ALTHOUGH I have been asked to discuss trade policy affecting agricultural products, a large part of my paper will deal with trade policy in general. This is not fortuitous. I regard it as necessary in order to present the complete picture, because such policies are generally formulated on a broad basis, affecting all commodities entering trade. They have indeed still wider implications, being tied to fiscal and other economic policies. I shall, however, draw my illustrations from the field assigned to me and refer to the recent major developments in world trade affecting agricultural products.

Major obstacles in the way of an expansion of international trade, in agricultural commodities as much as in any other industry grouping, continue to be the financial difficulties confronting many countries. As a large part of the world's wealth, including surplus food and agricultural products, is concentrated in the North American continent, problems of distribution and payment have arisen which have been intensified in recent years. There has been a shift of economic strength and production which has been accompanied by a movement of world trade in increasing proportions to North America. The aftermath of war accelerated this changing pattern.

In 1938 the United States and Canada accounted for 16 per cent. of world trade (exports plus imports). In 1951 they contributed 23 per cent. of the total. In the same period western Europe, excluding the United Kingdom, dropped from 36 per cent. to 29 per cent. Comparable figures for the sterling area are 28 per cent. and 26 per cent.

Out of total world exports in 1938 the United States and Canada contributed 20 per cent. In 1951 the proportion had increased to 25 percent. Western Europe, on the other hand, dropped from 35 per cent. to 27 per cent. while the sterling area held its proportion at 25 per cent. The sterling area position has been, however, adversely affected by the loss of overseas investments, which had provided foreign exchange.

A comparison of the overall value of merchandise trade between 1949 and 1951 shows a significant improvement in balance except for
Recent Developments in International Trade Policy

the sterling area. Between 1949 and 1951 the U.S.-Canada export surplus fell from 4.7 billion dollars to 2.4 billion dollars. In the same period the western Europe import surplus was reduced from 4.9

**World Trade***

<table>
<thead>
<tr>
<th></th>
<th>1938</th>
<th></th>
<th>1949</th>
<th></th>
<th>1951</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>Proportion</td>
<td>Value</td>
<td>Proportion</td>
<td>Value</td>
<td>Proportion</td>
</tr>
<tr>
<td></td>
<td>$U.S.</td>
<td>per cent.</td>
<td>$U.S.</td>
<td>per cent.</td>
<td>$U.S.</td>
<td>per cent.</td>
</tr>
<tr>
<td><strong>Exports (f.o.b.)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>20,486</td>
<td>100</td>
<td>54,697</td>
<td>100</td>
<td>76,205</td>
<td>100</td>
</tr>
<tr>
<td>United States</td>
<td>4,033</td>
<td>20</td>
<td>15,155</td>
<td>28</td>
<td>19,083</td>
<td>25</td>
</tr>
<tr>
<td>Canada</td>
<td>5,101</td>
<td>25</td>
<td>14,605</td>
<td>27</td>
<td>14,949</td>
<td>25</td>
</tr>
<tr>
<td>Sterling area</td>
<td>7,237</td>
<td>35</td>
<td>13,800</td>
<td>25</td>
<td>20,212</td>
<td>27</td>
</tr>
<tr>
<td>Other America</td>
<td>1,705</td>
<td>8</td>
<td>5,808</td>
<td>10</td>
<td>8,522</td>
<td>12</td>
</tr>
<tr>
<td>Other areas</td>
<td>2,410</td>
<td>12</td>
<td>5,329</td>
<td>10</td>
<td>8,100</td>
<td>11</td>
</tr>
<tr>
<td><strong>Imports (c.i.f.)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,015</td>
<td>100</td>
<td>59,454</td>
<td>100</td>
<td>81,580</td>
<td>100</td>
</tr>
<tr>
<td>United States</td>
<td>2,990</td>
<td>13</td>
<td>10,463</td>
<td>18</td>
<td>16,679</td>
<td>20</td>
</tr>
<tr>
<td>Canada</td>
<td>7,310</td>
<td>32</td>
<td>17,694</td>
<td>30</td>
<td>22,486</td>
<td>28</td>
</tr>
<tr>
<td>Sterling area</td>
<td>8,494</td>
<td>37</td>
<td>18,728</td>
<td>31</td>
<td>24,413</td>
<td>30</td>
</tr>
<tr>
<td>Other America</td>
<td>1,646</td>
<td>7</td>
<td>5,610</td>
<td>9</td>
<td>8,562</td>
<td>11</td>
</tr>
<tr>
<td>Other areas</td>
<td>2,575</td>
<td>11</td>
<td>6,959</td>
<td>12</td>
<td>8,833</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total trade (exports plus imports)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>43,501</td>
<td>100</td>
<td>114,151</td>
<td>100</td>
<td>157,785</td>
<td>100</td>
</tr>
<tr>
<td>United States</td>
<td>7,023</td>
<td>16</td>
<td>25,618</td>
<td>22</td>
<td>33,762</td>
<td>23</td>
</tr>
<tr>
<td>Canada</td>
<td>12,411</td>
<td>28</td>
<td>32,299</td>
<td>28</td>
<td>41,435</td>
<td>26</td>
</tr>
<tr>
<td>Sterling area</td>
<td>15,731</td>
<td>36</td>
<td>33,258</td>
<td>29</td>
<td>45,325</td>
<td>29</td>
</tr>
<tr>
<td>Other America</td>
<td>3,351</td>
<td>8</td>
<td>11,418</td>
<td>10</td>
<td>17,184</td>
<td>11</td>
</tr>
<tr>
<td>Other areas</td>
<td>4,985</td>
<td>12</td>
<td>12,288</td>
<td>11</td>
<td>17,933</td>
<td>11</td>
</tr>
</tbody>
</table>

* Excluding U.S.S.R., Czechoslovakia, Romania, Bulgaria, Poland, China (Mainland), and other countries for which trade data are incomplete.

Includes as far as possible trade in all physical items except gold.

Sources: International Monetary Fund: International Financial Statistics, April and June 1952.

billion dollars to 3.5 billion dollars, but for the whole sterling area the import surplus increased from 3.1 billion to 3.5 billion dollars. Although the pattern is improving a lack of balance persists between the North American position and the rest of the Western
world. While it persists trade is stymied by quantitative import and exchange restrictions and currencies remain inconvertible.

The solution on paper is easy. Simply add 4 billion dollars to the North American import side of the ledger and increase western Europe and the sterling area exports by the same amount. The solution in the world of stern reality is difficult but not impossible if the barriers to trade are not raised. If they could be dropped, even part way, the possibilities for overcoming these difficulties would be great. The main element in the solution of these difficulties must be for us in North America to widen the opportunities to the free nations to trade with us. But this is by no means the whole story. In overseas countries the inflationary conditions generally have made it impossible for them to export in sufficient volume to pay their way.

There is today a growing understanding of the relationship between internal inflation and disequilibrium in external payments. With the new understanding there may be a fresh approach to a solution of the exchange difficulties confronting the Western world. Too often in past years there has been a tendency for countries to look outward to find the causes of economic dislocation and the cures for it. A look inward may come closer to finding the roots of the difficulties. In January 1952 the Conference of the Commonwealth Finance Ministers issued a communiqué from London on the sterling area. The communiqué said in effect that a crisis had arisen because the sterling area as a whole was spending more than it was earning and its gold and dollar reserves had been falling at a rapid rate. It was stated that full convertibility of sterling was the objective. The communiqué went on to say that the Ministers were convinced that convertibility could not be obtained by negative and restrictive methods alone or by cuts in imports from certain parts of the world. ‘The first and most important step’, the Ministers stated, ‘is to ensure that the internal economy is sound and that all possible measures are taken to combat inflation. This is not only essential for an improvement in the balance of payments but it will also help to keep down the cost of living. Another important requirement is to increase exports and earning power.’

During the last seven years countries of western Europe have been working under tremendous handicaps, brought about by the devastations of war, to solve their trade difficulties. They have been striving to restore a balance between their spendings and their earnings and at the same time maintain a reasonable standard of living for their citizens. In other parts of the world, particularly in the under-developed countries, recent developments in international
Recent Developments in International Trade Policy

Recent Developments in International Trade Policy

co-operation reflect an attempt to achieve more balanced economies among the free nations of the world in agricultural products as well as industrial production.

Short-run balancing measures in the early post-war period to supply real needs in food and agricultural products and other essentials were provided as outright gifts through U.N.R.R.A. and comparable agencies. The European Recovery Programme followed. E.R.P. was intended to prime the industrial pump, get the wheels turning again in western Europe, and restore viability. Food and agricultural products made up approximately 52 per cent. of the generous aid provided by the United States. Another step in the reconstruction programme was a number of long-term loans at low-interest rates by the United States and Canada to western European and other countries. A fourth step in the balancing process was an attempt to lower and remove barriers to trade through international collaboration and negotiation.

The International Trade Organization. Using as a basic document Proposals for Expansion of World Trade and Employment, which was developed by a technical staff within the Government of the United States, a number of countries collaborated in London in 1946, in Geneva in 1947, and in Havana in 1948 to establish an International Trade Organization. The Havana Charter under which I.T.O. was to be established is a constitution of principles governing broad economic relationships among countries. The Charter has not been ratified by the Governments represented at Havana. The United States which had taken the lead in sponsoring an international trade organization announced officially in December 1950 that a bill would not be introduced into Congress for ratification of the Havana Charter. Without United States participation other countries are not prepared to proceed with the establishment of an International Trade Organization. The Charter therefore does not have the force of law in international affairs but it will continue to be a basic document.

Chapter VI of the Havana Charter, which deals with International Commodity Arrangements, is kept alive through the existence of the Interim Co-ordinating Committee for International Commodity Arrangements established under the authority of the Economic and Social Council of the United Nations. A resolution of the Council dated September 13, 1951, directs Members of the United Nations to continue to accept the principles of Chapter VI of the Havana Charter for an International Trade Organization as a general guide in inter-governmental consultation or action with respect to commodity
problems. The Charter recognizes that problems connected with primary commodities are of a special nature which do not apply to manufactured goods. Since agricultural commodities are produced by large numbers of unorganized small producers, an international commodity agreement is regarded as an appropriate way to safeguard the farmer against disastrous price declines which frequently arise from over-production.

Probably the most interesting development in present-day thinking and planning of commodity control agreements is their multilateral character. The Charter lays down the principle that any country which considers itself interested in a commodity agreement relative to a particular product may attend any conference called to consider it and be represented in the parties to the commodity agreement as an exporting or importing country. Another important principle is that the importing or consuming countries will have a voice and voting power equal to that of the producing or exporting countries in all decisions regarding price and the international allocation of supplies.

Within the Charter it is intended that private enterprise, through producers’ or trade organizations if appropriate, but independent of government, should play its full part in international trade until such time as burdensome surpluses exist or are imminent. It is recognized that the problems and difficulties then become too large for non-governmental agencies to handle effectively. Provision is made for international negotiation, and procedures are outlined for participation by interested exporting and importing countries in planning for the organized disposal of the surplus.

Chapter V of the Charter which deals with Restrictive Business Practices has formed the basis for international discussion in this field in recent months. Chapter III which contains the commercial provisions and is the very heart of the Charter is incorporated in the General Agreement on Tariffs and Trade.

The General Agreement on Tariffs and Trade. The establishment of the General Agreement on Tariffs and Trade marks the most significant and important development in the field of international trade policy in recent years. This development is significant because it has now passed through a testing period of over four and one-half years of provisional application. It is important because of its wide acceptance, its accomplishments to date, and because of the increasing recognition which it is receiving from Governments and the public. Thirty-five countries which contribute over 80 per cent. of the world trade are contracting parties to the General Agreement. Since its establish-
Recent Developments in International Trade Policy

Recent Developments in International Trade Policy

Since the establishment of the General Agreement on Tariffs and Trade at Geneva in 1947 there have been three rounds of tariff negotiations under it which involved a reduction or a binding against increase of rates of duty on more than 55,000 tariff items. In the forum of the Joint Meeting of Contracting Parties to the General Agreement which has held six sessions to date, the last in Geneva in September 1951, difficult problems in the field of commercial relations have been discussed frankly and in many cases resolved. The Seventh Session of the Contracting Parties is scheduled to take place in Geneva in October 1952.

The General Agreement represents a long-term effort to restore trade on a multilateral basis with freely convertible currencies as contrasted with bilateral and barter deals and other special trading arrangements of a discriminatory nature. Under a multilateral world trading system commercial considerations govern the conditions of trade and price is determined on a competitive basis. Under such a system there is a minimum of government subsidization of exports and buyers can import freely without encountering restrictive quotas and licences. The General Agreement comprises the international code of law under which the principal trading nations have agreed to conduct their commercial relations. As contracting parties to the Agreement, countries have undertaken serious and important obligations which have a direct effect on foreign agricultural trade relations and in turn reflect on domestic farm policy.

A basic principle of the General Agreement on Tariffs and Trade is that the customs tariff is recognized as a legitimate form of protection to producers and is to be the only form of protection against imports. Customs tariffs, however, are subject to reduction and elimination through negotiation and the granting and receiving of compensatory or balancing concessions. The principle of most-favoured-nation treatment applies whereby, with the exception of existing preferential rates, the most favourable tariff rate granted to any country is generalized and extended to all parties to the General Agreement. The principle of non-discrimination applies to preferential rates of duty. A ceiling is placed on existing preferences. No new preferences are to be established and no existing preferences may be increased, but their reduction can be negotiated in exchange for tariff concessions. After importers have paid the customs duty the principle of 'national treatment' must apply. That means that imports shall not be subject to internal taxes or internal charges of any kind in excess of those applied to like domestic products.

*Export subsidies.* The General Agreement has something to say about export subsidies. These arise when government payments enter
into the prices received from the sale of the exported products. The test for an export subsidy is the comparative level of domestic and export prices for the commodity. A government payment which reduces the export price below the domestic level constitutes an export subsidy.

The General Agreement does not put a ban on the use of production and export subsidies, but members are required to report regularly to the Contracting Parties on the nature and use of subsidies if they stimulate exports or limit imports. If a member country feels that its trade is being seriously injured by the export subsidy programme of another member, the injured member has a right to complain to the Contracting Parties and seek redress. Subsidies in themselves are not regarded as malicious, but if used to acquire more than a fair share of the world market their use can be disrupting to the trade of others. An importing country receiving subsidized goods can protect its producers by countervailing duties which offset the amount of the subsidy, but if the product is non-competitive its cheapness is usually welcomed. It is the exporting country of like unsubsidized products that suffers from the export subsidy. A country with a relatively small export surplus in relation to national income can afford to subsidize and push the other fellow out of a traditional market. This may have damaging effects to the export trade of the country which is dependent on exports for a large share of its national income.

When the export subsidy is used to direct surpluses at special prices into needy countries which cannot afford to pay competitive prices or into countries which have not been traditional users of the products, it can assist in clearing the market of burdensome surpluses without harmful effects to the trade of others. However, once started, export subsidy programmes are difficult to confine.

*Import and export restrictions.* The Geneva Agreement contains the general obligation that contracting parties shall not use quantitative restrictions to regulate imports or exports. Government measures which restrict by absolute quotas the quantities of commodities which are allowed to be imported into or exported from a country, are recognized as the most damaging forms of restraint on international commerce. To the extent that they are used, quantitative restrictions defeat the purpose of the Agreement. Contracting parties agree to the general elimination of quantitative restrictions on imports and exports and thereby undertake to support what has been regarded as the most important single principle contained in the Agreement. The contracting parties, in drawing
Recent Developments in International Trade Policy

up the Agreement, recognized that it would be very difficult to apply the rule of 'No Q.R.s' without exception in the case of agricultural and fisheries products, the supply of which is dependent on weather and other uncontrollable factors. Contracting parties are therefore permitted an escape from the general principle of 'No Q.R.s' when applied to the import of such products if associated with production control or a surplus disposal programme.

A major exception to the blanket prohibition against the use of export and import restrictions relates to a member country which is in balance of payments difficulties. Import restrictions may be used to halt or forestall a serious decline in monetary reserves. In establishing import restrictions the contracting party in difficulties has the right to discriminate between products and under certain conditions between other contracting parties. Close consultation with the contracting parties is required when any new quantitative restrictions are applied or existing restrictions intensified. The use and misuse of quantitative import restrictions has been a subject of discussion in every session of the contracting parties.

In formulating this broad escape clause it was generally assumed that countries would pursue domestic economic and financial policies which in the long run would be consistent with the achievement and maintenance of equilibrium in their external payments. Of course it was recognized that in the immediate post-war years of reconstruction pressure on limited resources would be such that many countries would be in balance of payments difficulties and as a consequence there would be widespread use of quantitative restrictions during the transitional period. At the same time there was the expectation that by 1952 trade restrictions arising out of payments difficulties would be the exception rather than the rule.

As things turned out almost all countries are today in balance of payments difficulties and resorting to both exchange and trade restrictions in spite of the fact that production and trade in most countries are well above the pre-war levels. More recent explanations of the persistence of these payments difficulties stress the inflationary conditions which have prevailed in many countries and the failure to adjust domestic economic policies to conform with the requirement of external equilibrium. The recent emphasis on more stringent domestic monetary and budgetary policies in a number of overseas countries arises out of the clearer recognition of the close relationship between domestic equilibrium and external balance.

For example, the Netherlands, by vigorous and determined action, has restored a balance between receipts and payments with the out-
side world. This balance was achieved by a return to more traditional monetary and fiscal policies. In April 1951 the bank-loan rate was raised to 4 per cent. to discourage borrowing. Bond interest rates were allowed to rise to encourage saving. Credit was restricted. The volume of investment was compressed. Sixty per cent. of the food subsidies were abolished and only one-half of the increase in the cost of living was offset by an increase in wages. Taxes were increased. There was a closer scrutiny of the budgets of the local authorities with a view to retrenchments. A determined export drive took advantage of a strong market in 1951. The Netherlands started the year 1951 with a heavy import surplus; the year ended with a small credit balance in the current payments account with the outside world. All this was done without resorting to extensive import or exchange restrictions. From the beginning of March 1952 trade liberalization under the O.E.E.C. rules was extended from 71 to 75 per cent.

This type of approach to the problems of internal and external balance, as I said before, has received a great deal of attention recently. In the conclusion of the Report of the Bank for International Settlements, published June 1952, this relevant statement is made, ‘a number of countries which had succeeded in putting their own houses in order have suddenly found that most of their balance-of-payments difficulties have disappeared as if of their own accord’.

State trading. Within certain limits the General Agreement gives recognition to the operations of State trading enterprises. If the Government of a country engages in purchasing and selling commodities in a commercial way, or grants to any enterprise exclusive or special privileges to purchase and sell commodities which involve external trade, such operations are recognized in the General Agreement as State trading. The Agreement obligations place the State trading member of G.A.T.T. on a parallel with the private enterprise member with respect to purchases and sales involving imports and exports, and with respect to the protection the State enterprise may afford to domestic producers.

A number of European countries purchase their grain and many other commodities through State monopolies. In the pre-war days they were able to buy grain at a relatively low world price and sell it in their domestic markets at a considerably higher price. With the profits thus realized these countries subsidized domestic producers and stimulated uneconomic production. Such activities aggravated the situation for producing countries which were burdened with surplus grain. In some of the countries the State monopoly exercised
control over imports by increasing the sales price by means of a monopoly fee. These operations afforded increased protection to domestic producers and made the customs tariff meaningless.

At Geneva, Annecy, and Torquay, Canada negotiated concessions on wheat with Benelux, France, Norway, Italy, Denmark, and the Republic of Germany. Since these countries import wheat through State monopolies a concession in the tariff rate proper would not have much value for exporting countries. Accordingly the agreements concluded with these countries placed a limitation on the margin between the landed cost and the selling price of imported wheat. This margin is made up of a customs tariff and a monopoly fee.

The negotiation of an import monopoly margin is an entirely new development in tariff and trade negotiations. This approach to reducing trade barriers which arises from State trading operations is still in its experimental stages. It is an attempt to safeguard exporting countries against a repetition of the wheat battle of the thirties when the monopoly margins levied on imported wheat were as high as 100 to 200 per cent. of the landed cost. The negotiated agreements are designed to limit the protection afforded to producers in State trading countries, and at the same time permit them to carry out their stabilization programmes within defined limits.

The International Wheat Agreement. In the development of international trade policies affecting agricultural products and producers there is a very important and practical problem under consideration at the present time. I refer to studies by working groups and discussions on a new International Wheat Agreement. The present Agreement, which terminates 31 July, 1953, is an attempt to stabilize wheat prices by international agreement within a fixed price range of $1.80 per bushel maximum and $1.20 minimum over a four-year period. The view is held, and expressed most loudly at the present time by exporting countries, that the rigidity of the price structure in the Agreement is unrealistic. Various proposals for a new price formula in the Agreement are now being studied. One suggestion is to link the wheat agreement price to an international commodity price index in the nature of a parity formula. A weakness of this plan is that it introduces a new negotiation. Before the actual wheat agreement prices are negotiated members must agree on the composition and base period for the international price index.

When the wheat tariff agreements were negotiated at Geneva in 1947 certain importing countries agreed to the principle of a maximum margin between the average landed cost of imported wheat in the previous crop year and the selling price of imported wheat in
the current crop year. But they said, ‘In the event of a drastic decline in the price of wheat on world markets we cannot follow prices down and maintain our price stabilization programmes.’ The exporting countries which included Canada and the United States recognized this difficulty for the European countries and agreed to a compromise solution. It was agreed, and this is written into the tariff schedules, that in the event of a drastic decline in the world price of wheat, importing countries would not be required in any year to reduce the selling price of imported wheat by more than 20 per cent. of the average selling price of the previous crop year. Importing countries agreed to adjust their internal wheat price downward by graduated steps of 20 per cent. from one crop year to the next until it comes into line with world wheat prices.

Experience gained in the wheat tariff agreement negotiations suggests a price formula for a new International Wheat Agreement which I should like to put forward for discussion. Maximum and minimum prices would be established for each crop year at a fixed percentage negotiated for the full term of the Agreement (say 15 per cent.) above and below the average price of the previous year. In order to maintain continuity with the present wheat agreement the base for the first year would be the average price established in the last year of the existing Agreement.

The plan envisaged would provide flexibility by permitting the agreement price to move upward and downward by graduated steps and thus balance the obligations and risks taken by importing and exporting countries. Under the plan there would be no absolute floor or absolute ceiling during the term of the Agreement and its operation would interfere as little as possible with the market mechanism. The whole purpose of the arrangement would be to cushion the shock to producers and consumers against extreme fluctuations in price. The wheat price would move independently of the prices of other commodities and it would be set automatically at the beginning of each crop year. In all other respects the major provisions of the existing International Wheat Agreement would be continued. In putting forward a new Wheat Agreement price formula for discussion here, I want to make it clear that the proposal is entirely personal and has no official status.

The General Agreement and the International Wheat Agreement. Before concluding my observations on the Wheat Agreement I would like to discuss the relationship between the General Agreement on Tariffs and Trade and the Wheat Agreement. The International Wheat Agreement was negotiated quite apart from the General Agreement...
Recent Developments in International Trade Policy

Agreement. Nevertheless, the Wheat Agreement fits into the framework of the General Agreement and is strengthened thereby. The same Governments have contractual obligations under each Agreement and there appear to be no inconsistencies between their operative provisions. Under the Wheat Agreement there is no limitation on the amount of customs duty or monopoly fee which the importing country may impose on the imported wheat. Its articles do not provide for any limitation on quantitative restrictions in the form of mixing regulations. The Wheat Agreement has a terminating date, 31 July 1953, before which quantities and prices must be re-negotiated if the Agreement is to continue in force. It is quite clear, therefore, that the International Wheat Agreement does not attempt to deal with the protective aspects of international trade in wheat. The General Agreement, on the other hand, makes provision for dealing with this important phase of the problem. In this sense the two agreements complement one another.

Other Recent Developments

Other recent developments in international trade policy affecting agricultural products include the activities of the Organization for European Economic Co-operation which is working to achieve a greater degree of sufficiency in European agriculture. The European Economic Commission has been endeavouring to foster east-west trade in agricultural products. The European Green Pool plan envisages a higher degree of agricultural integration among certain European countries.

The Cheese Amendment. A most disturbing development in international trade is the unfortunate evidence that there may be signs of growing protectionism in the United States. The action by the United States Congress in placing cheese and other dairy products under quantitative import restrictions has caused a great deal of concern in many countries. This action violates the terms of the General Agreement on Tariffs and Trade as the circumstances permitting such an escape from agreement obligations do not exist. It is unfortunate that a country which has led the way since 1934 in the reduction of trade barriers through its Reciprocal Trade Agreements Programme should by this untimely action tend to undermine confidence in the General Agreement and invite retaliatory action by affected countries. Actions and reactions of this sort cannot help but damage world trade as a whole.

Tariff concessions are made with the conscious understanding that imports will be increased. Overriding this possibility, however, is a
consideration of the principle of the greatest good to the greatest number through the exchange of concessions in the home tariff for mutually advantageous concessions in a foreign market. The tariff concessions on cheese imports into the United States had been negotiated and paid for by a number of foreign countries. The United States entered into a serious obligation under G.A.T.T. to respect its schedule of negotiated concessions. Under G.A.T.T. the tariff concession was to stand firm until 1 January 1954, when it would be subject to review and modification through negotiation. The Congress of the United States appears to have ignored this international commitment and has imposed damaging limitations on imports of cheese and other dairy products. In some cases the limitation takes the form of a fixed quota, while for other dairy products there is a complete prohibition on imports. In the case of one type of cheese in particular a quota was imposed to protect a small segment of an industry which had developed during the war when European imports were entirely cut off.

True, there is an escape clause in G.A.T.T. which can be used to restore the original tariff rate if producers are threatened with serious injury. The U.S. Congress went much further than was envisaged within G.A.T.T. and by means of an unrelated rider attached as an amendment to the Defense Production Act of 1950 to protect the national security of the United States imposed quantitative limits on the amounts of cheese that could be imported into the United States. This action taken by the economically strongest member in the Agreement, whose Government must take leadership in establishing economic co-operation, cannot be regarded as a fitting example to the economically weaker members who might be inclined to take similar action with greater justification.

Long term food contracts. The United Kingdom fifteen-year meat contracts with New Zealand and Australia are recent developments in international trade in farm products. These contracts are designed to give long-term security in supplies and price to producers and consumers. The agreements provide that the whole of the exportable surplus, except for agreed quantities to other markets, shall be shipped to the United Kingdom. Price is to be reviewed annually on the basis of an initial price schedule to apply in 1952–3, the first year of the agreement. Bilateral agreements are defended on the grounds of long-term security. They may be discriminatory. They are certainly restrictive and lead the way to quotas and quantitative import and export controls, the antitheses of multilateral trade principles. Existing bilateral contracts and State-controlled prices have created
wide disparities in price which prolong the unbalanced international price structure for agricultural products. The contract price of New Zealand cheddar cheese in Canadian dollar equivalent in mid-April 1952 was 20 cents per pound f.o.b. New Zealand. At that date the wholesale price in England was 30 cents, in the United States 42 cents, and in Canada 36 cents. Butter prices show a similar variation. Under contract the price to the United Kingdom in mid-April was 36 cents per pound f.o.b. Australia. At the same time the wholesale price in Sweden was 54 cents, Argentina 53 cents, the United States 72 cents, and Canada 67 cents. In mid-April the New Zealand frozen beef contract was 13·7 cents per pound and the Argentine contract price 15·1 cents. In the same month the wholesale price of fresh beef in Denmark was 25 cents per pound and in the United States 53 cents.

Stockpiling. The stockpiling operations of recent months have had disturbing effects on international trade and prices. With the outbreak of the Korean hostilities in June 1950 there was a scramble to obtain strategic raw materials. Competitive bidding by Governments carried prices of farm and plantation products to high levels and when the stockpiling ended the price reversals were severe. The January to June average price in U.S. dollars for wool in 1950 in a representative market was $1·55 per pound. The peak price in 1951 was $3·66 per pound and by mid-April 1952 the price had dropped to $1·31. The price of natural rubber followed a similar course during the same period, moving from 21 cents per pound to 73 cents and then down to 36 cents. Jute moved from 14½ cents per pound to 29 cents and back to 16 cents.

Since the prices of raw materials for defence and consumers' goods do not move independently, the stockpiling programme turned the terms of trade against manufacturers of peace-time civilian goods. High costs affected sales and earning power and for many countries intensified their balance of payments difficulties.

Three-country meat agreement. A good example of co-operation in international trade is the United Kingdom-Canada-New Zealand Meat Agreement. Owing to the outbreak of foot-and-mouth disease Canada's normal export outlet was cut off and dollars were not available in the United Kingdom to take the surplus meat.

By arrangement with the Governments of the United Kingdom and New Zealand, Canadian beef is being shipped to the U.K. in exchange for New Zealand contract beef which is being shipped to the United States where it will be sold through normal commercial channels.
Triangular Grain Deal. Another example of a three-way country arrangement which avoids the use of dollar exchange and is in the nature of a barter deal involves the Argentine, the United States, and France. Wheat supplies in the Argentine have been cut by recent crop failures and the country is short of hard currency. According to recent reports Argentina will import approximately 200,000 tons of United States wheat and will ship 260,000 tons of corn to France and France will sell 200,000 tons of North African barley to Germany for 'clearing dollars' to complete the involved transaction. This is a cumbersome way to carry on trade but it is an ingenious expedient initiated by private trade to overcome financial difficulties.

A considerable portion of my paper has been devoted to an explanation and discussion of policy phases and implications of the General Agreement on Tariffs and Trade. My reason for doing so is that I believe that the General Agreement overshadows all other developments in international trade in recent years. Of late it has received two major setbacks; first, the widespread use of trade restrictions in many parts of the world, and secondly, the growing signs of protectionism in the United States.

I believe these difficulties can be overcome if the United States will continue to play the role it has played since the end of the war in promoting a more liberal trading world, and if overseas countries are prepared to adjust their domestic policies to conform to requirements of external stability without resort to restrictions. The General Agreement should then become a more meaningful instrument and provide the basis for more effective co-operation in the field of international trade.

(The discussion of Mr. Richards's paper, together with that of Dr. Jacobsen's which follows, will be found on page 478.)