of deflation. The first measure was the reduction of Civil Servants' salaries and this was followed by others, e.g. arrangements were made for reduced charges for coal, fertilisers, gas and electricity. Actually wholesale and retail prices fell during 1934 but this would appear to be a natural consequence of maintaining the franc above its equilibrium level rather than of direct governmental intervention. This experiment shows that the extent to which a democratic Government can bring about price deflation is strictly limited: it is much less difficult in a country like Italy where rents, interest rates, salaries, etc., can be lowered by decree.

The second National Government, led by M. Flandin, appear much less concerned about the level of French prices and the external situation generally and are bent on the correction of internal evils and the stimulation of activity

¹ D.O.T., *op. cit.*, pp. 285-6.

² M. Elbel, formerly director of commercial agreements, made an amusing criticism of quotas in *La République* of August 20th, 1934: "D'abord, l'éternelle histoire des légumes secs. Le contingent de l'an dernier n'a pas accru d'un kilog. notre production: on ne peut pas faire pleuvoir en vertu d'un décret-loi. Notre récolte est donc déficitaire, tout au moins pour certaines sortes. Telle fabrique de conserves, qui a besoin de 4000 sacs de pois de Hollande pour les besoins normaux de son clientèle, en a obtenu 387. Elle va licencier 120 ouvriers. Et les conserves seront hors de prix. Pendant ce temps-là, la Hollande usera de représailles et fermera ses portes aux marchandises françaises. Cela s'appelle gagner sur tous les tableaux: vie chère et chômage."

at home. In his declaration of policy M. Flandin stated that the system of a controlled economy had failed everywhere and that, in order to overcome the evils of unemployment and shrinking trade, there must be a gradual return to a more liberal system. His abolition of the fixed price for wheat and the re-establishment of the free market was an important first step in this direction, for the Government regulations had held the price of wheat at nearly three times its world price and well above the 1929 level. M. Flandin repeatedly declared his determination to achieve lower prices by way of a more liberal conception of economic policy, but it has become apparent that his efforts are to be directed chiefly against internal obstructions rather than towards the liberation of foreign commerce.

Both M. Doumergue's "deflation" policy and M. Flandin's "freer trade" policy are really attacks on price spreads, which are, as a matter of fact, a central feature of the economic problem in most countries. But, whether discussed in parliament and the press or not, the deflationary pressure continues and must do so until French producers are in a better position to compete with their foreign rivals both at home and abroad. Deflation, whether it is due to conditions abroad, as it has been in countries of the gold bloc, or whether it is adopted as a policy by the authorities, invariably renders production temporarily unprofitable. The restoration of equilibrium between French and world prices, therefore, will be an extremely painful process and probably can never be completed until either high protection is abandoned or prices abroad rise. (There is, of course, an alternative to deflation and that is the maintenance of high prices, import restriction and the acceptance of a permanently reduced volume of foreign trade.) The falling prices, industrial inactivity and increasing unemployment are evidence of the change which is taking place and the continued deflation is placing a greater and greater strain on industry.

It is now apparent, therefore, that the import quotas, which were designed to protect French industry from the deflationary influence of falling prices abroad, have failed

in their purpose: most countries are achieving economic recovery on the basis of a lower price and income structure, and if France is to restore international equilibrium without devaluing the franc her prices must be reduced correspondingly. Not until this is done will her industries be profitable: she is now about the only country in which industrial activity is declining.

2. On Exports.

Like any other restriction on imports, the limitation to fixed quantities is very likely to have certain unfavourable effects upon the export trade of the country practising it. This influence is exerted chiefly through three channels: its effects upon purchasing power abroad, its tendency to maintain internal prices and the measures of retaliation which other countries are likely to adopt. The first of these is, perhaps, the least important and, certainly, is impossible to measure. But the fact that certain people in foreign countries are deprived of a market for part of their produce, and must lower the price in order to sell it elsewhere, is likely to react upon the foreign demand for French goods and to cause a decline of French trade all round.

If the arguments of the preceding section of this chapter and of Section 4 of Chapter I are valid, the quotas have tended to aggravate the difference between French and world prices, or, at any rate, have retarded the process of bringing the two together.¹ This would naturally increase

¹ In this connection M. Meynial made the following comment in his article entitled "La Balance des Comptes" in the *Revue d'Economie Politique* of May-June, 1932:

"Cette politique protectionniste a eu naturellement pour conséquence, par le maintien en France de prix particulièrement élevés, d'augmenter encore le prix de revient des marchandises françaises et d'accroître ainsi les difficultés des industries d'exportation."

And in the corresponding article in 1933 the same writer said:

"Au cours de 1932, comme en 1931, les échanges commerciaux ont laissé un solde débiteur appréciable — et la cause en est facile à trouver dans la différence qui s'est maintenue constamment pendant l'année entre le niveau élevé des prix dans notre pays et le niveau sensiblement plus bas des prix existant dans les pays environnants. En vain des tarifs douaniers relativement élevés et des contingentements ont-ils eu pour objet de freiner les importations, leur effet n'a été que relatif et, dans de nombreux cas, a produit des conséquences diamétralement opposées à celles qu'on attendait de ces mesures."

the difficulties of the exporting industries and would lead directly to a larger part of French produce being offered for sale on the home market to take the place of goods formerly imported. The very fact that foreign competition is limited would bring about an increased demand for goods produced at home; the effect on prices is an additional inducement to the French producer to sell in the home protected market and to neglect the export trade. Foreign importers, moreover, will desert the French market and seek cheaper sources of supplies elsewhere.

Such reduction of purchasing power and maintenance of relatively high prices exert influences to which French exports are particularly vulnerable owing to their character.¹ They also suffer severely in a time of depression because Governments wishing to restrict imports and seeking additional revenue are likely to place impediments first of all on luxury goods. Thus any action taken by France which may lead to retaliation will greatly increase the obstacles in the way of the export trade. For this reason it is very important that France should maintain friendly relations with foreign countries—an aim which is not furthered by restricting the exports of those countries by extraordinary measures.

Since France first used import quotas they have spread rapidly throughout the world and many schemes adopted by other countries have been a direct result of the system in France. But there are many other forms of retaliation which are more obscure. It is possible, for example, that countries using a licensing system discriminate against French goods: it would not be difficult to favour those importers who buy in certain countries. Similar favouritism is practised through the control of foreign exchange, which is a common method in Europe at present of restricting imports: more and better accommodation may be given to those merchants who buy sterling than to

¹ "Les importations ne diminuent que peu alors que les exportations tendent vers zéro, comme il est naturel dans un pays économiquement asphyxié par les hauts prix qui doit, pour vivre, acheter des matières premières indispensables et n'a, pour vendre, que des marchandises produits également par d'autres."—*L'Europe Nouvelle*, 30 Dec. 1933.

those who want to buy francs. Another form of retaliation is the increase in customs duties. Since France has restricted the import of food produce, other countries have freely raised their tariffs against similar goods from France.¹

Since the beginning of the depression French exports have been steadily falling, as is shown by the following figures :

Exports from France.	Manufactured Goods.		Food Products.	
	Weight (ooo quintals).	Value (ooo,ooo francs).	Weight (ooo quintals).	Value (ooo,ooo francs).
1929 . . .	53,601	31,493	15,132	6,078
1930 . . .	48,056	26,975	21,444	5,886
1931 . . .	39,228	18,955	16,018	4,301
1932 . . .	27,081	12,232	11,673	2,920
1933 . . .	30,930	11,177	12,100	2,544
1934 . . .	34,860	10,107	14,530	2,566

As prices in France fall, the volume of trade may be expected to increase, and this tendency, which has appeared in the last two years, is of great importance to the national industries, for it is evidence of the fact that equilibrium between French and foreign price levels is being gradually restored.

Though France is not independent as regards food supply, she has normally an export trade in meat and dairy produce at certain times of the year. This trade fell sharply in the

¹ The following sentences have been taken from the speech of M. Lamoureux before the French Chamber of Commerce of Geneva on September 20th, 1934: " Au fur et à mesure que la France a resserré ses contingents agricoles ou haussé ses barrières douanières, nous avons vu nos voisins fermer d'abord leurs frontières à nos produits industriels. Les industries exportatrices françaises ont, de ce fait, perdu une grande partie de leurs débouchés. Il en est résulté un chômage grandissant, qui se traduit par une sous-consommation accrue. . . . Ces faits méritent toute notre attention. Ils doivent nous incliner à une politique d'échanges basée sur l'application libérale de nos contingents, l'expérience ayant démontré que si nous voulons exporter nos propres produits, il est sage que nous ne commençons pas par fermer de plus en plus sévèrement notre propre marché aux importations étrangères." M. Lamoureux was then Minister of Commerce and Industry.

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first two years of the depression and has since then suffered severely from the quotas of neighbouring countries :

FRENCH EXPORTS
(ooo quintals)

Corresponding to Tariff No.	4-7.	12.	16A and B.	34A.	36.	37.
	Cattle.	Pigs.	Meat.	Eggs.	Cheese.	Butter.
1929 . . .	522,414	1,532	43,130	258,992	184,196	75,582
1930 . . .	122,903	669	28,851	205,099	176,545	54,912
1931 . . .	25,722	656	15,113	68,511	155,531	50,102
1932 . . .	8,990	97	12,848	10,460	132,496	35,928
1933 . . .	11,412	66	12,554	3,723	113,554	30,975
1934 . . .	22,772	5,106	13,115	11,285	117,808	33,101

The reduction of prices should to some extent correct this situation, but the French farmer cannot hope to recover his foreign market so long as trade is arbitrarily limited by quantitative restrictions. The above figures, when compared with those in Table 2, show how the divergent trend of French and world prices caused a great decline in exports at a time when imports were increasing rapidly. For industrial as well as agricultural goods France has been a poor market in which to buy and this, combined with trade barriers, has deprived many entrepreneurs of former markets. Some further examples of the declining trade are given in Table II on the following page.

An excellent example of the repercussions of quotas on exports and shipping was given in *The Times* of August 8th, 1933, under the heading "The Burghers of Calais":

"The whole civic body of Calais, including the Municipal Council, the Chamber and Tribunal of Commerce and the Conseil des Prud'hommes, has announced its resignation as a protest against the Government's tariff and quota policy, which has, it is claimed, brought the town and the adjoining districts to the brink of ruin. These modern Burghers of Calais claim that the threat to their town is no less serious than that of 1347. The leaders of the present movement add that the cause of the trouble lies in France itself.

"The combination of high tariffs and quotas has proved a

double-edged weapon as far as Calais is concerned. Both as a port and as an industrial centre it has been reduced to poverty, first by the direct operation of trade restrictions and secondly by the retaliatory measures adopted by other countries. Eighty-five per cent. of the lace and tulle manufactures, for example, which represented an annual turnover of 300,000,000 francs and employed some 40,000 hands out of a population of 72,000, went to foreign markets before the present system assumed its full vigour. To-day the trade is virtually at a standstill, and with it almost the whole economic life of the town. As a port Calais has suffered even more severely, since, in addition to the loss of traffic in lace and tulle, it has had to face a heavy reduction in every branch of foreign trade."¹

TABLE No. II

EXPORTS OF COMMODITIES WHICH HAVE BEEN QUOTAED BY OTHER COUNTRIES

Country of Destination.	Description of Commodity.	Date Quota began.	Unit.	Exports in	
				1931.	1933.
Italy . . .	fish (fresh)	Feb., '32	quintals	30,073	7,924
" . . .	" (dried and salted)	" '32	"	11,722	0
" . . .	earthenware and porcelain	March, '32	"	1,498	797
" . . .	glass	July, '32	"	1,958	59
" . . .	wool fabrics	Feb., '32	"	2,306	814
Holland . . .	cotton fabrics	Dec., '32	"	5,220	2,086
" . . .	wool fabrics	Jan., '32	"	8,288	4,627
" . . .	clothing	Jan., '32	"	1,243	543
Switzerland	eggs	Feb., '32	"	13,476	1,507
" . . .	cheese	Dec., '31	"	7,934	2,102
" . . .	butter	Feb., '32	"	2,924	0
" . . .	glassware	Feb., '32	"	31,055	17,695
Belgium . . .	cattle	May, '32	ooo francs	8,861	0
" . . .	fruit	July, '32	quintals	62,578	28,981

The harmful effects of this restrictive policy on the export trade are evidenced by the formation in the autumn of 1932 of the "French Union of Exporting Industries," which has

¹ The civic body of Calais was rewarded for its noble efforts, for, as reported in *The Times* of November 21st, "the windows of French State schools, hitherto sober sheets of frosted glass, are shortly to take on a new gaiety as a result of an arrangement between the educational authorities and the citizens of Calais. The Government tariff and quota policy shows little sign of changing, but as a first step the authorities have agreed to furnish all their schools with lace curtains."

as its object the modification of the extreme protectionism of French trade policy. A letter was sent to the Prime Minister, M. Herriot, presenting the case of the exporting industries as opposed to the industries and interests mainly dependent on the home market, which had hitherto influenced tariff policy. The excessive restriction of imports, they thought, might lead to the complete extinction of the industries which depend upon exports. The Union claimed that the visible balance of trade could not be corrected by reducing imports to the level of exports and that such a policy would cause a simultaneous reduction of exports due to reprisals and the general interference with trade. In their opinion some degree of elasticity must be allowed in the trade balance with individual countries. The import quotas were described as "especially harmful" and their progressive removal was called for. This Union of Exporting Industries is the strongest organisation opposing the Government's trade policy.

3. *On the Trade Balance and the Balance of Payments.*

There are certain characteristic features of French foreign trade which should be borne in mind in a study of the trade balance. France is of considerable importance commercially, being predominantly an importer of raw materials and an exporter of luxury products, while agriculturally she strives to be independent: an aspiration which would normally be almost possible without tariff protection, thanks to diversity of climate and a large, strong peasant stock. In total value of trade she ranks fourth among the nations, being surpassed only by the United Kingdom, the United States and Germany. From 1929 to 1933 the aggregate of international trade fell in value by about 65 per cent. While the trade of the United Kingdom, Germany and France did not fall quite so much as that, their relative position is practically unchanged. Actually French trade has not suffered more than that of other countries but, as in other countries, successive Governments have thought it necessary to employ extraordinary measures in order to "improve" the trade balance. A comparison of the

trend of foreign trade of each of these countries is instructive.

Britain's import surplus increased much more than that of France in 1930, but declined slightly in 1931 and to a greater extent in 1932 and 1933. This change was no doubt assisted by the departure from the gold standard in September 1931, by the application of import duties at various times since that date and by the numerous defaults and moratoria on her foreign loans, which normally pay for a large part of her imports of merchandise. The export surplus, which has been characteristic of the trade of the United States since the war, has suffered severely, due to declining purchasing power abroad and in spite of the Hawley-Smoot Tariff of 1930. Germany had an increasing surplus of exports until 1932 (owing partly to the cessation of foreign borrowing in 1929 and partly to the subsequent flight of capital) but, as forecast by the Wiggin Committee of 1931, this could not be expected to continue; in 1932 it was greatly reduced and in 1933 it practically disappeared. Although France had an export surplus in 1927 the surplus of imports grew steadily from 1928 to 1931 and in 1932 and 1933 was only slightly reduced. The increasing imports must be partly attributed to the influx of foreign capital and the repatriation of French funds.

The fact that French industries are largely dependent upon foreign sources of supply for raw materials is borne out by an analysis of the three years 1927-9. The import trade was composed largely of these goods: 62 per cent of the value of all imports were raw materials; in volume the percentage was much greater—85 per cent. Of exports also raw materials account for a large proportion: 27 per cent of the value and 83 per cent of the quantity. For the rest, 14 per cent of imports (value) in 1927-9 were manufactured goods and 24 per cent were food products; while in the case of exports, manufactured goods made up 62 per cent of the total value and food products only 11 per cent. The actual figures for trade divided into these categories are given in Table 12. Considering these three years as one period, France had in that time a surplus of imports valued at

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8,300 million francs. If trade is divided into the three categories used in Table 12 it is found that the export surplus in the case of manufactured goods, of 72,600 million, is more than balanced by the import surplus of 21,900 million of food products and 59,000 of raw materials.

TABLE No. 12

FOREIGN TRADE OF FRANCE, 1927-33 (INCLUDING COLONIAL TRADE)

	Weight (ooo quintals).				Value (ooo,ooo francs).			
	Manu- factured Goods.	Food Produce.	Raw Materials.	Total.	Manu- factured Goods.	Food Produce.	Raw Materials.	Total.
IMPORTS.								
1927	11,376	66,064	416,259	493,698	5,787	13,893	33,370	53,050
1928	15,074	58,249	420,071	493,395	7,913	12,541	32,982	53,436
1929	21,184	67,121	506,303	594,608	9,928	13,167	35,125	58,221
1930	23,741	63,760	521,701	609,202	11,364	11,822	29,325	52,511
1931	20,651	91,017	469,303	580,971	9,169	14,001	19,036	42,206
1932	19,752	86,280	370,457	476,489	5,609	10,979	13,222	29,806
1933	18,410	68,980	396,940	484,330	5,032	9,604	13,795	28,431
1934	18,490	59,020	279,610	457,110	4,237	7,451	11,373	23,061
EXPORTS.								
1927	52,870	14,367	312,706	379,943	32,674	5,399	16,853	54,925
1928	52,921	16,828	341,501	411,259	32,063	6,241	13,070	51,375
1929	53,601	15,132	330,331	399,064	31,493	6,078	12,568	50,139
1930	48,056	21,444	297,302	366,802	26,975	5,886	9,992	42,835
1931	39,228	16,018	248,049	303,356	18,955	4,301	7,179	30,436
1932	27,081	11,673	197,479	236,231	12,232	2,920	4,553	19,705
1933	30,930	12,100	208,650	251,690	11,177	2,544	4,753	18,474
1934	34,860	14,530	234,010	283,390	10,107	2,566	5,149	17,822

These figures provide a picture of the nature of French trade in the three years before the depression. Even though population remained fairly stationary, agriculture was not able to supply home needs and a net importation of food produce was necessary. These statistics also illustrate the structure of the manufacturing industries: in the heavy industries France is fairly self-sufficient, but large quantities of raw materials must be imported; while in the lighter trades native skill and taste have led to the development of

an important foreign market for luxury articles. Thus commercial policy has been based upon the principle of protecting agriculture and the manufacturing industries, by placing heavy duties on food produce and finished goods, more moderate duties on semi-finished goods and allowing raw materials practically free entry.

In 1930 total trade began to decline and in that year it was 13,000 million francs below 1929. At the same time the surplus of imports was increased from 8,100 to 9,700 million due to a fall in imports of 5,700 and in exports of 7,300. During 1930 the depression was not seriously felt in France, but conditions abroad had their effect upon French foreign trade. On the import side, raw materials increased, but their value was lower than in 1929. Both volume and value of imported food produce fell, although there was a sharp increase in the last quarter of the year—an increase in volume which was not accompanied by a corresponding increase in value. This was the first appearance of the factors which led directly to the application of the import quotas nine months later. The fall in the value of exports of 7,300 million francs was due to a decline in each of the three groups. It was most marked in the case of manufactured articles (4,500 million) and the fall in quantity was in proportion. This loss of the foreign market for industrial products, beginning in 1930, progressed steadily. Thus some of the forces which gave rise to the quotas on finished goods were also in evidence in 1930.

The important change in the course of French trade occurred in 1931. There was a further fall in the value of imports of 10,300 million francs and in exports of 12,400 million. Thus the import surplus was 11,800 as against 9,700 million in 1930. The effects of the world depression on French trade will be more apparent if the figures for each class of goods are examined. Imports of raw materials, which had increased steadily since 1927, fell off in 1931 and exports continued the decline begun in 1929. After remaining fairly steady for four years imports of food produce increased in 1931 by 43 per cent although their value increased only 19 per cent; exports, on the other hand,

had increased each year but fell sharply in 1931 by 25 per cent, but at the same time their value fell only 27 per cent. Imports of manufactured goods fell 13 per cent in volume and 20 per cent in value, while exports fell 18 per cent and 30 per cent respectively.

The reasons for these changes are not difficult to see. The recession of industrial activity, and consequently a smaller demand for raw materials, which was noticeable in most countries in 1929, was first noticed in France in 1931. Increasing imports of food produce, which began in the last three months of 1930, continued with greater force throughout 1931, due to the falling prices in other countries. This same influence was responsible for the loss of the foreign market in which French farmers could not compete because their prices had not fallen to the same extent. The difficulties of manufacturers producing for export became more acute in this year as purchasing power in other countries declined and as duties against their goods were increased.

Unless the quotas have been wholly ineffective some results of their application should be seen in the trade returns for 1932. In that year total trade fell from 72,600 million francs to 49,500 million due to a decrease of imports of 12,400 million and of exports of 10,700. This, however, meant a slight reduction of the import surplus, which was 10,100 in place of 11,800, but it was still 400 million higher than in 1930.

Imports and exports of raw materials were lower both in volume and value, but no direct effects of quotas can be seen in these figures, since the restrictions were applied to only a few raw materials, e.g. wood, coal, china clay and flax. As regards food produce, the fact that imports fell only 5 per cent in volume, remaining high above the figures for the years before 1931, suggests that the quotas were not very effective in stemming this flood of goods. The increasing difficulty of this task is shown by the fall of 22 per cent in the value of these 1932 imports, but the quotas were in force throughout 1932 and probably removed the danger of an increasing flood of goods at lower and lower prices. The continuing difference between French and world prices is also

shown by the fact that in this year the volume of food produce exported fell 27 per cent while its value fell only 32 per cent. This further loss of foreign markets must be partly attributed to the restrictive measures adopted by other countries during the year. The statistics show the same results, or lack of results, for the quotas on manufactured articles. The imports of these goods fell only 4.4 per cent in volume but 39 per cent in value; we can only say that probably imports would have been very much higher than in 1931 had the quotas not been used. On the other hand the prices of export goods did not fall nearly so much and consequently much less was sold abroad—quantities decreased 30 per cent and value only slightly more than that, 36 per cent.

The statistics for 1933 do not show any important change in the position of the trade balance. Imports fell 1,400 million, but exports declined to about the same extent, leaving the trade deficit in the neighbourhood of 10,000 million francs. The quotas seem to have had more influence on trade in this year for imports of both food produce and manufactured goods were reduced. There is, moreover, a noticeable change in the trend of prices of imported and exported goods. The decline in prices abroad seems to have been arrested for the value of imported food fell only 13 per cent although the volume was reduced by 20 per cent and in the case of manufactured articles volume and value fell in the same proportion. Furthermore, there is evidence of declining prices in France for the value of exports of food products and manufactured articles fell 13 per cent and 8 per cent respectively, while the volume increased by 4 per cent and 14 per cent.

In 1934 the trading position was changed considerably, for the import surplus was reduced from 9,957 to 5,239 million francs, being brought about by a fall in imports of 5,370 while exports were reduced by only 652 million francs. This development might appear to be an improvement and a triumph for the policy of import restriction, but probably it is largely the outcome of the deepening of the depression within the country. In the first place, the slackening

industrial activity brought curtailed demands for foreign raw materials, and, secondly, prices were falling in France and exporters were forcing their goods abroad with the result that a larger volume of goods was shipped, though the value remained about the same. As in 1933 the quota restrictions were effective in reducing the imports of food produce, which stood at the lowest figure since 1928.

Thus, the divergence between French and world prices is narrowing at last—a process which would have begun earlier had these measures of import restriction not been applied. The Government's deflation programme met with a certain amount of success during 1934 and the general tendency towards lower prices should help to restore the balance of trade. Imports, however, continue to decline under the influence of rigorous restrictions and total trade is only a small percentage of previous years. Whereas exports in 1930 were 82 per cent of imports, in 1933 they were only 52 per cent and as trade declines the achievement of a balance becomes more difficult.

It is questionable, however, whether import restrictions may reasonably be expected to bring about a material improvement in the balance of trade. In the first place, the money spent on imports may not be reduced, for the price paid at the frontier for foreign goods may rise with prices on the interior markets, the production of goods to replace those formerly imported will probably require some foreign materials and, furthermore, the purchasing power, turned from its accustomed channels by the restrictions, will not all be devoted to domestic goods—part of it will be used to purchase other foreign articles which are not restricted. Thus the debit side of the balance of trade may be reduced much less than was expected—a possibility which is more likely to happen with quotas than with tariffs, for there is no limit to the possible rise in the value of the goods which are admitted. If at the same time exports are decreasing from various external causes and this tendency is accentuated by the maintenance of internal prices, it cannot be freely assumed that the restrictions will be followed by a decrease in the trade deficit. These considerations help to explain

TABLE No. 13

FRANCE'S BALANCE OF PAYMENTS

(000,000 francs)

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	Items.	1931.		1932.		1933.	
		Credits.	Debits.	Credits.	Debits.	Credits.	Debits.
Current Items	Merchandise		13,262		10,015		9,000
	Freight	2,400		2,000		1,600	
	Insurance, etc.	300		300		500	
	Immigrants' remittances		1,800		1,200		800
	Tourists' expenditure	6,000		3,000		3,000	
	Interest and Dividends	4,000		1,600		2,000	
	Government payments		650		500		250
		12,700	15,712	6,900	11,715	7,100	10,050
Gold . . .	Net Movements of Gold *		18,533		17,660	2,000	
Visible Move- ments of Capital	Sale of Devisen by the Treasury and the Bank of France	6,330		17,844		3,632	
	Reparation payments	2,600		—			
	Loan to the British Treasury		2,500				
	Repayment of loans by British Treasury			6,863			
	War debt payments		1,280		—		

French Import Quotas

	Advances by French Gov. to Foreign Govs. †	1,083		1,645		1,300	
	Repayment of foreign loans	770		2,125			
	Borrowings in France by foreign companies and Govs.	3,725					
	Advances by Bank of France to foreign banks	3,756					
	Loans raised abroad by French Companies				200		
		8,930	13,114	24,707	3,770	3,832	
Invisible Movements of Capital	Sale of foreign securities held in France and purchase of French securities	12,000		1,000	}	1,582	
	Movement of short-term funds to France	5,000		1,000			
	Re-purchase of French securities from abroad		1,500				500
	Withdrawal of short-term funds from abroad	10,000					
		27,000	1,500	2,000			500
		48,630	48,859	33,607	33,645	12,932	
	Total of Balances.					12,932	

* These figures do not correspond to Customs statistics because they do not include gold which crosses the frontier without changing hands. In 1933 there was actually a net importation of 6,253 million francs of gold, but much of it was owned by the British Exchange Equalization Account and various Central Banks.

† To Hungary, Yugoslavia and Poland in 1931, to Belgium and Czechoslovakia in 1932, and to Belgium and Austria in 1933.

the fact that imports have not been made to equal exports even though the system of quotas is very extensive.

The balance of payments is also worth examining. This is set out in Table No. 13 as calculated by M. Meynial.¹ It is, of course, quite impossible to point to any specific change which might be attributed to the quota system, but some indication of the magnitude of its influence may be given. Although there are not many items which would be directly affected by the restriction of commodity imports, one would expect earnings of the transportation services to decline; but beyond that the effects are lost in the movements of gold and short-term funds, which have in these years been guided by various events and policies. An indirect effect is the shrinkage of tourist traffic which turns (what there is left of it) in other directions in search of countries with lower costs of living.

An outstanding feature of these three years is the policy of reducing foreign assets and taking them home in the form of gold, which was prompted by the fear of depreciating currencies and the desire to marshal the nation's strength in support of the franc.² The fact that gold was imported at a time when there was a deficit on merchandise account shows that there were stronger forces at work. The excess import of goods may have led to some reduction of French balances held abroad but there is nothing in this Table to indicate that the quota restrictions had much influence on these movements of capital, in fact it is more probable that the movements of capital influenced the flow of goods, for the withdrawal of funds may have had a deflationary effect in foreign countries, thus accentuating the fall in prices.

¹ *Revue d'Economie Politique*, May-June, 1932, 1933 and 1934. The trade balance as shown in this Table is not directly comparable with that given elsewhere as these figures are for France and certain of the colonies.

² Following the Law of 1928, which provided for the abolition of the gold exchange standard, the Bank of France has reduced its holdings of foreign exchange:

	000,000 francs.					
End of:	1928.	1929.	1930.	1931.	1932.	1933.
	32,725	25,942	26,179	21,111	4,483	1,159

CHAPTER IV

IMPORT QUOTAS AND COMMERCIAL POLICY

I. *Quotas, The Most-favoured-nation Clause and Duty Consolidations.*

WITH the exception of the Italian and Canadian trade treaties, all those concluded since the war were still in force on the 1st July 1932, although most of them had been altered or special provisions had been added to them. These treaties, with their modifications, derive in spirit, if not in letter, from the Franco-German Agreement of 1927. Thus in 1932 France was granting to most European countries most-favoured-nation treatment and a broad consolidation of duties. But in recent years a tendency away from treaty contracts has been apparent and as early as 1930 a policy of deconsolidation was followed, which regained tariff liberty for a certain number of products. The Government did not wish to denounce all treaties as in 1918 but sought to adapt them to changing conditions. More recently radical alterations in policy have been in evidence and for these changes the use of import quotas is partly responsible.

Since the consolidation of duties and the most-favoured-nation clause are the objects of so much criticism in France, and since they are held to be largely responsible for the introduction of the quota system, it would be well to review the arguments against them and consider their validity. These two features of French commercial policy, from 1927 to 1930, have become very unpopular with the renewed demands for protection. So long as a country is moderately well satisfied with the existing tariff rates (and with those of other countries) consolidation and the necessity of extending concessions unconditionally are accepted with equanimity ; but at a time of economic difficulties, such as followed 1929,

these contracts and obligations become irksome. It is felt that one's hands are unnecessarily tied by agreements which do not meet present needs and that one should be in a position to use the customs for emergency measures and to grant favours on a reciprocal basis.

Autonomy in customs matters cannot be achieved without the deconsolidation of duties. The force of this consolidation in the case of many countries is strengthened by the generalisation resulting from the unconditional clause, which has deprived France, with regard to all countries which benefit from it, of freedom of movement. Some say that the clause is humiliating; but this is merely prejudice, as it is usually made reciprocal. It is said that it upsets the equilibrium of trade between two countries because one may be forced to grant lower duties although the other makes no concession in return. These criticisms of the contractual policy are hardly tenable, because in the long run a country is likely to gain as much as lose by it, but they seem inevitable whenever nationalism is in the ascendant.

A criticism, more relevant to our study, is that which holds this policy directly responsible for the trade deficit. It is difficult to know to what extent this criticism is justified, but M. Proix¹ has made a very interesting study of this relationship between consolidations and the clause and the trade balance. He found that in 1930 there was a deficit of 250 million francs in trade with Belgium, Germany, Czechoslovakia, Austria, Switzerland, Italy and Greece, being countries whose treaties with France contained consolidated duties, but with Germany alone there was a deficit of 3,800 million and therefore there was a surplus with the other countries of this group. There were no consolidated duties in the treaties with Poland, Roumania, Yugoslavia, Spain and Portugal and yet the deficit with them was 500 million. At the same time there was a surplus of 750 million with Great Britain, Holland and Scandinavia which enjoyed the benefits of the most-favoured-nation clause and had no consolidations in their treaties. Thus trade with Europe

¹ *La Politique Douanière de la France, 1927-1931.* (Publication of the Comité d'Action économique et douanière.)

excluding Russia was in equilibrium. It was in the trade with Germany and some of the countries which have no fixed duties that the deficit appeared. This test certainly suggests that the attack on the trade agreements was ill-founded.

We have seen that the quota stands in opposition to the most-favoured-nation clause, because the global quota favours neighbouring countries, while a geographical division based on imports in certain years favours countries which happened to send large quantities in those years. Thus it must involve some discrimination which is contrary to the terms of the clause. This clause, which rests upon the principle of equality of treatment, loses its significance when quotas are introduced. In considering this question M. de Leener¹ examined and criticised three formulæ :

1. An equal quota given to each country benefiting from the clause. This cannot be sustained because of the great difference in potential exports which exists between countries.
2. A proportional quota, granting to each country a quota for its particular products, which is estimated to be equal in value to the quotas granted to other countries. This would lead to endless controversies regarding the value of proportional quotas.
3. A total quota, divided into part-quotas, one for each country, calculated according to imports of previous years. This has the defect of leading to arguments regarding the choice of base years. M. de Leener concludes, however, that this third formula is probably the best as it respects, in the greatest measure, the former currents of trade.

In this connection M. di Nola, as quoted by M. Angelini,² lays down the principle that if quotas are established in such a way as not to modify the position of other countries in competition on a given market, they ought to be considered as conforming to the clause. It would seem quite obvious

¹ *Bulletin d'Information de la Banque Nationale de Belgique*, 10th February 1932.

² *op. cit.*

that the quota as practised in France (M. de Leener's third formula) does not fulfil these requirements and that not system of quantitative limitation could. And yet, France having set the precedent, quotas now exist throughout Europe side by side with the most-favoured-nation clause. Many countries have accepted the view that no prohibition, even when special treatment is given, is contrary to the obligations of the clause and, for the time being at least, it is being interpreted in that way.

2. Revision of Trade Agreements.

In the negotiations with foreign countries throughout 1932 and 1933 appears an outline of the new policy, which was being formulated, and of the effect which the quota regime was exerting upon commercial policy.

Important among the new agreements are those which establish "customs quotas" for certain commodities. These, however, should not be confused with import quotas for they do not restrict imports in the aggregate but only those which may enter the country at a fixed rate of duty, any excess amounts being required to pay a higher rate. Nor need they be applied to all countries, since, being determined by agreement, the contracting country accepts this unequal treatment, having, no doubt, received some compensation. When agreements for restriction of trade can be made, quotas may exist side by side with the most-favoured-nation clause and therefore the use of the customs quota has been more common recently.¹

¹ This type of quota was by no means without precedent but it had never been used as an important instrument of customs policy. It appeared, for example, in the Franco-Belgium-Luxemburgian Agreement of 1923 which provided for the admission into France at reduced rates of an annual quota of horses.

When the duties on wine were increased on March 31st, 1931, a law was passed giving the Government power to grant, by decrees, on certain wines (and subject to subsequent ratification by Parliament) in return for compensating advantages from the country concerned and within the limits of quotas, reductions of the new duties to rates not lower than the old. In accordance with this law a quota of 20,500 hectolitres of wine was granted to Italy to be admitted at the former rate during April.

A careful study of the relationship between customs quotas and the most-favoured-nation clause appears in the report of the 35th session of the Economic Committee of the League of Nations, held June 18-22, 1931. (Doc. No. C. 427, M. 177, 1931, 11 B.)

This principle has been applied in numerous cases. In the Franco-Spanish Accord of October 1931 France granted the minimum duty of 84 francs to a quota of 1,800,000 hectolitres of Spanish wine. The Agreement of May 1932 with Peru admits a quota of mineral oil at the minimum tariff; similar concessions were made regarding Portuguese wine in July and pork from the United States in August. The most important of the new customs quotas are those which were designed to assist the agricultural countries of Central Europe. The Agreements of November 1931, January and July 1932 gave a wheat preference to Yugoslavia, Roumania and Hungary respectively. The preference to each country consisted of a rebate on a quota of wheat equal to one-tenth of total imports of that commodity.

Not all the customs quotas used in the last two years have been determined by agreement—some have been imposed unilaterally, and must then be applied to the whole world. Thus the decree of October 8th, 1931, increased the minimum duty on hops from 125 to 400 francs per quintal and at the same time fixed a quota for one year of 9,000 quintals which would be admitted at 200 francs per quintal. Licences for import under the quota had to be obtained from the Ministry of Agriculture. Similarly the decree of September 27th, 1932, fixed a quota for printing paper (for newspapers and periodicals) which might be imported under licence at a lower rate. The quota of 660,000 quintals for 1933 was divided among various countries.

Numerous attempts have been made to revise treaties so as to secure better terms for French trade, but experience has shown that the most-favoured-nation clause and consolidated duties cannot be abolished without concessions being given in return: the necessity of preserving the export trade does not permit the dictation of terms to foreign countries. Moreover, the special import tax, the exchange surtax, increased duties and the quota system have made other countries unwilling to grant concessions: they feel they have nothing further to lose. The exchange surtax has proved a weapon in bargaining about tariff matters; by agreeing to its removal France has been able to secure the

reduction of duties from some countries. In the first few months of 1933 Protocols to the Commercial Conventions with Finland, Sweden and Norway were signed, by which France withdrew this tax in exchange for tariff concessions. In the agreement with Sweden France also undertook to admit quotas equal to 1931 imports of goods of which imports from Sweden did not in that year exceed 10 per cent of total imports. Such arrangements, when not extended to other countries, constitute a breach of the most-favoured-nation clause, but this has been no deterrent to their conclusion.¹

It was the Convention with Italy (the *modus vivendi italianus* of March 4th, 1932) which was hailed as the inauguration of the new commercial policy, which regained for France her tariff freedom and brought to an end the old contractual regime. In it the Government sought to limit the application of the most-favoured-nation clause and to avoid tariff consolidation, adopting the rule of reciprocal compensation. The Agreement divided goods into several categories; on some the minimum tariff and most-favoured-nation treatment were accorded, but on others either country might increase the duties, in which case the other contracting party might raise its tariff on corresponding goods in order to secure compensation. The two countries agreed upon the desirability of refraining from imposing import and export prohibitions and restrictions but recognised the necessity for quotas in certain circumstances; when quotas are used and the balance of trade injured, the injured country may adopt similar measures. This plan amounts to a semi-consolidation whereas the principle of 1892 called for total liberty.

This scheme of concluding agreements with foreign countries for the purpose of deconsolidating duties and limiting the application of the clause was carried further in 1933. Between March and July at least seven commercial treaties were revised in this way, viz: those with Hungary,

¹ On December 30th, 1932, M. Durand, Minister of Commerce, intimated that the French Government would no longer recognise the unconditional most-favoured-nation clause as preventing the adoption of special measures of protection against depreciated currencies.

Estonia, Czechoslovakia, Austria, Greece, Turkey and Belgium. In most of them all duties were deconsolidated: the Protocol to the Franco-Czechoslovak Convention provides that either party may modify any duty or duties fixed by the Convention on giving fifteen days' notice, but in the event of use being made of this provision, the other party may demand immediate negotiations on the matter and, failing agreement within ten days of the enforcement of the new duties, may increase its own duties to an extent necessary to maintain the tariff balance between the two countries. The fundamental changes in commercial policy between 1929 and 1932 are seen clearly in the wording of this Agreement. Formerly stability was sought in the liberal principles expressed in the most-favoured-nation clause and the fixation of duties, but the new policy is established on the principle of preserving a certain fixed proportion in the exchange of goods with individual countries. The economic fallacy and the harmful effects of this policy are so obvious as to require no description, yet it is a policy which is now generally accepted by many Governments.

The policy of negotiating with foreign countries in order to secure revision of treaties, instead of proceeding with outright cancellation, really began with the formation of the Franco-German Economic Commission in 1931. The results of this move were disappointing and the revision of the 1927 treaty was awaited with impatience, because it was the basis of many customs stipulations and because the balance of trade with Germany had moved unfavourably for France. The Government did not wish to cancel the agreement which was associated with the Dawes and Young plans, because, they feared, that would give Germany an excuse to depreciate the mark. M. Elbel, director of commercial treaties in the Ministry of Commerce, gave the following¹ as the objectives of French policy in the renewed discussions with Germany:

1. To be free from the consolidations of 1927.
2. To cancel the unconditional most-favoured-nation clause.

¹ *Journal du Commerce*, 23rd February 1933.

3. To improve the trade balance with Germany by improving opportunities for export rather than by restricting imports.

All these objectives were not attained and the supplementary agreement, which was signed on December 28th, 1932, was another disappointment, because the clause was retained for the greater part of the tariff schedule, the process of deconsolidation was not carried far enough and because it did not result in the reduction of the trade deficit. In a speech before the "Comité national des Conseillers du Commerce extérieur de la France" on February 21st, 1933, M. Elbel explained the failure of the new German treaty to measure up to expectations. He said it was not possible to deconsolidate duties entirely: they remained at the old level, but could be modified by either party on 15 days' notice, subject to the provision that the other party might negotiate in seeking compensation until 10 days after the alteration. Since imports from Germany are composed largely of things which cannot be produced at home, such as fuel, fertilisers, chemicals and certain machinery, it would have been unwise to attempt to reduce them further—they sought instead means of increasing exports. In treaty negotiations Germany was following a policy of preserving by contract the 1931 trade relationship. Thus in the recent treaty with Sweden, Germany had undertaken to allow payments for imports only if this relationship were maintained. German-French trade in 1931 had been in the ratio of 100 to 40 and had fallen to 32 in November 1932. A proportion of 100 to 56 was the best term the negotiators were able to secure.

This new Franco-German Agreement resulted, in the early months of 1933, in numerous increases in the tariff of each country: increases which were applied, not only to each other, but to the whole world. Dissatisfaction with the German Treaty of 1927 continued throughout 1933 and in September it was reported that the French Government were about to denounce it. By denunciation of the treaty and, in accordance with its new policy, the allocation of quotas on the basis of reciprocal trade, the Government would, it

was argued, be able to reduce the adverse balance. This step was avoided by an understanding that the German Government should not invoke the most-favoured-nation clause in discussing quotas. France thus obtained freedom to negotiate quotas with Germany on a reciprocal or partly reciprocal basis, the 1927 treaty was retained and the negotiations for its revision continued.

The influence of the quota regime on commercial policy and the permanence which has been given to these restrictions are most clearly seen in the Agreement with Switzerland signed in June 1932. It recognised the necessity for quotas provided they were made "as free as possible." Switzerland agreed not to restrict French exports below the 1931 figures and France did the same for industrial products provided imports from Switzerland are not more than 10 per cent of the total imports of those articles.

Bilateral quotas, particularly, very easily become an instrument of trade policy. These agreements resemble bilateral or multilateral ententes, which deal with other questions besides trade between countries, but differ from them in that they require governmental sanction and enforcement. In this way they become a part of policy and have an influence on the negotiation of treaties. These ententes, which are negotiated by representatives of the industries or merchant trades concerned, bargaining concessions against advantages, illustrate a phase of the new commercial policy and mark the beginning of the return to reciprocity. They are really based on the principle of the conventional fixation of quotas.

This review of recent negotiations and agreements with foreign countries shows that by the middle of 1933 France had been successful in severely limiting the application of the most-favoured-nation clause and in securing the deconsolidation of most of her tariff duties with regard to many countries. It also shows that the system of import quotas, begun as a temporary means of defence, was rapidly becoming an important weapon in the hands of the Government for bargaining purposes and had thus acquired a permanent position which it was never intended to have. It will,

therefore, be instructive to review the opinions expressed by the leaders of successive governments regarding this question.

3. *Quota Policy of Successive Governments.*

The quota system was established by the Laval Government in 1931, under the care of M. Tardieu, the Minister of Agriculture. M. Tardieu has always been an ardent supporter of protection and his defence of the new quota regime has been relentless. At the time of the elections in May 1932, when his Government were defeated, he summed up the position as follows:

“Measures taken during the past twelve months have saved French production, but the time has not yet come for a return to an open-door policy. It will be necessary in the future as it has been in the past to defend ourselves from the flood of imports at ridiculously low prices which very nearly proved disastrous. Our quotas, among other measures, have done this and their suppleness and efficacy have enabled us to come through an unprecedented crisis. We have said that this policy was a necessary remedy and have always added that it could never be more than temporary. As soon as possible, therefore, we shall take measures to readjust our customs tariff, to recover our tariff freedom and to free ourselves from the old consolidations and other bonds. Our recent agreement with Italy marks the first step in this direction. Our policy of international economic ententes, which has already resulted in more than forty agreements, will provide us with another means of readjustment under the necessary control of the State. The next legislature must immediately consider these problems.”¹

Agricultural interests have been well looked after, for M. Queuille has been Minister of Agriculture in the Paul Boncour and six succeeding Governments. M. Queuille is also a strong protectionist and supporter of the quotas. As early as December 1931, he wrote²: “La politique des contingentements doit donc conduire à des accords ‘compensatoires’ faits sur la base d’achats réciproques. Proclamer cela, le réaliser est je crois, indispensable pour notre agriculture.” Thus the idea of reciprocal quotas and

¹ André Tardieu, *Devant le Pays*, p. 141 (my translation).

² Reprinted in *Le Drame Agricole* (1932), by Henri Queuille.

the incorporation of quantitative restrictions in trade policy was not long in finding expression.

The new Minister of Commerce and Industry in the Herriot Government, M. Durand, was not so favourably disposed toward the quotas on manufactured goods. He announced his intention of increasing the quantities importable, which he began doing when the quotas for the third quarter of 1932 were determined. The more liberal tendency was continued in the fourth quarter, but for the most part the list of restrictions remained unaltered. The change of Government did, however, bring to an end the period of expansion of the quota system.

M. Durand described the policy of the new Government and criticised the methods of the old. He explained that the quota measures which had been in force for more than a year were not considered a normal or permanent system of protection, and yet were indispensable at the time as they presented one of the best methods of fighting existing conditions. They may have brought about some of the desired results, but were attended by serious inconveniences and required delicate application: they immobilised international trade, paralysed its growth, created monopolies and led to reprisals: the unilateral quota presented arbitrariness and instability.¹ This is very severe criticism, coming from a Cabinet Minister. Although those in force had just been extended for a period of three months (the last quarter of 1932) M. Durand seemed proud of the fact that he had created no new quotas.² He announced the Government's opinion that it was time to return to a more normal regime and to plan the progressive suppression of the quotas as this should become possible; but as the conditions of foreign competition had not materially altered they did not consider it possible at that time without taking other measures of defence. Such measures would be the increase of customs duties on important articles and, possibly, the re-establishment of the intermediate tariff which was used between 1919 and 1927.

¹ *La Journée industrielle*, 29th October 1932 and in a circular letter to industrialists dated 5th October 1932.

² The Minister announced on another occasion that many requests for quota protection had been rejected by his Department.

M. Durand's Department was concerned only with industrial quotas which, when concluded bilaterally, he thought, were an element of organisation in production and trade. There was a safeguard against their abusive use in that the Government could either approve or denounce them. However, he intended studying each quota and would apply a purely pragmatic test, retaining some and discarding others. Here are his own words: "J'examinerai avec le souci de l'intérêt général de mon pays, tous les cas qui se présenteront, car je ne suis ni un doctrinaire, ni un empirique, et j'étudierai chaque cas selon les circonstances économiques du moment." Thus it was the intention of the Herriot Government to discontinue many of the industrial quotas as soon as possible. How was this to be done and what was to replace them? M. Durand continued with a plea for disengagement from agreements; he thought general deconsolidation of duties could be accomplished by means of negotiation and without brutal denunciation. Consolidations would be replaced by something more supple; in some cases by an intermediate tariff, in others by a minimum rate based on a variable percentage of the general rate. He would demand reciprocity, not merely arithmetical equivalents but also equality of concessions, advantages and good treatment. He thought the most-favoured-nation clause should not be used completely, automatically or unconditionally.

These pronouncements of policy must be considered in the light of the new arrangements with Germany and Italy, which have been described above, for through them France regained much of her tariff liberty. On the conclusion of the Agreement with Germany, and just prior to the defeat of his Government, M. Durand commented on the new trend of French policy.¹ He pointed to the modification of the unconditional most-favoured-nation clause as its most important feature, since it would be granted only in individual cases and on a reciprocal basis and would no longer hinder France in negotiations. He drew attention to the fact that France would regain her tariff autonomy on

¹ *The Times*, December 31st, 1932.

February 1st, 1933, and said: "We were obliged to apply the quota system in order to protect ourselves against abnormal imports. Now we have completely regained the tariff liberty which we desired so much."¹

The Daladier Government came into power in January, 1933, but no change was made in quota policy for some months. On the eve of the World Economic Conference M. Daladier introduced two bills into the Chamber with the object of guaranteeing French production against competition from the dumping of surplus products. The first proposed to establish by decree a system of emergency tariff surtaxes and the purpose of the second was to give the Government special powers to increase or lower tariffs at will on products hitherto subjected to the system of quotas. It was explained that the system had led to administrative complications as well as to endless protests by foreign countries and that an adaptation of the customs tariff to the new situation would be preferable. It was also agreed that in view of the pending international negotiations, France should be ready with a customs tariff capable of restoring the balance of trade upset by the crisis.

This proposed legislation was not passed, but it is important as it gives an indication of the policy of the Government.

"It is no secret that the French delegation at London was prepared to discuss a plan for the progressive abolition of quotas over a period of two or three years, to be followed by the establishment of a new tariff adjusted to more settled world conditions. Why this plan could not even be discussed is obvious. Without a certain stability of world monetary conditions it lost all its meaning."²

The Government, however, pursued this policy to some extent: in July it increased the duty on a few articles, such as cotton-waste, leather goods, machinery and glassware,

¹ The Ministry of Commerce advised, however, that this last statement was not to be taken to imply the early abandonment of the quota system; they were to be kept in being as long as abnormal circumstances were thought to make them necessary, and were not likely to be abandoned without a corresponding increase in the tariff.

² *The Times*, June 12th, 1933.

³ *The Economist*, October 7th, 1933.

and in September the quotas on the same goods were not renewed for the fourth quarter of the year.

M. Sarraut, who formed the next Government, made a declaration of policy on November 3rd¹:

"So long as economic anarchy persisted in a disordered world it was the duty of France to place her economic destiny above the chances of the future, and she would not confine herself to the precariousness of a policy of protection in which the weapons of defence were improvised from day to day. The balance of commercial payments must be restored by permitting goods to cross the frontiers only in exchange for equitable terms abroad. A resolute system of protection against dumping must be devised for French agricultural, industrial and viticultural products. The quota system must be made an instrument for directing French purchases to those countries which offered the best market for French products."

The new Minister of Commerce and Industry, M. Laurent Eynac adhered to the "export" policy of his predecessor, M. Serre, which had been announced in September. It was decided at that time to alter quotas from a means of stabilising imports into a means for expanding French exports. Quotas, instead of being fixed according to the proportion of particular imports to the whole over previous years, were henceforth to be fixed as to 25 per cent only in that way and as to the remaining 75 per cent they were only to be granted to such nations as would allow corresponding advantages to French exports. It was expected that negotiations to this end would have been completed by the end of October. The renewals of quotas on manufactured goods, therefore, were for one month only, but the application of the new policy proved more difficult than was expected and on the first of November the quotas were extended to the end of the year on the old basis. But on January the 1st, 1934, there were two important departures from recent practice, each of which shows the growing relationship between quotas and commercial policy.

For the first time since May 1932 the list of goods subject to quota restrictions was increased to include many new items. There were additions to the list of agricultural

¹ *The Times*, November 4th, 1933.

goods, but the main feature was the new quota on about 600 manufactured articles. As Great Britain was an important supplier of each of these items the measure was obviously designed to take the place of the exchange surtax, which was at the same time removed from British goods. These new quotas were equal to 25 per cent of 1932 imports. At the same time the scheme of using existing quotas for bargaining purposes was carried into effect. All goods, which had been previously restricted, were likewise limited, for the first quarter of 1934, to 25 per cent of the quotas for the preceding quarter. It was the intention of the Government to proceed rapidly with negotiations with each country in the hope of securing advantages or concessions, in return for which the quotas would be raised to their former level.¹

This new policy met with strong opposition abroad, particularly from Great Britain and Germany, and the struggles which ensued illustrate the difficulties of using quotas for "bargaining" purposes. It has been claimed that the main object of the quota reductions to 25 per cent was to enforce the opening of negotiations for the revision of treaties. Now, negotiations with Germany for the revision of the 1927 Treaty had been in progress for a month or more and the need for revising the 1882 Treaty with England had been recognised: it would appear, therefore, that the reductions were really intended to strengthen France's position in these negotiations.

In the ensuing discussions with Germany, France offered to restore the former quotas to the extent necessary to assure that German trade would not be reduced by more than 300 million francs. This offer was not accepted, and on January 13th, Germany established quotas on about 100 groups of French products² with the intention of reducing imports of these goods by 160 million francs. France replied to this measure on January 19th by denouncing the

¹ In the case of food products the amounts were not reduced but the provision was made: "75 per cent of these quotas may be reserved for countries which grant corresponding facilities for the import of French goods."

² This list includes wine, perfume, lace materials, cotton and woollen yarns and fabrics and leather goods.

Franco-German Commercial Treaty of 1927, to take effect in three months' time. The new Agreement which was not concluded until July 28th, involved certain concessions by each country: France restored certain quotas which had been withheld since January and Germany increased the limits of some quotas which had been instituted to the detriment of French trade.

The struggle with Great Britain was equally difficult and led to a similar conclusion. The British Government made strong representations to Paris, asking for the restoration of all quotas to 100 per cent. They used the argument that this had been done for the United States and Belgium, without compensation being secured, and that such discrimination could not be tolerated, as it was contrary to the terms of the most-favoured-nation clause contained in their Treaty with France. The French claimed that the American quotas had been restored in return for advantages given to wine exports and that compensation had also been secured from Belgium although the terms could not then be made public. Undoubtedly the French intransigence was inspired by the fear that their whole scheme would collapse if they should give way to the demands of any one country.

The British protests, however, were too strong and it was announced that the full quotas would be restored "on a very abundant list of United Kingdom products."¹ But when the list appeared it was found that many important articles, notably cotton goods, had been excluded. This the British Government refused to accept and they threatened to impose additional duties on French goods, sufficient to equal the damage to British exports, unless the quotas were entirely restored to the former figures. The political crisis rendered French action impossible at the time and the British duties came into force on February 13th, taking the form of a 20 per cent supplementary tariff on various articles of

¹ M. Laurent Eynac, Minister of Commerce and Industry, explained away this defeat by stating that the decision to apply mathematical distribution only to 25 per cent of the quotas did not oblige the French Government to keep the whole 75 per cent open for negotiation in the case of every country, for there were many factors which had to be taken into account. *The Times*, January 13th, 1934.

clothing. The French reply to this was instantaneous: the denunciation of the two Treaties of Commerce and Navigation of 1826 and 1882 to take effect on May 12th.

M. Lamoureux, the French Minister of Commerce in the new National Government, paid several visits to London and after protracted discussions an Agreement was concluded on June 27th. France granted her minimum tariff to goods from the United Kingdom and the latter agreed to apply the lowest duties charged on goods from other countries. The most-favoured-nation clause was retained but was not to be invoked in the case of preferences to overseas Dominions and territories, nor in the case of "measures taken by one Contracting Government with a view to counteracting governmental measures taken by the other and intended to stimulate exports, whether directly or indirectly, by abnormal and artificial means." The British Government withdrew the 20 per cent surtax which had been placed on French goods and the French Government restored the full share of all quotas and guaranteed in future to grant to the United Kingdom the full share "which is mathematically attributable to the United Kingdom in accordance with the proportion of the total foreign importations into France of the goods in question in the basic period which was represented by U.K. goods." As in other new French treaties, provisions were made for negotiations and corresponding counter-measures should either Contracting Government take any measure liable to upset the equilibrium resulting from the Agreement.

During 1932-3-4 France made new commercial arrangements with 27 foreign countries. Each of these has special provisions dealing with the application of the quota system and another notable feature is the limited use of the most-favoured-nation clause which, though granted for certain commodities, has generally been replaced by the Minimum Tariff. It will be seen that granting the Minimum Tariff does not prevent France from giving additional concessions to certain countries and thus it is a better instrument of bargaining policy. This policy of bargaining, however, has greatly complicated commercial treaty negoti-

ations, and it is now a common practice to talk in terms of the total value of goods which each country will buy from the other. The development of exchange control and clearing agreements has inextricably linked commerce with loans and the repayment of debts, which feature is particularly noticeable in the negotiations between France and Germany.

The advent of the National Government in February 1934 did not involve any material change in quota policy and "bargaining" with foreign countries continued. M. Lamoureux pointed out (February 28th) that France is bound to foreign countries only by commercial treaties with very short terms of life, most of which might be denounced at a month's notice. He claimed that negotiations had been begun with 15 or 16 countries and that others would be opened in the near future and explained that he did not intend to abandon the policy of quotas, which had proved effective, but hoped that the policy would become more flexible. At the same time the Government obtained from Parliament plenary powers, until November 15th, 1934,¹ to modify the customs tariff, and this power was used to increase duties, which have been freed from the consolidation of the old treaties. The free hand in tariff matters has also been used to protect the mercantile marine and to relieve unemployment in the shipping and subsidiary industries, for this was the purpose of the general tariff increase of 4 per cent applied on August 16th, though with a long list of exemptions.

The Doumergue Government's disapproval of the quota system was voiced by the Minister of Finance, M. Germain-Martin, in the preamble to his Budget Bill in which he ascribed the virtual stoppage of French trade to general protectionism and predicted that high tariff barriers would lead to material ruin and the gradual disappearance of civilisation itself. The Government realised that their deflationary policy could be successful only if restrictions on trade were relaxed and they, therefore, advocated the abandonment of the doctrine of a "managed" economy

¹ This was later extended for another year.

in favour of the restoration of freer trade. Being convinced, furthermore, that the quota system, though adopted as a measure of defence, had actually intensified the depression, they began the task of removing the quotas and replacing them by higher duties which, they hoped, would be only temporary. Although this was done for a number of products during the autumn of 1934, the system continues in force practically without modification.

These expressions of official opinion, however, cannot be correctly interpreted except when associated with the monetary policy of the country. Like its predecessors, the National Government are determined to adhere to the gold standard, and commercial policy remains a matter of secondary importance. Since world conditions are such that high protection cannot be immediately discarded other means of stimulating trade are sought, notably trade with the colonies and with the other countries of the gold bloc. With this in mind "L'Ottawa Français" was organised and in October 1934 the General Commission of the gold bloc met at Brussels to discuss means of increasing trade between the five countries¹ concerned. It was agreed at this meeting that attempts would be made to increase trade between them by 10 per cent, but the difficulties standing in the way of France making concessions were clearly described by M. Lamoureux. He explained that so long as France is faced by fluctuating currencies it is in her interest to retain the quota system and that the necessity of protecting French agriculture is another great obstacle in the way of removing trade restrictions; the French Government were unable to increase the quota percentages in favour of certain countries because of her most-favoured-nation obligations and, therefore, the best she could do was to distribute the unused quotas² among the countries of the gold bloc. It is too early to calculate the effects of this collaboration on European trade, but the discussions

¹ France, Belgium, Holland, Switzerland and Italy.

² The practice of reserving 75 per cent of the quotas for bargaining purposes had resulted in large amounts never being allocated. In October 1934 these unused quotas were estimated to add up to about 50 million francs' worth of goods.

were not very encouraging, nor does the experience of the Little Entente nor that of Italy, Austria and Hungary, in attempting to increase trade among themselves, suggest that the gold bloc will meet with much success.

When M. Flandin became Prime Minister in November 1934, it was thought that serious steps would be taken towards the systematic, though gradual, removal of trade impediments, but these hopes have not been sustained. He repeatedly declared himself firmly opposed to the restrictive attitude of the State towards trade, he made a good beginning by removing the minimum price for wheat and re-creating the free market in that commodity, but the import restrictions have remained unaltered. Actually, the quota system is so closely bound up with monetary policy and with the protection of vital branches of the national production that it is as politically impossible for any Government to remove it as it would be for them to abandon the gold standard before such a move becomes inevitable. Meanwhile it is gaining a stronger and stronger hold over the minds of protectionists, as is well illustrated by the following quotation from the speech of M. Jean Achard at the French Agricultural Congress held at Blois in 1933 :

“ Experience proves two things : first, a customs duty without a quota, no matter how high it may be, affords no protection in the present state of prices and disorganised markets, for the market will be flooded at any price in order to secure payment in a stable currency and to unload stocks ; second, a quota without a duty also is not protective because it permits a foreign country to dump and overwhelm your market—moreover, it allows speculation by the enormous profits which may be realised when there is nothing to compensate the considerable spread between world and domestic prices. It is only when the customs duty and the quota are co-ordinated—the duty compensating for the whole spread between domestic and foreign prices, the quota proportioning the quantities importable to the exact needs with regard to domestic production and consumption—it is only when this double policy has been established for all products that we will be able to protect the French market. Only by this means will we find the basis for economic reconstruction.”¹

¹ Pp. 209-10 of the report of the Congress (my translation).

Import Quotas and Commercial Policy III

Probably M. Achard would be among the most surprised at the disastrous results which would follow upon the execution of his policy. We may hope that his wishes will never be realised and yet his is a point of view which finds expression with disturbing frequency in the press and in public discourses—and not only in France. His words bear witness to the growth of a seemingly harmless and temporary measure of agricultural protection into a cardinal feature of commercial policy within the short period of three years.

CHAPTER V

CONCLUSIONS

THE import quota system, as it exists generally throughout Europe to-day, is one of the most outstanding developments of the present economic depression and, like exchange control, clearing agreements, exchange equalisation accounts, etc., it represents a departure from the use of the conventional weapons of economic defence. It is not to be denied that a large increase of imports, particularly when combined with a loss of the export market, is a very real problem and presents the guardians of a nation's economic welfare with the necessity of finding some remedy. The fact that extraordinary measures have been adopted is evidence of the severity of the present situation and eloquent of the political and economic instability of the post-war world. Essentially the problem has been fairly similar for most countries but, naturally, the remedial measure chosen has not always been the same. Governments have embarked upon that policy which seemed best suited to their particular circumstances; thus the countries of the gold bloc have chosen high protection by means of increased tariffs and quotas, England, America, etc., have abandoned the gold standard, while Germany and many others have buttressed up their currencies by exercising a very severe control of all foreign dealings. Unfortunately, each of these methods has had serious repercussions on other countries: this has prevented the conclusion of international agreements and has given rise to the mutual recrimination which is now so common.

If quotas are an extraordinary measure, what are the more usual means of correcting an unfavourable balance of trade? There are three main schemes: tariffs, deflation

and devaluation. The first of these has been used freely by nearly every country but, as in the case of France, it has been considered insufficient and has been supplemented by more powerful measures. The second, very naturally, was not a practicable policy from 1929 to 1933 while a world-wide deflation was taking place—in fact, it was to offset the devastating effects of this deflation that the other methods were employed. The third has been chosen by a large part of the world but carefully avoided by the other part.

It may be said for deflation that, from the long-run point of view, it seems the soundest policy to pursue, for it serves the dual purpose of balancing payments and bringing the national price and income levels into line with those in the outside world. By raising bank rate and selling securities, the Central Bank can exert deflationary pressure on the industrial and financial community, thereby bringing about a reduction in wages and prices. Lower costs of production would enable exporters to offer their goods at a lower figure, thereby regaining a part of their lost trade, while the reduced buying power of wage earners would probably reduce the demand for imports; at the same time the fall in prices would diminish the advantage of foreign producers. In this way an improvement in the balance would be secured and gradually the country's former relative position in the world economy would be restored.

There are, however, certain forces operative in the modern world which render deflation extremely difficult. The greatest of these is the strength of organised labour which resists all reduction of earnings and thus prevents the desired lowering of production costs. If wages could not be lowered, unemployment would increase. While deflation thus causes unrest among the labouring class, it is likewise unpopular with the entrepreneur who finds it necessary to curtail production in his efforts to avoid losses. There is in addition the broader problem whether deflation is capable of operating quickly enough to serve as an emergency policy: apart from the difficulties of altering a

rigid cost structure, deflation necessarily takes considerable time to work itself out and for this reason, if for no other, some other means will probably be chosen for the work of correcting the adverse balance. In any case, even the most orthodox economic physicians would hardly propose deflation at a time when prices throughout the world were falling rapidly, for this would require that national prices should be reduced even faster than they were falling elsewhere.

When deflation is considered impracticable and tariffs inadequate, a common procedure is to abandon the gold standard. When an embargo is placed on gold exports, the exchange rate is free to fluctuate widely in accordance with supply and demand and speculative opinion, but it will tend to reflect the relation of domestic prices and incomes to those in other countries. The immediate effects of the depreciation will be in the relative cheapening of that country's goods, acting as an encouragement to exports and a deterrent to imports, and in the revaluation of external debts and loans (it may either increase or decrease the net indebtedness to foreign countries). Although there is no a priori reason for assuming that the total value of imports will decrease and the total value of exports will increase, experience shows that this is a legitimate expectation and that currency depreciation is, therefore, effective in stimulating production and reducing unemployment as well as in bringing about a balance of foreign payments.

Although these alternatives were open to France, it was fairly clear from the French point of view that some new instrument had to be found and consequently the present system of import restriction was devised. This policy, apparently, was based upon the belief that world prices would return to their former level and that the new measures would be required for only a short time until the crisis had passed. In order to avoid the strain of deflation it was decided to preserve the existing level of prices, while waiting for world conditions to return to normal, but this maintenance of high prices is dangerous in view of the general, and probably permanent, nature of the fall else-

where. It was not until the National Government was formed in February 1934 that an active policy of price reduction was adopted, but meanwhile the restrictions and the disparity between home and foreign prices had played havoc with foreign trade.

It might have been better, therefore, had France resigned herself to the necessity of financing a large surplus of imports for several years, trying at the same time to keep in step with the rest of the world economically. These imports could have been financed, for France held large balances in foreign financial centres. As shown in Table 13, they were used to some extent for this purpose, but at the same time they were being rapidly reduced by the flight from depreciating currencies and were being brought home in the form of gold. But the refusal of protection at a time of economic crisis can hardly be expected of a democratic government. It considers itself the guardian of the people's interest which, particularly in France, is understood to be the preservation of the *status quo* against all changes in the outside world. It might be a wiser policy in the long run, and ultimately more in the interest of the people, to discern in world movements those tendencies and changes which are likely to be permanent and to guide the national economy slowly along those paths, even though the process be painful. The other possible course, the abandonment of the gold standard, was no more attractive, as it would also lack the approval of the electors, for in the French mind are firmly fixed feelings of confidence in precious metals and distrust of paper money and governmental policies.

Thus the two alternatives were closed and the Government resorted to expedients which promised to aid the strong and essential elements in the community. It is, perhaps, unfortunate that this emergency protection could not have been given in the form of increased duties, for duties permit goods to flow if prices can be sufficiently altered, while quotas place definite limits upon competition. While tariffs interfere with, they do not destroy the price system, but quotas do not allow prices to function in

relating supply to demand. It is probable that foreign countries would have retaliated with higher duties, but these would have been less harmful to French exporters than the quotas have been and exporting industries would not have been discouraged in their attempts at cost reduction. It might have harmed world trade less had France denounced her commercial treaties and increased her tariffs. It must be recognised, however, that quotas afford much better protection than do tariffs against a flood of goods from countries with depreciating currencies, for when imports are limited to certain quantities, fluctuations in exchange rates have no influence upon them. It is easy to understand, therefore, why the system was extended so rapidly in 1932 and why its removal was made virtually impossible by the depreciation of the dollar in 1933.

There are probably few impartial observers in France who would claim that the quota system has been beneficial to the country as a whole; it has, no doubt, permitted farmers to secure a better price for their produce and has led to increased production in some industries, but, by and large, it is considered to be more trouble than it is worth. Having once been adopted, it is difficult to remove and the present economic difficulties of the country bring forth support for any measure which promises relief. It would probably be inaccurate to consider the leaders of successive governments as, in themselves, responsible for the continuance of this regime. It was begun by a high protectionist government by means of decrees and might be removed by the same means, but agriculture and industry are too powerful to permit this: they will not renounce the protection which they now enjoy and to which they have adjusted their activities.

While the Doumergue Government were in office the future of the system appeared to depend largely on the success of their deflationary efforts, for it seemed fairly certain that it would not be discarded until a considerable measure of price equilibrium had been secured. The policy of price reduction, which was then regarded with some degree of optimism, since the world deflation had come to

an end and since the depreciated currencies had been given more stability, was considered to be of vital importance, for the Government realised that the alternative was devaluation of the franc.¹ Devaluation, they considered, would produce an internal panic and would in any case be of uncertain advantage, because of the competition in currency depreciation which would ensue and the new tariffs and restrictions which would be raised against French exports; but their critics claimed that if the gold value of the franc was to be maintained prices had to come down and that prices could not be reduced in a regime of quotas, high tariffs and costly public works.

When M. Flandin became Prime Minister in November 1934 he was faced with a situation which was growing steadily worse: industrial activity was declining month after month and figures of unemployment were the highest ever recorded. He launched an economic recovery programme which was designed to stimulate confidence, bring about a trade revival and correct the Government finances; it is a programme which involves the cartellisation of many industries and certain reforms in the Bank of France designed to give it more control over the money market and to pave the way for more Government borrowing and an expansion of credit. These measures are generally regarded as the initial stage of a mild inflation, and as such appear to be an alternative path to recovery: M. Flandin, apparently, is impressed with the social dangers of both continued deflation and devaluation and has, therefore, chosen a scheme intended to stimulate recovery at home without regard to the external situation. Having adopted the slogan, "Deflation is over," he has abandoned all attempts to secure international equilibrium and is prepared, so far as we can judge, to retain high protection and even to adopt a strict control of all exchange dealings in his determination to defend the present gold value of the franc. That this is a stupendous task is shown by the

¹ Holland, Belgium, Switzerland and Italy also used high protection to enable them to retain the gold standard and later adopted a deflationary policy.

recent experience of Italy and Belgium : in each case the Government's deflationary programme placed a great strain on industry and led to a flight of capital, in each case exchange controls were established but finally the currency was allowed to depreciate.

The future of the quota system, therefore, remains extremely obscure, being very closely linked to the financial problems. The economic position of France has been rendered precarious by the depreciation of the pound and the dollar and with every fresh depreciation of these currencies the crash of the franc appears imminent. The authorities in Paris are always ready to discuss problems of currency stabilisation and it is probable that they would go a long way towards the removal of quotas in exchange for a satisfactory agreement on monetary questions. Failing an international convention along these lines, it is not impossible that the quotas will become a permanent weapon in the nation's trade armoury.

So much for France, but the quota system, it will be recognised, has an importance for the world as a whole by reason of its position in the changing commercial policy of many countries. France was not the only country which was faced with an unbalanced budget, an unfavourable trade balance, a flood of imports and declining exports and unemployment. Other countries were also striving to put their own affairs in order and to protect themselves against the evil effects of the depression which seemed, to each of them, to be descending upon it from abroad. As each new restriction was announced by the French Government the adverse effect which it would have upon their industries and trade could be readily seen by foreign countries and numerous were the complaints and demands for reprisals which ensued.

A quota system on such a broad scale was something quite new in customs legislation and set a precedent which other countries could very easily follow. It is difficult to distinguish those measures which are direct reprisals, but it is possible that quotas would never have been adopted on such a large scale had they not been introduced by France.

Since France established the system in July 1931 the policy of restricting imports quantitatively, either openly by quotas or by means of licences, has been put into practice in many countries.¹ Thus the system, begun by France, has spread throughout the continent and has affected the commercial policy of many nations. Unfortunately, its harmful effects are not confined to the country using it and it has, therefore, become a matter of world-wide importance. As one critic has said:² "Prétendre que nous aurons ainsi une base de discussion et une matière de concession pour les pourparlers futurs, c'est négliger le présent et le cascade des contingentements qui se répètent dans presque tous les pays même libéraux. . . . Car, dans ces sortes de querelles, personne n'a jamais commencé et le dernier mot risque de ne jamais être dit."

It has been observed that no accurate estimate of the effects of import quotas can be made, owing to the numerous factors which have shaped the course of events in these momentous years. In certain cases they may have served

¹ It was first adopted by	Brazil	in Oct. 1931.
	" Latvia	" " "
	" Denmark	" Nov. "
	" Estonia	" " "
	" Turkey	" " "
	" Holland	" Dec. "
	" Italy	" " "
	" Japan	" " "
	" Poland	" " "
	" Spain	" " "
	" Switzerland	" " "
	" Czechoslovakia	" Jan. 1932.
	" Hungary	" " "
	" Persia	" Feb. "
	" Portugal	" " "
	" Belgium	" Mar. "
	" Austria	" April "
	" Australia	" May "
	" Greece	" " "
	" Roumania	" Nov. "
	" Lithuania	" Dec. "
	" United Kingdom	" Jan. 1933.
	" Bulgaria	" Feb. "
	" India	" Jan. 1934.
	" United States	" " "
	" Germany	" " "
	" British Colonies	" Aug. "

² M. Boyer, *op. cit.*

their purpose in defending individual currencies and national price levels, but it is probable that these objects could have been attained by less harmful measures. The indications are that the results are largely negative: they have produced only meagre benefits and have been attended by so many inconveniences and administrative difficulties as to warrant their removal. Yet there is little likelihood of this occurring in the near future for, as with other measures of trade restriction, no one country will give them up so long as others employ them and, furthermore, industry and trade become adapted to them and resist a change of policy. It is their influence upon commercial policy and the impetus they have given to the pervasion of nationalism in economic affairs, which are the effects of greatest significance.

European commercial policy has undergone a radical transformation in recent years. Not long ago most countries were willing to consolidate their customs duties in treaties and hope for the best: they asked only that they should receive as fair treatment as any other country. Now there is general insistence upon balanced trade with each and every nation and commercial agreements are negotiated with that end in view. Many recent treaties between European countries contain provision for the sale of certain goods in exchange for others and also fix definite quotas for many articles. Quotas instead of tariffs are now being consolidated in treaties and several countries have stated their intention of using them as a permanent basis of negotiation. Were this policy confined to the exchange of goods, its results would be sufficiently lamentable, but unfortunately certain countries are attempting to bargain the payment of interest on previously-contracted external debts against quota concessions.

The principle of reciprocity replaces the most-favoured-nation clause which had been generally used for many decades. The overthrow of the clause seems inevitable at a time of extreme protectionism, for a nation which insists upon such treatment frequently becomes the least favoured. When associated with quantitative restriction, reciprocity

leads to barter, a form of international trading which has appeared many times in recent years. When combined with the policy of balancing trade with each country, reciprocity destroys the possibility of triangular trade equilibrium.

Recent tendencies towards State control of industry and national planning schemes involve careful planning of foreign trade on protectionist lines. They suggest the establishment of clearing houses for imports and exports as an essential part of a system for maintaining a stable industrial structure. The planning of foreign trade in this manner is a logical development of the quota system and may be the outcome unless some unforeseen events alter policy in the direction of liberalism. For the present the new philosophy of autarchy, or national self-sufficiency, seems to guide the moulders of policy in many countries and threatens to preclude the possibility of a return to more liberal principles in the near future.

Thus the immediate outlook for a revival of trade between nations is not bright. As industry in each country becomes better adapted to the new order, change of policy becomes more difficult: foreign competition becomes less serious and producers think less of foreign markets as an outlet for their goods. In all probability international trade will play a minor rôle in the next decade and this would make impossible a resumption of foreign lending on a large scale. In the long run capital can be transferred from one country to another only through the flow of merchandise, but the precise balancing of trade does not permit this. Foreign loans, themselves, may very easily be made subject to agreements between governments and be closely associated with the contractual exchange of goods. The examples of recent agreements, given throughout this book, illustrate the new commercial relations between countries: compared with the old most-favoured-nation treaties, they are extremely complicated, dealing very largely with the regulation of quotas and other abnormal restrictions of varied description, which have been superimposed on the tariff structure. Thus, in these five years of economic depression,

commercial policy has been radically and, it would seem, permanently altered and in this evolution from a comparatively liberal era to one of intense nationalism the import quota has played a leading part.

APPENDIX

Details of French Quota Restrictions.

The decrees given on the following pages do not make a complete list, but they include all the important articles which have been subjected to quota restrictions. Although the list is divided into two parts called "Agricultural Goods" and "Industrial Goods" it will be noticed that each part includes certain raw materials. It must be remembered that not all the goods classified under the headings which appear, such as wood and glassware, are restricted in this way. Unless otherwise stated, the quotas are arranged on a quarterly basis.

The outstanding features of this list are the fact that licences are now required for most agricultural goods, but not for industrial goods, and the fact that most of the latter were not restricted until arrangements had been made with one or more foreign countries (usually Germany).

*Glossary of Symbols.*¹

- L. Licence required for importation.
- Q. Quota fixed, i.e. quantities importable are announced.
- C.Q. Customs Quota.
- D. Division of the quota among countries.
- pD. Partial Division, i.e. a part of the quota is reserved for one or more countries.
- C.H. The quota is divided into quantities importable through various Customs Houses.
- eA. The quota does not apply to Algeria.
- N.E. Arrangements have been made for the admission of goods in excess of the quota when considered to be in the interests of the National Economy.
- a. An annual quota.
- m. A monthly quota.
- 10d. A 10-daily quota.
- C.G. Arrangements have been made for distribution of export certificates to German exporters.
- C.G.B. Similar arrangements have been made in Great Britain.

¹ These terms have been discussed in Chapter I.

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AGRICULTURAL GOODS

Date of Decree.	Commodity.	Details of Original Announcement.	Subsequent Arrangements.
5 May 1931	Fertilisers	L.	
10 July "	Coal (and other fuel)	L., m.	D., Q.
17 " "	Flax	Q., a.	L.
27 Aug. "	Wood	Q., pD.	L., N.E., eA., D.
	Wine	Q., pD.	L., D.
30 Sept. "	Cattle	Q.	L., D.
	Meat	Q.	L., D.
	Butter	Q.	L., D.
8 Oct. "	Hops	C.Q., L.	
21 Oct. "	Fish	Q., D.	L. (for pre- served fish only)
10 Nov. "	Poultry	Q., pD.	L., D.
	Eggs	Q., pD.	L., D.
19 " "	Milk	Q.	L., D.
	Cheese	Q.	L., D.
20 " "	Flowers	Q., rod.	L., D.
5 Dec. "	Sugar	Q., L., a.	
4 Feb. 1932	Preserved Vegetables	Q., L.	D.
26 March "	Horses and sheep	Q., L.	D.
8 July "	Fresh potatoes	Q., D., C.H., m., L.	
	Fresh vegetables	Q., D., C.H., m.	L. *
	Fresh fruit	Q., D., C.H., m.	L. *
16 Sept. "	Barley and bran	Q., D., L.	
14 Oct. "	Shrubs and plants	Q., L.	
16 " "	Chestnuts	Q., L., rod.	
26 " "	Malt	Q., D., L.	
19 Nov. "	Coffee	Q., D., L.	
8 March 1933	Maize	Q., L.	
27 April "	Honey	Q., L.	
26 Aug. "	Oats, rye and buckwheat	Q., L.	
28 Dec. "	Animal and vegetable oils and fats	Q., L.	

* Arrangements were made with certain countries for the distribution of export certificates. Goods from other countries could be imported only under licence.

Appendix : Details of Quota Restrictions 125

INDUSTRIAL GOODS

Date of Decree.	Commodity.	Details of Original Announcement.	Subsequent Arrangements.*
7 Jan. 1932	Toys and games Sheet iron and steel Wireless apparatus	Q., pD., C.G. Q., D. Q., D.	D., N.E. L. (for U.S.A. only)
19 " "	Agricultural implements	Q., D., m.	N.E., C.
26 " "	Electrical material Household wares	Q., D., C.G. eA. Q., D., C.G. (and Czechoslovakia)	
8 Feb. "	Furniture	Q., D., C.G.	C., G.B.
15 " "	Leather goods	Q., D., C.G.	
16 March "	Machines	Q., D., C.G.	N.E., C.G.B.
	Tools	Q., D., C.G.	N.E.
17 " "	Glassware	Q., D., C.G.	N.E., eA.
	Electrical material	Q., D., C.G., eA.	N.E.
26 " "	Iron and steel	Q., D., C. (Belgium)	N.E.
	Cotton yarns and fabrics	Q., D.	
	Clothing	Q., D.	C.G.B.
	Paper	Q., D., C.G. (and Belgium)	
	Felt hats	Q., D.	
31 " "	Stoves	Q., D., C.G.	
1 April "	Stockings and socks	Q., D., C.G.	
23 " "	Photographic films	Q., D., C.G.	
	Scientific instruments	Q., D., C.G. eA.	N.E.
20 May "	Knitting machines	Q., D.	N.E.
27 " "	Glass	Q., D., C.G. (and Belgium and Czechoslovakia)	L.
30 " "	China Clay	Q., D.	N.E., C.G.B.
	Footwear	Q., D.	
	Jewellery	Q., D.	N.E.
30 Dec. 1933	Many additional goods of the above categories	Q., D., L.	
14 March 1934	Aluminium, copper, zinc, lead, nickel, silk socks and stockings, agricul- tural machinery, typewriters, electric cables, bicycles, rub- ber goods	Q., L.	—
29 Dec. 1934	Musical instruments	Q., L.	

* Arrangements for the distribution of export certificates were made with various countries, but only some of those with Great Britain are given here.

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