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THE ANGLO-AMERICAN TRADE TREATY  
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THE ANGLO-AMERICAN TRADE TREATY

OF

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By

HURST J. SWIGGART

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Bachelor of Arts

Central State Teachers College

Edmond, Oklahoma

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Oklahoma Agricultural and Mechanical College  
In Partial Fulfillment of the Requirements

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APPROVED:

G. B. Hawkins  
In Charge of Thesis

T. H. Reynolds  
Head of Department of History

D. E. McIntosh  
Dean of Graduate School

119366



## PREFACE

Schooled by his parents in the philosophy of low tariffs, the writer has long been interested in the motives back of protection. A further interest in the convictions of our Secretary of State, Cordell Hull, led to this thesis on the Anglo-American Trade Treaty of 1938.

The history of the tariff in the United States is for the most part a history of protection. Of the Hawley-Smoot Act, and of the repercussions which followed, both at home and abroad, we all have a slight knowledge. It has been the writer's purpose to follow these movements from the inception of the tariff in 1789 to its denouement in 1930. Somewhat of an epitome of the reactions that came in foreign countries has been given in an effort to show that a new trade policy was inevitable.

An attempt has also been made to follow the negotiations that led up to the signing of the treaty, with more or less emphasis on obstacles encountered. The chapter on the scope of the agreement is limited since it is practically impossible to include all the six hundred odd articles that are covered by the agreement. The chapter on results of the pact is also very embryonic since official semi-annual figures of the Department of Commerce had not been received at the time of writing. Even if comparative figures were available the agreement has not been in effect a sufficient time, to per-



mit a satisfactory appraisal of its effects.

No effort has been made to analyze the eighteen reciprocal agreements, consummated prior to the Anglo-American Agreement. If one is interested in such an analysis, Dr. Henry J. Tasca has written a splendid book on these agreements.

To Dr. Glenn B. Hawkins, Professor of History at the Oklahoma Agricultural and Mechanical College, Stillwater, Oklahoma, the writer is particularly indebted. He has given freely and with the greatest kindness, innumerable helpful suggestions. His interest in the writer's progress during the past three years has truly been a source of great inspiration.

H. J. S.

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## CHAPTER I

### HISTORICAL BACKGROUND

#### TARIFF HISTORY OF THE UNITED STATES

The exigencies of the War of Independence, and the realization that no nation can take its place among the leading nations of the world, and depend solely upon agriculture, led the leaders in early American history to resort to a tariff. The war with the mother country resulted in the establishment of industries in the colonies in order to meet the demand for manufactured articles which had previously been supplied by England. The termination of the conflict found these infant industries in a precarious position. Moreover, the new nation was faced with a sixty million dollar debt. To meet this obligation, pay the annual interest and foster domestic production, the first American tariff of July 4, and July 20, 1789, came into existence.<sup>1</sup>

This tariff, which had the dual purpose of providing protection and raising revenue, was probably the brain child of Alexander Hamilton. Hamilton, however, was fully cognizant of the detrimental effects of exorbitant duties on im-

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<sup>1</sup>Samuel Flag Bemis, A Diplomatic History of the United States, New York, 1936, p. 90.

ported articles<sup>2</sup> and urged that great care be used in making the levies on both ad valorem and specific basis.<sup>3</sup> Its preamble read: "Whereas, it is necessary for the support of the government for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid,..."<sup>4</sup>

During the debates over this bill, Fisher Ames declared that the situation of the manufacturers in Europe was so different from that in America that invitation and encouragement was absolutely essential in this country. Here in America was an abundance of cheap and fertile soil to which laborers could turn, whereas in Europe the worker was forced to accept factory or other employment to gain a living.<sup>5</sup>

Thus is stated poignantly, the philosophy back of the tariff movement, a movement which gained momentum with the passing of the years, and finally broke of its own weight with enactment of the Hawley-Smoot Bill in 1930. From time to time there have been periods of relaxation, but these periods of relaxation were only breathing spells followed by a more determined march upward, until placed in abeyance, at least temporarily, by the sage of Tennessee, Cordell Hull.

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<sup>2</sup>Alexander Hamilton, The Federalist, New York, 1895, p. 201

<sup>3</sup>United States Tariff Commission, The Tariff and Its History, Washington, 1934, p. 6. Cited hereafter as U. S. Tariff Comm., History.

<sup>4</sup>W. G. Sumner, Lectures on the History of Protection in the United States, New York and London, 1888, p. 24.

<sup>5</sup>Ibid., p. 22.

Representatives of the United States who negotiated the peace with England in 1783, were fully aware of the obstacles which the trade of the Independent States of America faced and desired to close commercial union with England. Charles James Fox of England even went so far as to give David Hartley permission to grant some kind of reciprocal trading privilege to the United States "on the basis of nationals." The American plenipotentiaries insisted upon full reciprocal trade which the British Government refused to grant, so further negotiations were dropped.<sup>6</sup>

With the passing of the Tariff Act in 1789, the United States was definitely launched upon protectionism. The next year saw duties raised, on an ad valorem average, from  $8\frac{1}{2}$  per cent to 11 per cent, and in 1792 increased to  $13\frac{1}{2}$  per cent.<sup>7</sup> The tariff moved on. By 1816 no less than seventeen acts<sup>8</sup> had been passed, usually with increased rates. The Napoleonic wars, the Embargo Act, and the Non-Intercourse Act all contributed to the advancement of protection during this period. The blockading of American ports during the War of 1812 gave the embryonic American industries an opportunity to advance, but the advancement was not sufficient to enable them

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<sup>6</sup>Bemis, op. cit., p. 63.

<sup>7</sup>Sumner, op. cit., p. 25. The tariff of 1789 placed a duty of from  $7\frac{1}{2}$  to 12 per cent on a few specified articles, and 5 per cent on all articles not enumerated.  $8\frac{1}{2}$  per cent represents the average when reduced to an ad valorem basis. See U. S. Tariff Comm., History, op. cit., p. 70.

<sup>8</sup>Ibid.



to prosper once the blockade was lifted.

In 1816 Congress passed a tariff that placed a duty on all imported goods which were manufactured in America, or which even could be manufactured profitably here. The North, however, continued to feel the competition from imported goods so seriously that in 1824 it succeeded in getting a bill passed that raised the duties, on an average, equal to a rate of 37 per cent.<sup>9</sup> Agitation for greater protection led to the passing of the Tariff of Abominations in 1828. From this time until the Civil War the South and West thwarted any movements toward increased rates on imports and actually succeeded in gaining a reduction of duties in 1832, 1846, and 1857.

The Marcy-Elgin reciprocal treaty with Canada in 1854 was the first of its kind in American history. It provided for free trade in enumerated products; manufactured articles, however, were not included.<sup>10</sup> This reciprocal treaty, although roundly deprecated by most of the large industrialists in both countries, nevertheless proved reasonable, popular, and profitable. Unfortunately, however the increase in trade of the United States and Canada, and the better commercial relations did not obtain sufficient votes to have it

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<sup>9</sup>Sumner, op. cit., p. 44.

<sup>10</sup>Bemis, op. cit., p. 301.

renewed in 1866 since Congress, by that time, was in favor of a policy of Protection.<sup>11</sup>

The Morrill Tariff of March 2, 1861, raised considerably the duty on certain necessities just prior to the outbreak of the Civil War.<sup>12</sup> Duties were increased several times during the war, and when the conflict was ended no effort was made to decrease them.

James G. Blaine, as Secretary of State under President Garfield, desired trade reciprocity with the Latin-American countries. He believed that the expansion of American commerce could be gained through reciprocity with these countries while retaining the American protective system. It appeared to him that the Latin-American countries could reduce their tariffs on manufactures, and the United States could reduce its rates on raw materials. Praiseworthy as were these plans they were thwarted by the untimely death of President Garfield. The new president, Chester A. Arthur, not in sympathy with Blaine and his ideas, dismissed him and began to negotiate individual treaties of commercial reciprocity. As a result a treaty was made with Mexico and negotiations were begun with the Dominican Republic and with Spain. These overtures like the previous ones proved abortive for with the election of

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<sup>11</sup>Bemis, op. cit., p. 302.

<sup>12</sup>U. S. Tariff Comm., History, op. cit., p. 105.

Grover Cleveland they were withdrawn from the Senate.<sup>13</sup> The success of Benjamin Harrison in the presidential campaign of 1888 again found Blaine as Secretary of State. His predecessor, Thomas F. Bayard, under Cleveland had already invited the Latin-American governments to send representatives to a conference to be held in Washington for the purpose of settling, among other questions, the question of commercial relations. When this Congress met in October, 1889, Blaine was the presiding officer. Diplomatic as he was, he failed to put his Pan-American customs union across due to the opposition of the Latin-American delegates.<sup>14</sup> In 1890 came the McKinley Act. Under this act Blaine secured tariff concessions with ten countries. The reciprocity of this period went hand in hand with a high protective tariff.<sup>15</sup> In arriving at reciprocal concessions the McKinleyites were careful not to lower the

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<sup>13</sup>Bemis, op. cit., p. 737. Great Britain looked upon the treaties with Spain and the Dominican Republic as dangerous to her sugar planters in the West Indies. For this reason she sought similar tariff reductions in the United States Markets. We opened negotiations with her for trade of the West Indies, but the United States was unwilling to agree to an unconditional most-favored-nation article so the matter was dropped. At this point the Democrats came into power. President Cleveland thought that the proper method for lowering the tariff was lower tariff legislation rather than treaties. See Bemis, op. cit., p. 737.

<sup>14</sup>The Latin-Americans felt that a Pan-American customs union would hurt their trade with Europe. European diplomats were careful to see that the Latin-Americans were truly alarmed. Bemis., op. cit. p. 738.

<sup>15</sup>Bemis, op. cit., p. 740.



duties on important manufactured articles. The senate invariably rejected any agreement that covered articles that could "reasonably" be produced in this country.<sup>16</sup>

In 1896 the Great Commoner, William Jennings Bryan, stumped the country in behalf of silver. Silver wasn't the only issue. The tariff was again a paramount concern. McKinley was elected, and in 1897 the Dingley Tariff again advanced duties "for the purpose of raising revenue and protecting the industries of the United States."<sup>17</sup> The people endured this act for twelve years. It was the same old McKinley reciprocity. In 1909 it was replaced by the Payne-Aldrich Tariff.

The Democrats won the election in 1912 and thanks to Woodrow Wilson the Underwood Law of 1913 was enacted. This law lowered duties on 900 articles, particularly on food and clothing. Wool, iron ore, steel rails, coal, and lumber were placed on the free list. The duty on sugar was reduced and sugar was placed on the free list by 1916.<sup>18</sup> The respite, however, was brief for in 1921 we again started the tariff upward and did not stop until after the infamous Hawley-Smoot Act. America now had increased the average ad valorem rate

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<sup>16</sup>Bemis, op. cit. p. 740.

<sup>17</sup>U. S. Tariff Comm., History, op. cit., p. 105.

<sup>18</sup>Raymond Leslie Euel, "The Hull Trade Program and the American System," World Affairs Pamphlet No. 2, New York, April, 1938.

from 8½ per cent in 1789 to 52.6 per cent in 1930.

Indeed, it seems rather inconsistent that the United States should have adopted such a tariff policy as she did following the World War.<sup>19</sup> Before the war she was a debtor nation. For years her exports had exceeded her imports, and she had used the amount of exports above the imports to pay monies that had been loaned her. But when her position became one of a creditor nation during the war she actually increased the tariff barriers instead of lowering them. To the writer, the argument that payment on the war debts was impeded because of high tariffs sounds very plausible.

Let us see just what the situation was. Before the war our citizens owed something like five billion dollars. When the war was over other nations owed us approximately eighteen billion dollars.<sup>20</sup> It apparently did not occur to our financiers that there was a breaking point. When we raised our tariff so high in 1921 and 1922 that foreign goods were practically excluded from the American market our investors simply loaned more money. This enabled the European purchaser to buy more goods and pay the interest on the borrowed money. While the interest was forth coming the financiers were satisfied. But the process could not go on forever. The market

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<sup>19</sup>Henry J. Tasca, The Reciprocity Trade Policy of the United States, Philadelphia, 1938, p. 179.

<sup>20</sup>Ryllis Alexander Goslin, "Made in U. S. A." Headline Books, No. 2., New York, 1935, p. 8.

collapse of 1929 spelled its doom. The insatiable desire of the Americans to invest their money abroad and to loan to foreign governments had proved most disastrous.

#### TARIFF HISTORY OF GREAT BRITAIN

We have seen that since 1789 the United States has followed, almost continuously, a policy of protection. The trade policy of the United Kingdom during a major portion of this period was the antithesis of that in America.<sup>21</sup> Even as late as 1930 only 12 per cent of all English imports were dutiable and only 3 per cent were subjected to taxes whose purpose was the protection of British industries.<sup>22</sup> The most cursory observer knows that England became a free trade nation in 1846 with the repeal of the Corn laws. For three centuries prior to that time she had placed restrictions upon trade carried on with her by foreign merchants and with foreign ships.<sup>23</sup> The purpose of this policy was to encourage production in England and to secure a favorable balance of trade.

The Carta Mercatoria of 1303 had accorded to all foreigners the right to free retail trade and of free sojourn.<sup>24</sup>

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<sup>21</sup>Percy Bidwell, "Prospects of a Trade Agreement with England." Foreign Affairs, XVI, p. 105, New York, October, 1934.

<sup>22</sup>Ibid., p. 105.

<sup>23</sup>Edward P. Cheyney, Industrial and Social History of England, New York, 1825, p. 220. Also U.S. Tariff Comm. History, op. cit., p. 22.

<sup>24</sup>U. S. Tariff, History, op. cit., p. 21.



The growth of manufactures, traders, caused the government to change its policy. In 1382 it passed a law which "among other measures it was ordered that certain wines be imported only in England bottoms."<sup>25</sup>

Soon there were enacted the "Statutes of employment," The statute of 1440 provided that any foreign merchant who imported merchandise into England must expend for English goods all the money he received for the goods he brought in.<sup>26</sup>

In 1485 during the first year of the reign of Henry VII, an eleven years before the Intercursus Magnus, a law was passed that declared that the wines brought into England from the duchies of Guienne and Gascony should be imported only in British bottoms and manned for the most part by Englishmen.<sup>27</sup> Four years later woad, a dyestuff from southern France, was declared subject to the law of 1485. At the same time Parliament ordered that English ships must be used for the exportation and importation of all merchandise to England, provided sufficient native ships were available.<sup>28</sup>

During the sixteenth century the government passed numerous laws providing for and regulating the economic interest of the country. The commerce was carried on by com-

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<sup>25</sup>U. S. Tariff, History, op. cit., p. 21.

<sup>26</sup>Ibid., p. 22.

<sup>27</sup>Cheyney, op. cit., p. 145.

<sup>28</sup>Ibid., p. 145.

panies who received their charters from the government. The government, of course, regulated them. Finished goods could not be imported nor could raw materials be exported.<sup>29</sup> In order to encourage new industries the government granted patents or other concessions.

Grain-raisers could not export wheat or other grain when there was a shortage of grains. If the supply was plentiful they could export it under certain conditions. It is interesting to note that, according to a law of 1572, the justices of peace of each locality were the ones who decided when conditions were such that it could or could not be sold abroad.<sup>30</sup> There was a restriction, however, that none could be exported when the price was more than 1s. 3 d. a bushel.

The navigation laws of 1651 and 1660 prohibited the importation of goods into England from any port of Asia, Africa, or America, unless the vessel used had been built in England, belonged to Englishmen, and were manned by English seamen. The law applied the same to goods sent from England into any of those countries.

Supplementing the Navigation Acts from time to time, the government passed protective duties on food, raw materials, and manufactured articles. For example in 1689 the growing

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<sup>29</sup>Cheyney, op. cit., p. 150.

<sup>30</sup>Ibid., p. 151. One of the most interesting laws of the sixteenth century was that of 1571 which was enacted for the purpose of encouraging the industry of cap making. It provided that every person of six years or older should wear a woollen cap make in England on every Sunday and Holy Day.

of wheat was encouraged by prohibiting its importation except when it reached a pre-determined price of ten shillings a bushel.<sup>31</sup>

England negotiated the Methuen treaty with Portugal in 1703. By this agreement she obtained free entry of her manufactured goods into Portugal, while the import duty on Portuguese wines brought into England was lowered. During the 1720's, after the invention of a machine for preparing silk thread, Parliament prohibited the printing of imported cotton goods in order to protect the woolen goods manufactures. During the latter part of the century the supply of wheat produced in England was not sufficient to meet the demands of the people. After 1790 the imports exceeded the exports. By 1815 England was very much in accord with protection. The Corn Laws of that year forbade the importation of wheat when the price was below ten shillings a bushel.

William Huskisson, as president of the board of trade in the early 1820's, was able to get the government to pass the Reciprocity of Duties Bill.<sup>32</sup> While duties were reduced in some industries and clarified in others, they were still so cumbersome and exorbitant that several public spirited citizens attempted to find a solution. After many attempts to form an organization that could oppose in an effective manner

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<sup>31</sup>Cheyney, op. cit., p. 191.

<sup>32</sup>U. S. Tariff Comm., History, op. cit., p. 33.  
Erik, Achorn, European Civilization and Politics,  
New York, 1934.



the high rates on grains an Anti-Corn Law League came into existence in 1839. Richard Cobden and John Bright, its sponsors, spoke eloquently and vehemently for the repeal of the Corn Laws, and did the great Prime Minister, Robert Peel. Ere long other efforts bore fruit when in 1846 a bill was carried which gradually decreased the tariff on grain. The year previously Peel had removed the duty from nearly five hundred articles, and between 1846 and 1849 the duty was lifted on two hundred more articles. England now was definitely launched as a free trade country.

Every Englishman and every student of history is familiar with Queen Victoria's Golden Jubilee of 1887, but few are aware that the question of Empire preferences was first broached at the colonial conference at that time. It was truly a wonderful setting for such a constructive world wide suggestion. It could have been then, as it was many years later a bond of unity that would have sealed the members of the British Empire into a great prosperous union, provided, of course, they would have remained within the bounds of reason. But the timidity of the ministry and the truculent attitude of a few of the colonial representatives served to thwart the timely and constructive measure until the Ottawa Conference of 1894. At this conference the issue received an important place on the agenda.<sup>33</sup> No definite action,

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<sup>33</sup>Maxwell Stewart, "The Ottawa Conference," Foreign Policy Reports, December 21, 1932, p. 244. Cited hereafter as, Stewart. Joseph M. Jones, Jr., Tariff Retaliation, Philadelphia, 1924, p. 214.

however, was taken until four years later when Canada established a British preferential tariff of twenty-five per cent lower than ordinary duties.<sup>34</sup> In 1900 Canada raised this preferential tariff to thirty-three per cent. The other dominions then established preferential duties between themselves and the mother country. But England itself, until the World War, clung to free trade despite the work of Joseph Chamberlain. In 1897 Chamberlain had sounded out the colonies on the idea of establishing an imperial Zollverein, but received a cool reception.<sup>35</sup> Chamberlain believed that the abolition of free trade would strengthen the political bonds of the British Empire, and at the same time build up an economic unity within the Empire that would serve as a bulwark against tariff duties of foreign nations. He exerted considerable energy in behalf of the program, and by a great amount of propaganda was able to win a majority of the Unionist Party to his side. He now believed that he had sufficient strength to carry the program, so in 1906 he appealed his Tariff Reform to the country but the voters did not flock to his cause as expected. The overwhelming defeat stilled the protectionist momentarily.<sup>36</sup> In 1910 the Unionist Party, taking up the cudgels against free trade, again was defeated

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<sup>34</sup>Stewart, op. cit., p. 244. Achorn, op. cit., p. 288

<sup>35</sup>Achorn, loc. cit.

<sup>36</sup>Jones, op. cit., p. 214.

in the general election. During the two decades that followed, protectionism was constantly before the people although it was not made a campaign issue until 1922.

Bonar Law, sensing that the majority of the people still wished free trade, pledged in his campaign to grant no further protection. The conservatives were successful in the elections and Bonar Law became Prime Minister. True to his campaign pledge he did not molest the tariff. Ill health now played a hand and Mr. Law was forced to resign. His successor, Stanley Baldwin, thought the electorate would give him a mandate to increase duties, but he, like Chamberlain in 1906, had misjudged the trend and was defeated at the polls in 1923. The general decline in England's exports probably influenced Baldwin. Her exports continued to drop. Greater losses were sustained by the crisis of 1929. Then came the Hawley-Smoot debacle. Great Britain was to retaliate. Let us now turn to the repercussions of the Hawley-Smoot legislation.



## CHAPTER II

### HAWLEY-SMOOT REPERCUSSIONS

#### ENGLAND STRIKES BACK

When the inflation broke in 1929 Great Britain was looking for a way out. There followed the so-called Empire Crusade,<sup>1</sup> headed by Lord Beaverbrook and Lord Rothmere, leading British newspaper publishers. The plan adopted by Britain in the early thirties was a system of trade treaties in the form of bilateral agreements. The aim of this system was to oust the foreigners from the domestic market in favor of the citizens of the British Dominions or the home-farmer and his landlord.<sup>2</sup>

As a result of the growing imperial sentiment, the Imperial Conference met in London, October 1, 1930. The Labour government was unwilling to impose a duty on food-stuffs so no definite action was taken. The economic section of the conference adjourned to meet at Ottawa some time during the following year.<sup>3</sup> The adjournment, however, extended almost two years and in the meantime one of the main obstacles

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<sup>1</sup>Stewart, op. cit., p. 246.

<sup>2</sup>D. Graham Hutton, "The Economic Progress of Great Britain," Foreign Affairs, XVI, 280, New York, October, 1937.

<sup>3</sup>Stewart, op. cit., p. 247.

to Empire unity was removed. The conservatives were victorious in the elections of October 27, 1931. They were now able to enact legislation which would give "straight protection for the benefit of the British farmer as well as for the British industrialist."<sup>4</sup> Within less than a month after the success of the conservatives, Parliament passed the Abnormal Importation Bill authorizing the Board of Trade to impose ad valorem duties as high as 100 per cent to prevent manufactured goods from being dumped in anticipation of high duties.<sup>5</sup> Mr. Walter Runciman, president of the board of trade, stated that the purpose of this act was to prevent forestalling and thereby maintain the external value of the pound sterling. In December Parliament passed the Horticultural Products Act placing considerable duties on luxury foodstuffs.<sup>6</sup> This was followed by the Import Duties Act of March 1, 1932, which was the first general protection for Great Britain since the repeal of the Corn Laws.<sup>7</sup>

It was obvious to many that a policy of restricting trade at Ottawa would have repercussions throughout the world. In Baldwin's opening address at this conference he

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<sup>4</sup>Quincy Howe, England Expects Every American to Do His Duty, New York, 1937, p. 151.

<sup>5</sup>Jones, op. cit., p. 231.

<sup>6</sup>Ibid., p. 232.

<sup>7</sup>Stewart, op. cit., p. 246.

admonished the delegates to do something toward the lowering of barriers rather than raising them. He realized that other nations would not merely acquiesce to increased rates.<sup>8</sup>

Far seeing statesmen could see that since so much of the trade of Canada and Great Britain was outside the empire an imperial Zollverein was quite impossible.<sup>9</sup> Yet Britain felt, or least the conservative government did, that in view of more efficient factories in other nations and in view of the Hawley-Smoot Act, augmented by increased tariffs generally against British goods, she must in self-preservation sign the Ottawa Agreements with the Dominions and India. Eleven separate preferential agreements were signed.<sup>10</sup>

Despite the fact that many of the delegates to Ottawa favored protection and were obsessed by medieval economic notions, they were unable to get together on complete economic unity.<sup>11</sup> The arrangements agreed upon proved, however, a great deterrent to the ordinary commercial exchange between the United States and Canada and Great Britain. On the basis of exports from the United States to Great Britain in 1930, the Ottawa agreements affected American exports to

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<sup>8</sup>Stewart, op. cit., p. 247.

<sup>9</sup>R. A. MacKay, "Ottawa Conference and World Trade," Nation, XXX, 37, July 27, 1935, New York.

<sup>10</sup>Quincy Howe, op. cit., p. 150.

<sup>11</sup>Bruce Bliven, "Capitalistic Planning at Ottawa," New Republic, LXXII, 111, September 15, 1932, New York.



the value of \$69,996,800. Added to this the exports affected by the Import Duties Act, we find \$372,140,200 worth of American export products were hit.<sup>12</sup>

#### SPAIN RETALIATES

The Hawley-Smoot Act was passed on June 17, and hardly before the ink of President Hoover's signature had dried the Spanish government took retaliatory measures. A government communique, appearing in the Spanish press the following day stated:

The government has considered the gravity of the situation accruing to Spanish exportation from the new tariff law voted by the Congress of the United States, and, desiring to proceed at once according to suggestions received by the producers and exporters, has agreed to recommend to the Commission of Functionaries which is presided over by the Undersecretary of Economy which is studying the revision of the treaty with France, that it study also the conflict with the United States, reporting its suggestions to the Government at the earliest possible moment.<sup>13</sup>

As was noted in the communique of June 18, Spain was experiencing tariff difficulties with France, occasioned by the famous "coupage" law of 1929 which practically meant the exclusion of Spanish wines from France. Delegates of the two countries had met in a conference in Biarritz in May of 1930 but had reached no satisfactory agreement. At this time the peseta was also being pushed down by foreign financiers.

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<sup>12</sup>Jones, op. cit., p. 238.

<sup>13</sup>Ibid., p. 51.

The Hawley-Smoot Act, coming as it did at this time, only added more flame to the fire. Spain lost no time in preparing her defense. She enacted the Wais Tariff on July 22. American automobile manufacturers found the tariff on light automobiles had been increased 100 per cent on chassis with engine, 125 per cent on open motor cars, and 150 per cent on closed cars.<sup>14</sup> Heavy car duties were increased almost as much. Other American products affected by large increases were cinema films, sewing and embroidering machines, motorcycles, bicycles, automobile tires, and unexposed cinematographic films. Spain withdrew the most favored nation treatment which had been awarded the United States continuously since 1906. That the countries of the world would counter with some form of restrictions must now have been apparent to the most bellicose protectionists. We were paying most dearly for the Hawley-Smoot faux pas.

#### ITALIAN INDIGNATION

Italy was every bit as alert as Spain to the tariff legislation in America. Even before the now infamous act of 1930 became law, vitriolic statements in the Italian press indicated her resentment. Typical of the feeling of the Italians was that voiced by the Giornale D'Italia of May 28, 1929, when it declared:

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<sup>14</sup>Jones, op. cit., p. 53.

Our comment cannot be but bitter. Though foreseen, the approval of the new customs tariffs, amounting to virtual prohibition, cannot leave us indifferent. The new customs regime which will result in the restriction of Italian exports to America, represents a loss of several hundreds of millions for Italian national economy. In the present difficult position of Italian exportation, it is not a cheerful prospect.

The problem of organizing reduced Italian purchases in the North American market in order to defend the Italian lira assumes greater urgency. American automobiles and agricultural machinery come first. Italians must replace them as far as possible with Italian automobiles and machinery.<sup>15</sup>

A statement by Mussolini himself, appearing in Das Neue Europa of May, 1930, gives a better idea of Italy's regard of the American tariff of that year. Mussolini contended that:

That capacity of America to conquer the world markets has imposed on other nations the obligation to protect their own markets. There is no other means, because the American market is with difficulty accessible, and even, for foreigners, impossible to attain. The American tariff policy has already attained the proportion of an international problem.<sup>16</sup>

Italy now was determined to enter barter agreements. She would buy from the United States only the amount of goods that the United States would buy from her. In her effort, and one might say desperation, to protect her markets she turned her attention to Russia. In 1931 she imported from Russia twenty-nine million dollars worth of merchandise, which was an increase of 38 per cent over 1929. Her imports from the United States decreased 63 per cent during this period.

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<sup>15</sup>Jones, op. cit., p. 61.

<sup>16</sup>Jones, op. cit., p. 78.



It is also worth mentioning that Italian exports to Russia increased 170 per cent in the one year period of 1930-1931.<sup>17</sup> Foreign correspondent H. R. Knickerbocker, in his book Commerce Rouge, maintains that Italy's resentment to the Hawley-Smoot Act was the main reason for her increased commercial connections with Russia.<sup>18</sup>

The actions taken by the three countries that have just been considered were by no means exceptions. Forty-three other states all over the world either increased existing duties or established new duties on important American imports by August, 1931.<sup>19</sup> From July, 1931, to May, 1932, thirty-four nations or colonies adopted quota schemes, government monopoly of imports, or other import restrictions.<sup>20</sup> The aggregate value of world trade for 1931 was some 25 per cent lower than what it was in 1930 and 40 per cent lower than in 1929.<sup>21</sup> During the last six months of 1931, nineteen countries abandoned the gold standard and twenty others had to exercise some degree of control over foreign exchange.<sup>22</sup>

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<sup>17</sup>Jones, op. cit., p. 95.

<sup>18</sup>Ibid., p. 95.

<sup>19</sup>Harvey J. Bresler, "Trade Barriers and the League of Nations," Foreign Policy Reports No. 11, August 5, 1931, p. 206.

<sup>20</sup>Maxwell Stewart, "American Policy and the World Crisis," Foreign Policy Reports, May 25, 1932, New York.

<sup>21</sup>Ibid., p. 68.

<sup>22</sup>Ibid.

Between 1929 and 1933 American trade fell from \$5,157,000,000 to \$1,647,000,000.<sup>23</sup> The value of American cotton exports declined 48 per cent, meat and meat products 46 per cent, while wheat and flour decreased 90 per cent.

These facts speak for themselves. The tenets of the "Grundy Group," when enacted into law did not start the wheels of industry to hum. The idea of self-sufficiency, economic nationalism, and high tariffs, evidently was not the panacea. Those statesmen, economists, and laymen who had felt the disasters of the World War and had witnessed the sting of hunger in 1929, and who had preached that the panacea was to do something so that the nations of the world would not be dependent upon each other for vital economic needs, were having a rude awakening.

That a halt should be called was evident. Secretary of State Cordell Hull, who during the years of frenzied nationalism had clung tenaciously to Cobdenism, was to take the lead. But before we turn to the Secretary's program it will be well to observe briefly what had been done to lower tariff barriers during the "self-sufficiency" era. The League of Nations made two admirable attempts toward a solution of the problem. The first was the Import and Export Prohibition Convention which convened at Geneva in 1927, and the second,

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<sup>23</sup>Granville Woodward, "The Reciprocal Trade Agreement Policy of the United States," Department of State Press Release, January 28, 1937, No. 487, publication 1287. Francis B. Sayre, "American Trade Program Moves Ahead," Commercial Policy Series, No. 57.

the Convention for Concerted Economic Action which met in the same city February 17, 1930. The two efforts failed, first, because "economic interests of many of the nations attending league conferences were too divergent to permit reconciliation," and second, because "tariff restriction meant the growth of economic interdependence."<sup>24</sup>

Protectionists of the type of Andrew Mellon were not entirely blind to the detrimental effects of high barriers. In an official statement of October 24, 1926, Mr. Mellon voiced the opinion that the industrial power of the world would end if, for example, each of the forty-eight different states here in America constituted a separate nation, with their own railroads, own currency, and own tariff.<sup>25</sup> Notwithstanding this bit of philosophy, Mr. Mellon and many other industrialists in this country were willing, and even urged the government to pass protective tariffs. It isn't beyond the realm of imagination to see why they did so. The havoc being wrought by tariffs in the smaller nations of Europe was not sufficient to change their views so long as a little higher duty swelled their purses.

In 1926 there was issued the "Banker's Manifesto," which bore the signatures of such prominent men as Montagu Norman, Governor of the Bank of England; J. P. Morgan;

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<sup>24</sup>Eresler, op. cit., p. 218.

<sup>25</sup>Easil Manly, World Barriers to Peace and Prosperity, Freeport, Illinois, May, 1931, p. 8.



Sir Arthur Balfour; and Dr. Schacht, President of the German Reichs bank which stated that:

Behind the customs barriers, new local industries were started with no real economic foundation which could only be kept alive in the face of competition by raising the barriers higher still. Railway rates, dictated by political consideration, have made transit and freights difficult and costly. Prices have risen, artificial dearthness has been created, production as a whole has been diminished. Credit is contracted and currency is depreciated. Too many states in the pursuit of false ideals of national interest have imperiled their own welfare and lost sight of the common interests of the world by basing their commercial relations on the economic folly which treats all trading as a form of war.<sup>26</sup>

All the plans to lower barriers and all the admonition to look upon trade as a thing of world concern had availed little until Hull came along. To talk about the matter was not enough. What was needed was a man with strong convictions, who, when placed in the proper position was willing to take up the fight for saner commercial relations. The time was apropos. The decrease in world trade between 1929 and 1932 had indicated as never before that something must be done.

Immediately upon his entrance into the State Department, Secretary Hull began work on the reciprocal trade program - a program, which as the Secretary himself stated, "was an effort to substitute the instruments of commercial peace for those of commercial warfare and thus to provide an important element in the maintenance of peace itself."<sup>27</sup>

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<sup>26</sup>Manly, loc. cit.

<sup>27</sup>Congressional Record, LXXX, 75th Congress, Second Session.

Congress heeding the advice of the Secretary of State, enacted the Trade Agreements Act June 12, 1934. A significant feature was the delegation to the President, without the approval of the Senate or Congress, the power to enter into trade agreements. The State Department assisted by a number of interdepartmental committees was charged with the responsibility of negotiation.<sup>28</sup> These interdepartmental committees consisted of representatives from the Department of States, the Tariff Commission, the Department of Commerce, and the Department of Agriculture. The Trade Agreements Committee consists of about sixty sub-committees, some of which deal with countries, others with commodities or special problems. It is the work of the country committee to investigate the imports and exports of the United States with the country with which an agreement is desired.<sup>29</sup> This is done so that recommendations can be made for improvement. Recommendations made by the country committee and the commodity committee are then reviewed by the Trade Agreements Committee. From this committee they are sent to the Secretary of State for his approval.

Once the United States decides upon the concessions that she can make and that she wishes in return she is then ready to begin negotiations. Section four of the Trade Act provides that any interested citizen be given an opportunity

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<sup>28</sup>Francis B. Sayre, "How Trade Agreements Are Made," Commercial Policy Series 47, 1938. Congressional Digest, September, 1938, p. 198.

<sup>29</sup>Sayre, Commercial Policy Series, No. 57, op. cit.

to express his views on any commodity. In accordance with this provision, the President by executive order, created on June 27, 1934, the Committee for Reciprocity Information.<sup>30</sup> A person has three opportunities to express his views to the committee.

The reciprocity as represented by the trade agreements negotiated under this act must not be confused with the reciprocity of the McKinley era. In the first place, the act of Congress of June 12, 1934, extended to all nations the most favored nations principle, unless a nation is discriminating against the United States.<sup>31</sup> This most favored nation principle is best explained by Francis B. Sayre when he says:

We do not extend concessions to third parties gratuitously and for no returns. We give such concessions which they have granted or may grant in the future to all other nations. In other words, we give minimum tariff treatment and freedom from discrimination in return for minimum tariff treatment and freedom from discrimination.<sup>32</sup>

The second important difference between the reciprocity of McKinley and that of Hull is the feature mentioned above, which does not require the approval of the Senate or the Congress. The old type of reciprocity required the approval of the Senate for agreements that were in the form of treaties and the approval of Congress for any agreements that

<sup>30</sup>Sayre, Commercial Policy Series, No. 57, op. cit.

<sup>31</sup>Bemis, op. cit. p. 747. Sayre, "To World Peace Through World Trade," Commercial Policy Series No. 43

<sup>32</sup>Ibid., p. 7.



were in the form of executive agreements.<sup>33</sup> The newer policy makes it possible for experts in the field of tariff revision to lower duties without so much pressure from lobbyists.<sup>34</sup> In the past it would seem that Congress has been more amenable to those interests that would benefit from a high tariff.<sup>35</sup>

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<sup>33</sup>Bemis, op. cit., p. 748.

<sup>34</sup>Ibid., p. 749.

<sup>35</sup>James Frederick Green, "The President's Control of Foreign Policy," Foreign Policy Reports, April 1, 1939.

## CHAPTER III

### ANGLO-AMERICAN TRADE NEGOTIATIONS

In the two years following the enactment of the Trade Agreement Act of 1934 the state department was successful in eliminating some of the main hindrances of world trade, yet the inroads against tariff walls had not been wide. We had reduced rates on sugar, whiskey, cheese, and on one or two types of cotton goods. Moreover, we had secured continued free entry, during the life of the agreements, for coffee, newsprint paper, wood pulp, bananas, and cocoa beans.<sup>1</sup> At the end of 1936 we had fairly uniform reciprocal agreements with fourteen nations which covered a third of our foreign trade.<sup>2</sup> During 1936 there was a 15 per cent increase over the previous year in our exports to these fourteen countries. For the same period the export trade to non-agreement countries was only 4 per cent higher.<sup>3</sup> In 1937 with sixteen agreements in effect, exports to agreement countries were 60 per cent higher than to the same countries in 1935, whereas exports to non-agreement countries were only 39 per cent

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<sup>1</sup>Percy W. Bidwell, op. cit., p. 103.

<sup>2</sup>Whitney H. Shepardson and William O. Scroggs, The United States in World Affairs, New York, p. 106. Cited hereafter as Shepardson.

<sup>3</sup>Granville Woodward, op. cit.

greater.<sup>4</sup>

It was obvious that if the Hull trade program was to reach its apogee of success an agreement must be consummated with the United Kingdom, our chief foreign market. The United States sends one-fifth of her total world exports to her sister democracy, Great Britain.<sup>5</sup> During 1934 we sold 18 per cent of our total exports to her, 14 per cent to Canada, and 40 per cent to the entire British Empire. This was five times greater than our export trade to the whole of South America.<sup>6</sup> Moreover, we bought 34 per cent of our total foreign imports from the British Empire.<sup>7</sup>

There was a decline in interest in the trade agreements program during 1936 - a decline that was brought about principally because of two factors - the presidential campaign and the fact that the bargaining power of the president was to expire in June of 1937 unless Congress renewed such power.<sup>8</sup>

<sup>5</sup>"Trade Agreement with the United Kingdom," United States Department of State Press Release, XIX, 1, publication 1252. Cited hereafter as, Press Release, 1252. H. B. Elliston, "Hull Calling London," Atlantic Monthly, CLXI, 74, New York, January, 1938.

<sup>6</sup>Livingston Hartley, Is America Afraid, New York, 1937, pp. 141-142.

<sup>7</sup>Ibid., p. 42.

<sup>8</sup>Percy Bidwell, op. cit., p. 104.



Shortly after the opening of the Seventy-fifth Congress, Chairman Doughton of the House Ways and Means Committee introduced a resolution to continue the Trade Agreements Act for another three years period.<sup>9</sup> The Republicans retaliated with bills that would terminate the existing agreements. Representative Culkin of New York introduced a bill, House Resolution 17, that provided for Senate ratification of all foreign trade agreements.<sup>10</sup> Representative Crowther, also of New York, came forward with House Resolution 142 to end certain agreements and to terminate the authority to enter into them.<sup>11</sup> Representative Knutson of Minnesota introduced a bill to repeal section 350 of the Tariff Act of 1930, as amended, and to terminate all foreign agreements entered into thereunder.<sup>12</sup> Representative Knutson contended that he was in accord with the principle of reciprocity, but that it was his opinion that the reciprocity of the Roosevelt administration, under the Trade Agreements Act of 1934, fell "far short of the desirable standard of conduct for such an undertaking."

He entertained, as did many Republicans, serious doubt as

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<sup>9</sup> Congressional Record, 75th Congress, First Session, January 8, 1937, p. 151.

<sup>10</sup> Ibid., p. 23.

<sup>11</sup> Ibid., p. 26

<sup>12</sup> Ibid., p. 34

to the constitutionality of the Trade Agreements Act. In his opinion, the most detrimental feature of the program was that the Democrats had forgotten that concessions should primarily and fundamentally be made on non-competitive items.<sup>13</sup> The opposition was too weak numerically to thwart Hull's great project and in February Congress did extend the President's bargaining power.

There were several serious obstacles that the United States had to face in dealing with the English Government. First, there was the problem of preferential duties as established at Ottawa in 1932, then there was the bilateral agreements that Great Britain had made between 1930 and 1937. The preferential arrangements agreed upon at Ottawa had diverted much of the trade of the United States to the Dominions. The United States, in 1936, supplied, for instance, only 6 per cent of the British Commonwealth's demand for North Pacific lumber against 75 per cent in 1929.<sup>14</sup> A trade agreement with Great Britain was expected to restore much of this trade. The preferential duties of Ottawa and England's desire for bilateral arrangements were not the only obstacles. The Washington government was not certain that the British policy was the best for a family of nations. Secretary of State Stimson had been rebuffed in the Manchurian affair.

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<sup>13</sup>Congressional Record, 7th Congress, op. cit.,

<sup>14</sup>Elliston, op. cit., p. 72.

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Furthermore, the state department did not approve of the Hoare-Laval incident. In official circles at Washington it was felt that England's lack of interest in trade pact was further evidence that she was placing self interests above international interests. In other words, she did not wish to cooperate in the "stabilization of international relations on the basis of principle."<sup>15</sup>

As regards the Manchurian affair one must remember that one of the League's chief weapons was economic sanctions, and against Japan sanctions could not succeed without the cooperation of the United States. About a third of Japan's total foreign trade was with us. Had the League applied sanctions, Japan simply would have turned to the United States whose government at that time had no authority to stop or control it. Congress was not even in session and had it been in session or had the president called a special session it is not likely Congress would have voted to place an embargo against the Nipponese. When Mr. Dawes was asked whether the United States would aid in the application of an economic embargo he turned the question to the State Department and Secretary Stimson had to say, "no."<sup>16</sup>

Beginning with 1937 His Majesty's government, apparently

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<sup>15</sup>Shepardson, op. cit., p. 110.

<sup>16</sup>Varian Fry, "War in China," Headline Books, No. 13, New York, 1938, p. 54.



aware that this country was in no mood to form any kind of political rapprochement, notwithstanding the work of Lord Beaverbrook, and believing that an economic agreement might have political values, lost much of her indifference.<sup>17</sup>

American business reactions with its repercussions in all parts of the world was a factor in persuading the neo-nationalists of Great Britain that economic hegemony within the British Empire would not usher in an era of prosperity. More and more the people were beginning to feel that extension of the world market was the best means of promoting recovery. Another thing that helped explain Britain's decision was the fact that the Dominions had been promised compensation for sharing in the British market with the primary producers of the United States. The exact nature of the compensation offered had not been determined.<sup>18</sup>

That Great Britain was beginning to look with favor upon an economic accord with the United States was indicated in January, 1937, when Mr. Walter Runciman, a member of the British Cabinet, and President of the Board of Trade, made a "social" call on the United States. At least his statement to the press was that he was in this country on purely social business. It is interesting to note, however, that when he returned to England he started talking about a trade

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<sup>17</sup>Shepardson, op. cit., p. 110.

<sup>18</sup>Elliston, op. cit., p. 72.

agreement. Obviously his visit was more than a social one. When he went on to say that the exploratory talks regarding trade would continue it seemed evident that an agreement was being considered. Soon United States Secretary of Commerce, Daniel Roper, revealed that a trade treaty with Great Britain was receiving much consideration.<sup>19</sup>

Three months later the British and French governments invited M. Van Zeeland, the Prime Minister of Belgium, "to inquire into the feasibility of international action in behalf of international trade." M. Van Zeeland came to this country in June and talked with Mr. Roosevelt and Mr. Hull.<sup>20</sup> On May 1, 1937, the British Imperial Conference met in London. The delegates to this conference were not inclined to favor a commercial treaty with the United States, nevertheless, before they adjourned they expressed a desire that "every practicable step be taken to stimulate international trade."<sup>21</sup>

By August the British government was thoroughly convinced that economic nationalism was not the sacrosanct thing that they once thought it was. The sooner an agreement could be made the better. Therefore, they delegated a commission, headed by Frederick Leigh Ross, British economist,

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<sup>19</sup>New York Times, March 10, 1937. p. 1.

<sup>20</sup>New York Times, April 17, 1937, p. 1.

<sup>21</sup>Shepardson, op. cit., p. 111.

to visit the United States for the purpose of discussing trade problems.<sup>22</sup>

It should be borne in mind that Secretary Hull had been bringing considerable pressure to bear on the British government - "a pressure without equal in Anglo-American annals."<sup>23</sup> So persistent was the Secretary that one Washington correspondent described his message to London in October as a virtual ultimatum. British leaders in the House of Commons were not disposed to allow a possible agreement slip through their fingers. They took the matter into their own hands and from this time until the consummation of the agreement, discussion in the Commons clearly indicated that a trade treaty was in the offing. The Board of Trade apparently had **procrastinated** too long.<sup>24</sup>

The British press looked with considerable askance upon Secretary Hull's efforts to stimulate trade. It was apparent that many of the editors had imbibed freely of the post war philosophy of protection. To them free trade was not what it was in the time of Cobden and Bright. One editor remarked tersely, "Oh, Mr. Hull. He's a relic of the 18th century."<sup>25</sup> Another said, "Your people over there don't seem to realize

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<sup>22</sup>Shepardson, op. cit., p. 111.

<sup>23</sup>Elliston, op. cit.

<sup>24</sup>Ibid., p. 72.

<sup>25</sup>Ibid.



that our immediate job is to build a storm cellar, not a world economic conference."<sup>26</sup> The Publisher of London's leading financial paper contended that foreign trade was important to England only if she could get it in war time. It appeared to him that that a commercial treaty with the United States was not compatible with our neutrality act.<sup>27</sup> Nor was he alone in this belief. Francis Deak, assistant professor of law at Columbia University, for example, asserted that the "Neutrality Act of 1937 is diametrically opposed to the trade agreements policy."<sup>28</sup>

On November 17, Sir Ronald Lindsay, British Ambassador, visited the State Department. There was no secret that he was there to talk with Francis B. Sayre, Assistant Secretary of State, in charge of the trade agreements program.<sup>29</sup> The following day brought the formal announcement that Great Britain and the United States had agreed to negotiate a most favored national reciprocal trade agreement covering the United Kingdom and this country. Prime Minister Chamberlain made simultaneous announcements for Great Britain in London.<sup>30</sup>

As one would expect certain interests in both Great Britain and the United States felt that they would be sacrificed. In mid-December the Federation of British Industries

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<sup>26</sup>Elliston, op. cit.

<sup>27</sup>Ibid.

<sup>28</sup>Francis Deak, Pitfalls of American Neutrality, Foreign Policy Association, New York, April, 1938. p. 1.

<sup>29</sup>New York Times, November 18, 1937. p. 1.

<sup>30</sup>New York Times, November 19, 1937. p. 3.

protested that the industries that had made long range plans with the expectation of protection would have to adjust themselves to different conditions, which in the long run, would be a serious blow to the internal economy of the country. They asked that no agreement be consummated "which failed to provide such a measure of flexibility as would permit of its modification or even termination on short notice."<sup>31</sup> It was argued, and no doubt correctly so, that the Import Duties Act of 1932 declared the British policy to be protection and that a trade agreement with the United States would be contrary to the policy, as established by this act, if it reduced protection.<sup>32</sup> The London Economist came out plainly in favor of the agreement and answered the blatant demands of the protectionists by calling to their attention that the interests of the whole nation superceded those of any particular clique or group.

League headquarters in Geneva announced that the opening of negotiations for an economic accord between the United States and the United Kingdom was "one of the few hopeful signs on the economic and political horizon."<sup>33</sup> The Bermuda Assembly immediately sent a message to the Governor to the effect that it was ready to send a representative to consult

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<sup>31</sup>R. L. Baker, "World Trade", Living Age, CCCLIII, 555, New York, February, 1938.

<sup>32</sup>Ibid., p. 555.

<sup>33</sup>New York Times, November 20, 1937, p. 6.

with the Colonial Secretary regarding trade reciprocity. It was the belief of a majority of the members of the assembly that the greatest relief for Bermuda's agricultural and industrial problems would be a more advantageous entry of its produce into the United States. Her participation in the Ottawa pacts had expired.<sup>34</sup>

The formal announcement of the proposed trade treaty aroused keen interest in Berlin. The German press was decidedly inimical. To them the whole matter savored very much of a political and military coup. Although Germany was on the United States "Black List," and stood to lose by an agreement, since she could not profit by any decrease in duties made to British industrialists, she was determined to continue her way independent of all fluctuations of world economy. Diplomatische Korrespondenz declared:

There is no doubt that increased prosperity which could follow intensified international trade would have a favorable effect all around. But this depends on such trade not being extended at the expense of those countries which in proportion to their population are confined to too small an area, which are too poor in raw materials, which have too little economic room and are therefore, particularly dependent for the maintenance and welfare of their population on export industrial products.<sup>35</sup>

The Koelnische Zeitung referred to the proposed treaty as, "an angle by means of which Neville Chamberlain proposes to withdraw America from isolation to the advantage of the British policy."<sup>36</sup>

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<sup>34</sup>New York Times, November 20, 1937, p. 6.

<sup>35</sup>New York Times, November 28, 1937, p. 55.

<sup>36</sup>New York Times, November 20, 1937, p. 6.



Whether Great Britain was withdrawing America from isolation or not the state departments of the two governments were now ready to begin a study of concessions that each were to make. The task was a most difficult one. Over 600 articles had to be considered.<sup>37</sup> The men representing the two governments had to know the minimum demands and maximum concessions that each government could make. Nor was it a matter of the negotiators arbitrarily making the decisions. The people of the two countries had to be consulted, as was pointed out in the previous chapter.

One of the items that caused considerable delay was that of automobiles. In England there was a duty of 33 per cent on all automobiles. This duty was applicable to imported cars from all countries. The United States negotiators desired that this duty be lowered materially. Great Britain was reluctant to do so, believing that it would mean the admission of more cars from Germany. The United States also stood adamant for the reduction of the duty on lard, hams, and bacon. As late as October, 1938, it seemed that the governments of the two great democracies might not come to an agreement. Negotiations had reached the point where only three British delegates remained in Washington.<sup>38</sup>

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<sup>37</sup>Buell, *op. cit.*, p. 36.

<sup>38</sup>David Lawrence, "Trade Treaty Hopes Dimmed by Long Study," Oklahoma City Times, October 21, 1938.

The work was completed by mid-November and on November 17, 1938, in the historic white and gold East Room of the White House, Secretary Hull and British Ambassador Ronald Lindsay sat down at Lincoln's Cabinet table and affixed their signatures to the 1938 Trade Pact between the United States and the United Kingdom.<sup>39</sup> The agreement was proclaimed by President Roosevelt on November 25, 1939.<sup>40</sup>

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<sup>39</sup>"British-American Trade Pacts Weight Scales of Democracies," Newsweek, XII, 7, Dayton, Ohio, November 26, 1938.

<sup>40</sup>"Trade Agreements with the United Kingdom and Canada," United States Department of State Press Release, XIX, Publication 1263, November 26, 1938.

## CHAPTER IV

### THE ANGLO-AMERICAN AGREEMENT

#### INTRODUCTION

The setting for the signing of the pact was an elaborate one. The walnut table that had been used by every president from Lincoln to Theodore Roosevelt was taken from its storage place and placed in the historic east room for the very historic occasion. Directly behind it sat the president of the United States, Franklin Delano Roosevelt. Seated with him were: the British Ambassador, Ronald Lindsay; the Canadian Prime Minister, Mackenzie King; Secretary of State Cordell Hull, and A. E. Overton of the British trade delegation.

Present to witness the event were members of the president's cabinet, diplomats, members of Congress, and other notables seated in a crescent of stiff gilded chairs.<sup>1</sup> Official copies of the treaties were handed President Roosevelt by Charles M. Barnes, head of the treaty division of the department of state. Lindsay and Roosevelt smiled. There was a whispered conversation as to who would be the first to sign. The honor went to the Secretary of State.<sup>2</sup>

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<sup>1</sup>The Daily Oklahoman, Oklahoma City, Nov. 18, 1938, p. 2.

<sup>2</sup>Ibid., p. 2.



### Countries Covered by the Agreement.

The agreement covers trade between the United States and the United Kingdom of Great Britain, and Northern Ireland, Newfoundland, and the non-self-governing colonies. It does not apply to Australia, Canada, New Zealand, the Union of South Africa, Ireland, India, Burma, and Southern Rhodesia.<sup>3</sup> It covers about one-fifth of the total foreign trade of the United States. The articles included in the agreement, represented in 1936 a trade between the United States and the United Kingdom, Newfoundland, and the British Colonies of approximately six hundred and seventy-five million.<sup>4</sup> This figure does not represent the trade of Puerto Rico, Hawaii, Alaska, and the Virgin Islands.

The agreement went into effect January 1, 1939, and is to continue for a three year period, and may continue indefinitely thereafter, subject to termination by either the United States or Great Britain on a six months notice.<sup>5</sup>

### The United Kingdom and the Agreement.

The United Kingdom continued to be the leading market for export products during 1937. There was an increase of 21 per cent over the previous year, although the margin of lead was not so great as it had been previously. At the

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<sup>3</sup>Press Release, 1252, op. cit., p. 1.

<sup>4</sup>Ibid., p. 1.

<sup>5</sup>Ibid., p. 1. New York Times, November 18, 1938.

same time we note that our export trade with the United Kingdom, valued at three hundred and thirty-five million dollars in 1937, rose by a larger value than any other country except Canada. Metals and manufactures showed the greatest gain in value, while metal working machinery, petroleum products, wood, and paper all showed large increases.<sup>6</sup>

In 1937 the value of farm products exported to Great Britain from the United States was some two hundred sixty-one million dollars, which was about one third of the total value of our agricultural exports to all countries. By the trade agreement we actually secured concession on American Agricultural products which amounted to two hundred million dollars in 1936.<sup>7</sup> The value of all imports into Great Britain from the United States, agricultural and non-agricultural, on which concessions were obtained, was three hundred million dollars. The value of articles on which improved tariff treatment was secured amounted to fifty million dollars in 1936. Of this amount, agricultural products accounted for twenty-six million dollars.

The commodities on which the United States granted concessions amounted to one hundred and forty-one million dollars

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<sup>6</sup>United States Department of Commerce, "Summary of United States Trade with the World," Trade and Information Bulletin No. 859, 1937.

<sup>7</sup>Press Release, 1252, op. cit., p. 2.

in 1937. Of this amount \$59,900,000 represented the value of commodities on which the duties were reduced, Thirty-nine million represented the value of imports on which the duties are bound against increases in the tariff, and thirty-four million represented the value of the imports on which free entry is to continue.<sup>8</sup>

#### Newfoundland and The Agreement.

During the year ending June 30, 1938, Newfoundland imported \$24,014,000 worth of commodities, of which amount the United States supplied \$7,447,000 or 31 per cent. The reciprocal agreement accorded the United States concessions or "bindings" amounting to \$3,997,000.<sup>9</sup> In all she received concessions on 46 items. Some of these concessions represented rate of duty, other margin of preference, and in some cases both. Important items included in the agreement were wheat flour, salted beef and pork, citrus fruits, tobacco, rasins, automobile products, radio apparatus and certain textile manufactures. The United States reduced the tariff on salt fish of the cod and related species, frozen blueberries and other items.<sup>10</sup>

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<sup>8</sup>Press Release, 1252, op. cit., p. 3.

<sup>9</sup>Ibid., p. 4.

<sup>10</sup>Ibid., p. 4.



### The British Colonies and The Agreement.

Most of the products imported by the United States from the non-self-governing British territories are raw or partly manufactured articles. For the most part they are not produced in the United States and therefore enter duty free. The concessions made by the United States covering these products consists chiefly in assurance that the duty free status will continue. In 1936 the imports covered by these assurances amounted to more than two hundred million dollars.<sup>11</sup> In accordance with the most favored nation clause of the agreement American exports are to receive treatment as favorable as that received by any other non-British colony. In many of these territories the United States receives concessions on specified products, such as flour, fruits, tobacco, lumber, machinery, and motor vehicles. Of these specified products the United States exported in 1936 articles whose value was twenty-two million dollars. This was one-half of the total imports into the non-self-governing British colonies from the United States.<sup>12</sup>

### Major Concessions Granted the United States.

Since the agreement covers more than six hundred articles it is impossible in a study of this kind to make a de-

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<sup>11</sup>Press Release, 1252, op. cit., p. 3.

<sup>12</sup>Ibid.

tailed analysis of the articles affected. It is, however, important that we know something of the nature of some of the concessions granted, therefore a partial list of the major concessions are considered in this paper. Although they do not make very racy reading.

#### Grain and Grain Products.

Great Britain removed entirely the six per cent duty on wheat. Ordinarily one would not look upon a six per cent duty on a bushel of wheat as excessive, yet it hurt the exporters of the United States no small amount, because empire wheat since the Ottawa Conference of 1932 had been allowed to enter duty free.<sup>13</sup> Before the British preferential tariffs of Ottawa about one-fourth of the total wheat exported from the United States went to Great Britain. The economic depression and the preferentials combined to reduce the exportation of American wheat into Great Britain from 39,267,000 bushels in 1930 to 9,000,000 bushels in 1933. The 1930 figure represented twenty and one-tenth per cent of Britain's total wheat imports, whereas in 1933 only five hundredths per cent.<sup>14</sup>

The duty on rice was reduced from two to one and a third cents per pound. Great Britain, until the ten per cent of ad valorem duty was placed on non-empire rice, had

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<sup>13</sup>Lynn R. Edminster, "Agriculture Stake in British Agreement and Trade Agreements Program," Department of State Publication, 1269, XIX.

<sup>14</sup>Press Release, 1252, op. cit., p. 3.

been one of the main purchasers of the American product. But with empire rice allowed to enter duty free into the United Kingdom, America's export market with her fell from 36,030,000 pounds in 1931 to 7,090,000 pounds in 1937.<sup>15</sup> This was five and five-tenths per cent of her total importation of rice. In 1931 she had purchased twenty-three and three-tenths per cent of her total from America.

On corn (other than flat white corn) the United Kingdom guaranteed continued free entry. It should be noted that from ninety to ninety-five per cent of the American corn exported to Great Britain is other than flat white.<sup>16</sup> In 1929 the value of corn sold to Great Britain by the United States amounted to \$7,975,000. In 1936 the value was only \$153,000.

#### Meat and Meat Products.

The negotiators representing the United States did a fine piece of work in so far as lard was concerned. It will be recalled that this item was one of the obstacles in the final negotiations. By the agreement the ten per cent duty which had previously been placed on lard was entirely removed. This represents a major concession when one realizes that lard is one of the biggest items of agricultural export trade from the United States in the British market. Of all

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<sup>15</sup>Press Release, 1252, op. cit., p. 20.

<sup>16</sup>Ibid., p. 20.



the lard shipped from this country in 1937, fifty-five per cent went to the United Kingdom.

Another important farm product that held up the consummation of the trade treaty was hams. They are duty free into the United Kingdom regardless of their origin, but are subject to quota limitations. In 1933 and 1934 the quota of American hams was definitely restricted. The supply from this country was below the quota in 1935 as it was also in 1936, and 1937.<sup>17</sup> The reason for this was the drouth in this country which limited supply of feed. It appears now that the production of meat is increasing and it is evident that the quota from forty-seven million to forty-nine million pounds which had been accorded the United States was not great enough to meet the increased production, therefore, in order to remedy the existing conditions, the agreement provided that representatives of the two countries should meet from time to time to determine the quantity of hams that the United Kingdom could accept. At no time was the amount to be less than fifty million pounds during a one year period, nor more than the amount which the United Kingdom could use without decreasing unjustly the prices of hams or bacon.<sup>18</sup>

#### Fruits.

The duty on fresh apples was reduced from 25 to 16 per cent. The duty on canned peaches which is now approximately

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<sup>17</sup>Press Release, op. cit., p. 21.

<sup>18</sup>Ibid., p. 22.

20 per cent was bound against increase. On fresh pears the duty was reduced from 16 to 11 per cent, while on canned pears the approximate duty of 20 per cent at present was bound against further increase. On rasins the 35 per cent duty prevailing was also bound against increase.<sup>19</sup>

The United States exports about one-tenth of her apple crop, and Great Britain buys 40 per cent of these exportations. She also is a large purchaser of canned peaches from the United States - more than 80 per cent usually going to her. The United States exports about one-tenth of her fresh pears and again England is her outstanding customer. She takes approximately 45 per cent of the amount. As to canned pears she buys 90 per cent of the total canned pear exports from the United States.<sup>20</sup> In 1937 American raisin exports to Great Britain were valued at \$3,672,000, which was 45 per cent of the total of all countries. In 1929 Great Britain made 29 per cent of her total raisin purchases from the United States.<sup>21</sup>

Raw cotton was bound against change of duty free treatment, and raw tobacco was given assurance that the margin of preference now being given empire grown tobacco will not be increased. Both cotton and tobacco are among the leading ex-

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<sup>19</sup>Press Release, 1252, p. 24.

<sup>20</sup>Ibid., pp. 24-25.

<sup>21</sup>Ibid., p. 28.

ports to the United Kingdom. In 1937 cotton led the list of exports with a total value of ninety million dollars. In quantity this represented 43 per cent of the production of cotton.<sup>22</sup> Leaf tobacco was second with eighty-seven million dollars,<sup>23</sup> which was 36 per cent of the leaf tobacco produced in this country.<sup>24</sup> In light of these facts it would seem that the United States secured valuable concessions for these articles.

#### Wood and Wood Products.

We have noted that in 1937 wood and paper exports to the United Kingdom showed large increases. For many years Great Britain has been our principal market for each of these products, normally buying much more than either Canada and Japan who rank next. In 1929 the value of the total exports of wood and wood products reached \$210,947,033, an all-time high. By 1932 it had slumped to \$57,500,418. In 1929, 19 per cent of the total went to her. There have been substantial gains in the amount of total exports and in the per cent of the total taken by Great Britain since 1932. However, from the standpoint of the share of the United Kingdom market supplied by this country there has been a marked

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<sup>22</sup>Granville Woodward, "The Reciprocal Trade Agreement Policy of the United States," Department of State Press Release, January 28, 1939, XX: No. 487, publication 1287.

<sup>23</sup>United States Department of Commerce, Summary of United States Trade With the World, op. cit., p. 10.

<sup>24</sup>Woodward, op. cit., p. 65.



decline. In 1929 we furnished 16.7 per cent of the total British imports; in 1932, 14.8 per cent, and in 1937 only 8.7 per cent. It was evident that Great Britain was buying more unmanufactured wood and timber but less of it from the United States.

By the trade pact the 10 per cent duty on soft wood lumber was cut to 41.2 per cent. On hickory, persimmon, and cornel, the duty free treatment was bound against change; on other hardwood the 10 per cent duty was bound against change; and the duty on hardwood flooring was cut from 20 to 17.5 per cent.<sup>25</sup>

#### Automobiles

The best the American negotiators could do in regard to automobiles was to gain assurance against an increase in the present  $33 \frac{1}{3}$  per cent duty on machines of 25 horse power and over. The  $33 \frac{1}{3}$  per cent duty has been a serious handicap in the American Automobile trade. At the same time Great Britain imports approximately 10 per cent of the automobiles produced in this country which is a good many automobiles when one considers the American output.<sup>26</sup>

Another point worth considering in regard to automobiles is the fact indicated by preliminary statistics issued by the automobile industry in 1935, that that industry alone

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<sup>25</sup>Press Release, 1252, op. cit., p. 35.

<sup>26</sup>Jones, op. cit., p. 301. Woodward, op. cit., p. 65.

consumer 77 per cent of the plate glass produced in the United States, 75 per cent of the nickle, 23 per cent of the steel and iron, 22 per cent of the copper, 20 per cent of the tin, 16 per cent of the aluminum, and 8 per cent of the hard wood lumber.<sup>27</sup>

#### Canned Vegetables

The 20 per cent duty on asparagus and sweet corn was cut to 10 per cent, while the 20 per cent duty on beans was bound against increase. Considering the total exports of American canned asparagus to the United Kingdom in 1936, valued at three hundred and sixty thousand dollars, and canned corn valued at only forty-nine thousand one hundred dollars, it may appear that these canned vegetables are not important. Mention should be made of them, however, because they are distinctly American specialties.<sup>28</sup>

#### Fish and Fish Products

The duty on oysters in the shell was reduced from 30 to 20 per cent. On chilled or frozen salmon it was cut from three cents per pound to one and one-half cents and on canned salmon the 10 per cent duty was bound against increase.

The United Kingdom buys about four-fifths of the total American exports of oysters. Exports of this product from the United States to the United Kingdom have risen from

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<sup>27</sup>Congressional Record, 74th Congress, Second Session, LXXX, 6789, 1935.

<sup>28</sup>Press Release, 1252, op. cit., p. 29.

two million pounds in 1933 to 3,861,900 pounds in 1937.<sup>29</sup> Since most of the oysters imported by the United Kingdom are oysters in the shell for food, and since those exported from France to her are shucked oysters for the most part, it appears that the American product is benefited a great deal by the concessions gained.

The United States was penalized no small amount by the three cents per pound duty placed on chilled and frozen salmon at the Ottawa Conference. In 1930 this country and Norway were the chief non-British suppliers of the chilled and frozen salmon. It is a poignant reality that in that year we supplied 17.4 per cent of the total British imports and Norway furnished 8.9 per cent of the total, yet in 1936 we supplied 7.4 per cent of the United Kingdom's total salmon (not including canned salmon) imports, and Norway supplied something like 4.5 per cent, while the trade with the Empire countries showed little change.<sup>30</sup>

Exports of canned salmon from the United States are valued at six million dollars a year. The United Kingdom buys about 90 per cent of this total. Therefore, the assurance against increase in duty is a valuable concession for the American producers.

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<sup>29</sup>Press Release, 1252, op. cit., p. 34.

<sup>30</sup>Ibid., p. 34.



### Office Machinery, Appliances

Typewriters - Duty of about \$22.50 each reduced approximately \$5.00 each.

Accounting and Calculating Machines - Duty of 20 per cent cut to 15 per cent.

Cash Registers and Other Office Appliances - Duty cut from 20 per cent to 15 per cent.

Metal Furniture - Duty is reduced from 20 per cent to 15 per cent.

The United States is the principal supplier of office machinery and appliances to the United Kingdom. From 57 per cent to 100 per cent of the British total imports of these items are furnished by us. The imports of typewriters into Great Britain is over three million dollars annually. For a great number of years the United States supplied from 90 per cent to 95 per cent of this total value. In 1932 and 1933 she fell below this figure, and during the last three years there has been a noticable decline in the sale of typewriters to the United Kingdom. Statistics show that in 1935 the United States furnished 93.5 per cent of the total British imports, 83.3 per cent in 1936, 65.2 per cent in 1937, and only 56 per cent during the first half of 1938.<sup>31</sup>

As in the case of typewriters the United States is the chief source of the British market for accounting and calculating machines. In 1936 we supplied 78.2 per cent of the

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<sup>31</sup>Press Release, 1252, op. cit., p. 45-46.

total British imports of over four million dollars. British purchases represent approximately 25 per cent of the total foreign shipments of the United States.<sup>32</sup>

The United States should profit materially from the reductions made in duty on cash registers. The import duty placed on this item in April, 1932, had caused them to be assembled in the United Kingdom and in Canada where no duty was assessed. The volume of business had declined from one million dollars in 1932 to some two hundred thousand dollars at the time of the agreement.

In November of 1931 an emergency duty of 50 per cent was placed on metal furniture. This duty was replaced by one of 20 per cent in April of 1932. We can hardly place its total effect upon reduction in American sales, yet the fact remains that the value of British imports in 1936 was less than half what it was in 1932. That the American share of the total imported by Great Britain declined from 80 per cent to 60 per cent is further evidence of the damaging effects of the import duties of the early 1930's.<sup>33</sup>

#### Major Concessions Granted Great Britain

Broadly speaking Great Britain was aided principally by the reduction in duties on her unusually large yarn and cotton industry. The layman in purchasing a suit of clothes

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<sup>32</sup>Press Release, 1252, op. cit., p. 47.

<sup>33</sup>Ibid., p. 48.

of English make, or buying heavy woolen goods or cotton laces from England is aware of the high price he pays - or at least has paid in the past - but he possibly isn't cognizant of the fact that before the trade agreement in November over 80 per cent of the genuinely British goods were taxed at our customs houses. The great amount of British goods, and most of the cotton articles and linen goods are included in this general category, paid rates between 30 per cent and 40 per cent. Table damask, wool noils, and broad silks were dutiable at rates from 45 per cent to 60 per cent, while wool carpets, wool hosiery, China and porcelain wares paid rates between 60 per cent and 75 per cent. Worsted were taxed at between 75 per cent and 90 per cent and earthenware, heavy woolen goods and cotton laces were dutiable at rates as high as 90 per cent or more.<sup>34</sup>

#### Cotton Manufactures

Great Britain was granted reductions on cotton yarns ranging from 1/5 or one per cent to 7 per cent in existing duties depending upon the fineness of the yarn.

On cotton wearing apparel imported to the United States the duty was reduced from 37½ per cent to 20 per cent on coats valued at \$4.00 or more. There was the same reduction on dressing gowns and robes whose value was \$2.50 or more; underwear valued at \$9.00 or more per dozen pieces; pajamas valued at \$18.00 or more per dozen, and vests valued at

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<sup>34</sup>Bidwell, op. cit., p. 106.



\$24.00 or more per dozen.<sup>35</sup>

On Flax articles the duty was lowered from 40 per cent to 30 per cent, and on fine plain-woven linens it was reduced from 35 per cent to 20 per cent. Linen table damask was reduced from 45 per cent to 25 per cent; linen napkins, sheets and pillow cases from 40 per cent to 25 per cent; and plain linen handkerchiefs from 35 per cent to 20 per cent on unhemmed handkerchiefs, and from 50 to 35 per cent on machine hemmed.<sup>36</sup>

#### Wool Fabrics.

The duties on wool fabrics weighing more than four ounces per square yard are shown below:<sup>37</sup>

Value of Cloth	Rate Before Agreement	Rate Under Agreement
Not over 80¢ per lb.	50¢ lb. plus 50%	40¢ lb. plus 45%
80¢ - \$1.25 per lb.	50¢ lb. plus 50%	50¢ lb. plus 40%
\$1.25 - \$2.00 per lb.	50¢ lb. plus 55%	50¢ lb. plus 40%
Over \$2.00 per lb.	50¢ lb. plus 60%	50¢ lb. plus 35%

#### Textile Machinery

The 40 per cent duty on textile machinery was reduced to flat rates of 20 per cent to 25 per cent depending upon the type of machinery.

#### Sewing Machines

On machines valued at more than \$75.00 the duty was

<sup>35</sup>Press Release, 1252, op. cit., pp. 90-91.

<sup>36</sup>Ibid., pp. 92-94

<sup>37</sup>Ibid., p. 95.

reduced from 30 per cent to 15 per cent.

#### Wood Furniture

On wood furniture, except chairs, the existing 40 per cent duty was cut to 25 per cent.

#### Miscellaneous

The rate on cigarettes was cut from \$4.50 per pound plus 25 per cent to \$2.25 per pound plus 12½ per cent, while the duty on canned herring was reduced from 25 per cent to 15 per cent. On canned pineapples the duty of two cents per pound was cut to 1½ cents, and the 35 per cent on jellies, jams, marmalades, and fruit butters was reduced to 20 per cent. The distillers were benefitted by a rate reduction of 50 per cent. The former rate of \$5.00 per proof gallon on whiskey, rum, and gin was cut to \$2.50.

The few articles that have been considered in this chapter gives one an idea of the scope of the pact. The treaty was no mere gesture.

As would be expected the signing of the agreement brought favorable and unfavorable comment. Governor Aiken of Vermont felt "sold out," while the southern yarn spinners looked on it as a blow to their industry. Russell T. Fisher, President of the National Cotton Manufacturers, was of the opinion, "That our government had traded away employment in textiles," while Governor Barrows of Maine expressed "alarm." Maxwell Field, Secretary of the New England Shoe and Leather Asso-

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<sup>38</sup>Newsweek, op. cit., p. 8.

ciation, was of the opinion that the net effect of the agreement would be negligible. The other side found such men as Alfred P. Sloan, Chairman of the Board of General Motors; Girard Swope, President of the General Electric Company; Winthrop Aldrich, Chairman of the Board of the Chase National Bank; Sir Arthur Salter, British Economist; and a host of other world leaders of the opinion that the pacts were helpful.<sup>39</sup>

James J. Watson, President of International Chamber of Commerce and Head of the International Business Machines Corporations, thought the event "was one of far-reaching significance,"<sup>40</sup> while F. W. Nickol, Vice-President of the International Machines Corporation, regarded the agreement as a practical recognition of the fact that world peace and world trade are closely allied.<sup>41</sup> Cecil Smith, President of the British Empire Chamber of Commerce, looked upon the reciprocal pact as an important contribution to world peace as did George T. Bauer, Export Manager of the Auto Manufacturers Association.

Kenneth H. Campbell, Manager of the Foreign Credit Exchange Bureau of the National Association of Credit Men, believed that it proved "unrestrained economic nationalism is not good business."<sup>42</sup>

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<sup>39</sup>Newsweek, op. cit., p. 8.

<sup>40</sup>New York Times, November 18, 1938. p. 1.

<sup>41</sup>Ibid.

<sup>42</sup>Ibid.



The general conception is that the agreement will affect trade generally, yet at the same time, it will be some months yet before we will be able to draw any clear-cut conclusions based on a dollar and cents basis. From what has taken place during the past six months, one would be justified in favoring the agreement. We shall now turn to some of the results.

## CHAPTER V

### RESULTS

Since the trade treaty with the United Kingdom went into effect only January 1, 1939, it is yet too early to present any great amount of statistical evidence showing an increase or decrease in imports and exports on which concessions were made. Moreover, even if comparative figures were available on the various items affected, the time has not been sufficient to permit a satisfactory appraisal of the effects of the agreement. Furthermore, in presenting statistical evidence it is important to remember that it cannot be contended that an increase or decrease in imports or exports is due necessarily to the application of the new reciprocity. Intervening factors such as over-production, drought, and currency instability must be taken into consideration.

The agreement with Great Britain is only one part of the great trade program, therefore, a recapitulation of the results previous to the Anglo-American treaty should be in order before analyzing the results of the latter agreement. A statement issued by the Department of Commerce on February 8, 1939, shows that exports to both the trade agreement countries and non-agreement countries decreased during 1938, yet the rate of decline was not so great among agreement countries as non-agreement countries. The annual average for the two years 1937-1938, shows a much greater increase

in exports over the pre-agreement period of 1934-1935 for agreement groups than for non-agreement groups.<sup>1</sup>

Figures from the Department of Commerce also indicate that imports into the United States during 1938 were much smaller than in 1937 and that the rate of decline was less from those countries with which we had reciprocal trade treaties than from non-agreement countries.<sup>2</sup>

Representative J. J. Cochran of Missouri, in speaking before Congress January 30, 1939, presented Department of Commerce figures which showed that for the calendar year 1938, the United States, for the first time since 1921, had a favorable balance of trade to the amount of \$1,133,567,000.<sup>3</sup>

According to a memorandum of the Department of Commerce, of April 16, 1939, sixteen trade agreement countries increased their purchases of American goods 39.8 per cent between the periods 1934-1935 and 1936-1938, whereas, the same countries increased their purchases of German goods only 8 per cent.<sup>4</sup> It would appear that with these particular countries the barter system of totalitarian Germany has been

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<sup>1</sup>Alben W. Barclay, "Results under Reciprocal Trade Agreement Program" - Congressional Record, 76th Congress, First Session, LXXXIV, 1877-78, February 9, 1939.

<sup>2</sup>Barclay, op. cit., p. 1878.

<sup>3</sup>Ibid., p. 1331.

<sup>4</sup>Cordell Hull, Exports Under The Trade Agreement Program, Department of State Press Release, April 22, 1939. XX. No. 499, Publication 1324, p. 340.



less successful than America's reciprocal program. In reference to these results Hull himself says:

Every advance made by the trade agreements program is an advance for the cause of economic sanity and peace, and, as the report in question shows, the program yields substantial dividends.<sup>5</sup>

As the years advance, the evidence of the success of the trade agreement program grows more pronounced. We find that for the two year period, 1937-1938, there was an increase of 62.5 per cent in our total exports to seventeen trade agreement countries over the average for the pre-agreement period of 1934-1935, while our exports to all other countries increased only 25.5 per cent. President Roosevelt views the increase of our exports of automobiles to Brazil of four and one-half million dollars as an increase "under the trade agreements concession."<sup>7</sup>

In the analysis of concessions on typewriters in the previous chapter, it was pointed out that there had been a great decrease in the exports of typewriters during the past several years. The decline during 1938 over 1937 was 30.8 per cent, compared to a drop of 11.6 per cent in Canada, 12.1 per cent in Germany, and 8 per cent in Switzerland, the other three leading typewriter exporting countries. The

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<sup>5</sup>Hull, op. cit., p. 339.

<sup>6</sup>Department of State Press Release, XX, Publication 1317, April 1, 1939.

<sup>7</sup>M. Sayre, America's Trade Program Moves Ahead, Commercial Policy Series 57, p. 9.

efficacy of reciprocal trade agreements in bolstering the sales of this item is shown from the fact that of the one hundred twenty-six individual markets to which the United States exported during the past year, thirty were areas covered by trade agreements effective in 1938. The decrease in these thirty markets was 8.39 per cent. Increases were made in ten of the thirty trade agreement areas. Furthermore, Germany's exports of typewriters to the areas where the United States had reciprocal trade treaties decreased 19.6 per cent and Switzerland dropped 42.5 per cent.

Joseph L. Ryan, foreign director of the Royal Typewriting Company, concludes that "without those trade agreements our position in the world's trade would have been far worse than it was."<sup>8</sup>

The epitome given in the previous chapter on concessions received by American agriculturists, shows certain theoretical gains for Agriculture. These gains are threefold. In the first place the market for farm products is increased by reducing tariffs or other restrictions; in the second place, a reduction in tariffs enables other countries to sell the United States more goods and thereby increase their buying power of American exports; and in the third place, a less

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<sup>8</sup>Congressional Record - Appendix, 76th Congress, First Session, p. 7796.

restricted trade increases the domestic market for farm products.<sup>9</sup>

Critics of the trade program contend that farm imports have increased unduly because of the application of Secretary Hull's trade tenets. However, statistical information does not bear out the contention. Of the agricultural imports to the United States in 1936-1937, only 4 per cent, excluding sugar, consisted of items covered by reciprocal trade treaties.<sup>10</sup>

Figures from the Department of Commerce for the year ending June 30, 1938, is evidence that agriculture has not suffered through imports influenced by trade agreements. Their report for this period is as follows:<sup>11</sup>

(Millions of Dollars)

United States Imports (for consumption)	Year ending June 30, 1938		Increase ( + ) Decrease ( - ) 1937-'38 over 1935-'36
Agricultural Commodities			Per Cent
From Sixteen Agreement Countries	454	-14	-3
From all Countries	701	+24	+4

<sup>9</sup>Lynn R. Edminster, Agriculture's Stake in the British Agreement and the Trade Agreement Program, Department of State, Publication 1269, XIX, Publication 1290.

<sup>10</sup>Op. cit.

<sup>11</sup>Congressional Record, 76th Congress, First Session, p. 237.



Again it must be remembered, however, that the trade agreements may not have been responsible for the decrease from agreement countries and increase in non-agreement ones.

A word should be said concerning our trade with Latin-America. There has been considerable alarm recently in regard to Germany's increased economic penetration in that part of the world. There can be no doubt but that she has increased her trade considerably in South America. In Brazil for example, she supplied 12 per cent of all the foreign goods imported in 1933 while in 1937 she supplied 24 per cent.<sup>12</sup> The question arises, has her increased trade to our southern neighbors been at our expense? Moreover, is the German policy of barter, export subsidies, blocked marks, and clearing agreements, superior to the reciprocal plan of the United States.

An analysis of the trade statistics of the eight Latin-American countries for the years 1933, 1937, and 1938, by Percy Bidwell resulted in the following conclusions:<sup>13</sup>

1. The United States has suffered no serious reversals except in Mexico.
2. American goods continue to dominate the markets of Mexico, Colombia, Guatemala, and Peru.
3. American exporters are giving the English a stiff run for their money in Argentina.

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<sup>12</sup>Percy W. Bidwell, "Latin America, Germany, and the Hull Trade Program," International Conciliation, February, 1938, p. 96.

<sup>13</sup>Bidwell, op. cit., p. 99.

4. Germany is challenging American trade in Brazil, Chile, and Uruguay.
5. The German gains in practically all cases have been made at the expense of the United Kingdom, or some other country, rather than at the expense of the United States.

Mr. Bidwell concluded further that Germany had not deprived the the United States of any important markets, nor has the German policy cut off from the United States any critical raw materials.<sup>14</sup>

Just recently United States Ambassador to England, Joseph P. Kennedy, signed an agreement with Great Britain, whereby this country will trade her certain surplus farm products to Great Britain for tin and other metals. To many this would seem to indicate a break-down in the Hull program. The arrangement, however, is outside the sphere of ordinary commercial exchange, and therefore will not affect the operation of the trade program.<sup>15</sup>

More and more people are coming to the belief that reciprocal trade treaties embodying the principle of equal treatment are the best method of facilitating international trade. The fact that the Eighth International Conference of American States at Lima, Peru, last December, endorsed the negotiation of such treaties shows that in the eyes of the statesmen there assembled, the Hull program was producing favorable results.

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<sup>14</sup>Bidwell, op. cit., p. 112.

<sup>15</sup>Turner Catledge, "Barter of Farm Surplus," New York Times, April 11, 1939. p. 8.

British Statistics are available for the first four months that the treaty has been in operation. The following table covering some of the more important articles affected by the agreement throws some light on the subject.<sup>16</sup>

Article	Unit	Quantity		
		From the United States for Years		
		1937	1938	1939

I. Improvement in tariff status under United States and United Kingdom Trade Agreement.

Wheat	cwt.	-----	6,656,108	8,381,024
Rice	cwt.	28,632	23,288	43,328
Hams(Quota Inc.)	cwt.	84,267	118,040	138,099
Apples, fresh or raw	cwt.	441,817	827,442	956,207
Pears, fresh or raw	cwt.	56,168	118,098	140,251
Lard	cwt.	149,361	411,625	541,142

II. Bindings of tariff rates, duty free status, or margins of Empire preference under the United States and United Kingdom Trade Agreement.

Salmon, canned	cwt.	111,593	51,807	127,110
Pears, canned	cwt.	147,406	191,768	272,254
Raisins	cwt.	110,935	138,367	114,944
Tobacco, stripped lbs.	5,254,945	13,315,410	5,759,597	
Tobacco, unstripped lbs.	20,266,693	64,352,013	53,504,938	
Cotton, raw, under 1 1/4" staple and over 7/8" staple	cent.	2,285,492	2,763,651	774,714
Cotton, raw, of 7/8" staple and under	cent.	38,483	53,451	23,687

<sup>16</sup>Four Months (January-April) United Kingdom Imports of Certain Articles Listed Separately in the Monthly "Accounts Relating to Trade and Navigation of the United Kingdom."



As indicated previously in this chapter, statistics cannot have too much weight. In addition to the short period, since the beginning of January, being insufficient to afford a satisfactory gauge of the extent to which trade has been stimulated, British imports during the past several years have been effected by abnormal conditions. For instance, although machinery imported into the British Empire was formally dutiable at 20 per cent ad valorem, Great Britain has imported much machinery free of duty, since machines of certain types were not being made in the United Kingdom or were not available in sufficient quantities to meet requirements.

According to the table above, raw cotton, which was allowed continued free entry fell during the first four months of 1939 far below what it had been in 1937 and 1938. Whether or not this decrease of raw cotton exports came as a result of the agreement is difficult to determine. One notes, also, from the table, that British imports of wheat which were nil during the first four months of 1937 increased substantially during the same period in 1939. The value of wheat imports, however, showed a decrease since the price of wheat had dropped considerably.

The unsettled political conditions in Europe have undoubtedly tended to disturb normal conditions in many industries. British import statistics, for instance, show a decrease in the amount of softwood lumber imported from the United States during the first four months of 1939, although

her total lumber imports showed an increase. It is entirely probable that the fear of war caused a decrease in the demand for lumber for house building, while the lumber producers on the Continent have probably been anxious to effect deliveries as early as possible.

While the preponderance of statistical evidence may be favorable, there are those who maintain that the results of the Anglo-American treaty are ruinous to certain industries. Representative Andrew G. Scheffler of West Virginia, in speaking before the house of Representatives on May 22, 1939, said there was much complaint from his constituents; that the United States Stamping Company, of Moundsville, West Virginia, for example, had sustained a loss in business, in Puerto Rico alone, due to imports coming in from Japan, Chico, and Germany during the last four years from fifty thousand dollars per annum to eight thousand six hundred dollars in 1938; and that the United Zinc Smelting Corporation had been required to reduce salaries 10 per cent.<sup>17</sup> It is interesting to note that Mr. Scheffler gives no evidence to show that the losses of the stamping company were due in whole or in part to the trade program. In the final analysis, even if the losses were attributable to the policy of reciprocity, the volume of business done by the Stamping Company is hardly sufficient to warrant any great castigation of the program.

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<sup>17</sup>Congressional Record, 76th Congress, First Session, p. 8375.

From the textile industry in the New England area there also comes rumblings of dissatisfaction. E. F. Walker, secretary-treasurer of the Rhode Island Textile Association, in a letter to Representative Harry Sandager of Rhode Island, on May 19, 1939, indignantly comments that considerable prominence is being given to British textiles. He laments particularly the so-called injurious effects on men's wear worsteds and women's wear woolens. He points out that one mill had reported that on light weight tropicals British mills were under selling them in the American market by seven and one-half to fifteen cents per yard.<sup>18</sup> Mr. Walker apparently is interested only in this particular industry. He doesn't take into consideration gains that are made by other American firms. Under the Hull program the losses to certain firms are more than compensated by gains in others.

Mr. Millard D. Brown of the Continental Mills, Incorporated, is another who attempts to show that conditions are worse since the agreement between the United States and Great Britain went into effect.<sup>19</sup> The Secretary of State answered Mr. Brown by quoting his own advertisement that appeared in the Daily News Record of May 8, 1939. The advertisement stated:

The general economic situation shows signs of marked improvement. More people are employed; more money

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<sup>18</sup>Congressional Record, op. cit., p. 8255.

<sup>19</sup>Ibid.



is being disbursed in private pay rolls; more impetus is being given to consumer purchasing power - there is a real dearth of trade. A latent demand for merchandise of established character will be manifest in the new season. It behoves us to take steps to stimulate and supply it.<sup>20</sup>

Mr. Hull points out that for the first quarter of 1939 as compared to the same period of 1938, there was an increase of 28 per cent in number of persons employed, 40 per cent in weekly pay roll, 68 per cent in machinery activity, and 106 per cent greater consumption of raw apparel wool.<sup>21</sup>

Mr. Brown takes the increase in imported wool fabrics of 791,000 square yards in January of 1939 over January, 1938, and concludes that the trade program is not good for the United States. He doesn't take into consideration the fact that great quantities of merchandise had been withheld from the market in anticipation of the trade agreement. Nor does he comment upon the decline of imports of wool fabrics from 1,602,000 square yards in January to 1,081,000 square yards in February.<sup>22</sup>

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<sup>21</sup>Congressional Records - Appendix, 76th Congress.

<sup>22</sup>Ibid.

## CHAPTER VI

### CONCLUSIONS

It is the writer's belief that the trade agreement of November 18, 1938, with the United Kingdom will do much in aiding our domestic recovery; that it is in the interest of world peace; that it is a defense against economic nationalism; that it will increase the volume of world trade; and that it has strengthened, and will continue to strengthen the ties of friendship between the United States and Great Britain.

Our domestic recovery cannot be complete unless the surplus creating branches of production are able to dispose of their products. The Anglo-American agreement which covers such important surplus-creating branches as cotton, leaf tobacco, and fruits, should aid, therefore, in our general recovery. In making this statement the writer is cognizant of the great drop in cotton exports during the first four months of 1939.

Critics of the trade program point to the fact that countries all over the world are increasing their armaments and conclude that the trade agreements are not promoting peace. Representative Thill of Wisconsin, for instance, in speaking before the Seventy-sixth Congress, suggested that the war with Spain, the Conquest of Abyssinia, and the re-

cent German advances, showed that the trade agreements are not working in the interests of peace.<sup>1</sup> Evidently the Honorable Mr. Thill doesn't realize, as far as the Abyssinian conquest is concerned, that the trade agreements that had been made at that time covered a negligible amount of the world's commerce. Furthermore, he must have forgotten all about Versailles.

The important thing to remember is that the trade agreements program deals with a very fundamental cause back of increased armaments. It cannot, however, undo such territorial arrangements as were made after the World War. The writer does not contend that a saner trade program is a complete remedy to all the manifold ills of the world. The present situation was built up in the absence of the Hull program. Had there been more men with the economic acumen of Secretary Hull, and had there been a program such as he is now pushing, fifteen years ago, no doubt the condition of world trade during the early 1930's would not have been so bad.

The trade program and economic nationalism certainly do not work hand in hand. One is the bane of the other. Raymond Leslie Buell, president of the Foreign Policy Association, thinks that it is reasonable to believe that the trade program may check the trend toward regimentation and dictatorship.<sup>2</sup>

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<sup>1</sup>Congressional Record, 76th Congress, First Session, 1939, p. 7579.

<sup>2</sup>Buell, op. cit.



There can be little doubt but that by facilitating the normal, profitable trade between the countries of the world, the trade program is making it possible for the countries with which the United States has concluded agreements to resist to a greater degree economic pressure from the countries who depend almost wholly upon a system of barter.

It is not too much to reason that the agreements by furthering the diplomatic solidarity of the democratic countries, and re-affirming their cooperation in the Western Hemisphere, constitute a defense against economic nationalism.<sup>3</sup>

The results as shown in the previous chapter would tend to indicate that the agreements will eventually result in increase in World trade. It is rather difficult to gauge this point at the present time due to the unnatural state of affairs in the world. A true perspective of the volume of trade increase or decrease can only be determined when there is less impetus toward war.

The reaction of the British press upon the ratification of the agreement showed their satisfaction. The concensus of the British people was that it would result in a greater friendship between the two great democracies.<sup>4</sup>

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<sup>3</sup>James Frederick Green, Foreign Policy Reports, May 25, 1938, p. 2.

<sup>4</sup>New York Times, November 18, 1938. p. 1.

The writer is in hearty accord with a statement by  
under secretary of State, Sumner Welles, which proclaims:

That in the years to come I believe that it will be  
recognized that the persistent and unfaltering policy  
which this government is pursuing under the direction  
of Secretary Hull, in carrying on, at times against  
almost overwhelming odds, the trade agreements program,  
will prove to be one of the greatest contributions this  
country will have ever made to the cause of world re-  
covery, and world peace.<sup>5</sup>

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<sup>5</sup>Sumner Welles, "Some Aspects of Our Foreign Policy,"  
United States Department of State Press Release, XX,  
Publication 1287, January 28, 1939, pp. 51-52.

## APPENDIX



## APPENDIX

### TRADE AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED KINGDOM <sup>1</sup>

The President of the United States of America and His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India, in respect of Great Britain and Northern Ireland;

Desiring to grant reciprocal concessions and advantages in order to facilitate and extend mutual relations of trade and commerce;

Taking into account the absence of any restriction upon the settlement of commercial obligations arising out of such relations;

Have resolved to conclude a Trade Agreement and have appointed for this purpose as their Plenipotentiaries:

The President of the United States of America:

Mr. Cordell Hull, Secretary of State of the United States of America; and

His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India:

For Great Britain and Northern Ireland:

The Right Honorable Sir Ronald Charles Lindsay, G. C. M. G.,

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<sup>1</sup>"Text of the Agreement Between the United States and the United Kingdom," Taken from the Department of State Publication 1256, (1938).

K. C. B., C. V. O., his Ambassador Extraordinary and Plenipotentiary at Washington, and

Arnold Edersheim Overton, Esquire, C. M. G., M. C., a Second Secretary in his Board of Trade;

Who, having communicated to each other their full powers, found in good and due form have agreed as follows:

#### Article I

The territories to which this Agreement shall apply are, on the part of the United States of America, the continental territory of the United States of America and such of its territories and possessions as are included in its customs territory on the day of the signature of this Agreement; and, on the part of His Majesty the King of Great Britain, Ireland and the British Dominions beyond the Seas, Emperor of India (hereinafter referred to as His Majesty the King), Great Britain and Northern Ireland, Newfoundland, the British non-self-governing colonies, Protectorates and Protected States (except the High Commission Territories in South Africa, namely, Basutoland, Bechuanaland Protectorate and Swaziland, and excluding any territories in the region of the Persian Gulf) and the Mandated Territories of Palestine including Trans-Jordan, the Cameroons under British Mandate, Tanganyika Territory and Togoland under British Mandate. The provisions of this Agreement relating to most-favored-nation treatment shall apply, however, to all territories under the sovereignty or authority of the United States of America, other than the Panama Canal Zone.

## Article II

1. Articles the growth, produce or manufacture of the territories of either High Contracting Party shall not be subjected, upon importation into the territories of the other, from whatever place arriving, to other or higher duties or charges of any kind or to any rules or formalities other or more burdensome than those to which the like articles the growth, produce or manufacture of any other foreign country are subject.

2. Articles exported from the territories of either High Contracting Party to the territories of the other shall not be subjected to other or higher duties or charges of any kind or to any rules or formalities other or more burdensome than those to which the like articles exported to any other foreign country are subject.

3. Any advantage, favor, privilege or immunity which has been or may hereafter be granted in the territories of either High Contracting Party in respect of any article originating in or destined for any other foreign country in regard to customs duties and other charges of any kind imposed on or in connection with importation or exportation, to the method of levying such duties or charges, to all matters concerning the rules, formalities and charges imposed in connection with importation or exportation, and to all laws or regulations affecting the sale or use of imported goods within those territories, shall be accorded immediately and unconditionally in respect of the like article originating in or destined for the territories of the other High Contracting Party.



### Article III

Articles the growth, produce or manufacture of the territories of either High Contracting Party shall, after importation into the territories of the other, shall be exempt from all internal taxes, fees, charges or exactions other or higher than those payable on or in connection with like articles of domestic or any other origin, except as otherwise required by laws in force on the day of the signature of this Agreement and subject, in the case of the United States of America, to the constitutional limitations on the authority of the Federal Government.

### Article IV

1. No prohibition or restriction shall be imposed or maintained on the importation into the territories of either High Contracting Party of any article, from whatever place arriving, the growth, produce or manufacture of the territories of the other High Contracting Party, to which the importation of the like article the growth, produce or manufacture of any other foreign country is not similarly subject.

2. No prohibition or restriction shall be imposed or maintained on the exportation of any article from the territories of either High Contracting Party to the territories of the other, to which the exportation of the like article to any other foreign country is not similarly subject.

### Article V

If imports of any article into any of the territories of either High Contracting Party should be regulated either

as regards the total amount permitted to be imported or as regards the amount permitted to be imported at a specified rate of duty, and if shares are allocated to countries of export, the share allocated to the territories of the other High Contracting Party shall be based upon the proportion of the total imports of such article from all foreign countries supplied by the territories of that High Contracting Party in past years, account being taken in so far as practicable in appropriate cases of any special factors which may have affected or may be affecting the trade in that article. In those cases in which a territory of one of the High Contracting Parties is a relatively large supplier of any such article, the High Contracting Party imposing the regulation shall, whenever practicable consult with the other High Contracting Party before the share to be allocated to such territory is determined. If the share allocated should, otherwise than from temporary and unavoidable causes, fail to be supplied, the High Contracting Party imposing the regulation may, after due consultation with the other, adjust the allocation to meet the new situation thus created.

#### Article VI

All the provisions of this Agreement providing for most-favored-nation treatment shall be interpreted as meaning that such treatment shall be accorded immediately and unconditionally, without request or compensation.

#### Article VII

The provisions of this Agreement do not extend to

favours which are or may hereafter be granted in the territories of either High Contracting Party

1. to facilitate frontier traffic with an adjoining country;
2. in virtue of a customs union which has already been, or may hereafter be, concluded with another country.

#### Article VIII

1. If either High Contracting Party should establish a monopoly for the importation into or the production or sale in the territories of that High Contracting Party of a particular article, or should grant exclusive privileges to one or more agencies for any of these purposes, or if either High Contracting Party should take measures to enable such a monopoly to be established or such exclusive privileges to be granted, the commerce of the territories of the other High Contracting Party shall receive fair and equitable treatment in respect of the foreign purchases of such monopoly or agency. To this end such monopoly or agency will, in making its foreign purchases of any quality, marketability and terms of sale, which would ordinarily be taken into account by a private commercial enterprise interested solely in purchasing on the most favorable terms.

2. In awarding contracts for public works and in purchasing supplies, neither High Contracting Party shall discriminate against articles the growth, produce or manufacture of the territories of the other High Contracting Party in favor of those of any other foreign country.



## Article IX

1. Articles the growth, produce or manufacture of the United States of America specified in Schedule I annexed to this Agreement shall, on their importation into the United Kingdom of Great Britain and Northern Ireland, from whatever place arriving, be accorded the treatment provided for in the said Schedule.

2. If, however, the Government of the United Kingdom is satisfied after inquiry (a) that any article the growth, produce or manufacture of the United States of America of the description specified in Schedule I is being imported and sold in the United Kingdom at less than the comparable price in the United States of America, due allowance being made for costs of transportation and other charges incidental to making delivery of the goods, or (b) that any such article imported into the United Kingdom is the subject of export bounties or subsidies in the United States of America, and that in consequence of the fulfilment of either of the foregoing conditions a trade or industry in the United Kingdom is or is likely to be injuriously affected; then, notwithstanding anything in paragraph 1 of this Article, the Government of the United Kingdom shall be at liberty, after consultation with the Government of the United States of America, in cases coming under (a) above, to take such measures as the two Governments may deem necessary and appropriate in order to act as an effective deterrent to the practice in question; and, in cases coming under (b) above, to impose such additional duties or charges on the article concerned as may be

required to compensate for the bounty or subsidy.

3. Any measures taken under the preceding paragraph shall be withdrawn as soon as the circumstances which gave rise to their imposition have ceased to operate.

#### Article X

1. Articles the growth, produce or manufacture of the United States of America specified in Schedule II annexed to this Agreement shall, on their importation into Newfoundland, from whatever place arriving, be accorded the treatment provided for in the said Schedule.

2. If, however, the Government of Newfoundland is satisfied after inquiry (a) that any article the growth, produce or manufacture of the United States of America of the description specified in Schedule II is being imported and sold in Newfoundland at less than the comparable price in the United States of America, due allowance being made for costs of transportation and other charges incidental to making delivery of the goods, or (b) that any such article imported into Newfoundland is the subject of export bounties or subsidies in the United States of America, and that in consequence of the fulfilment of either of the foregoing conditions a trade or industry in Newfoundland is or is likely to be injuriously affected; then, notwithstanding anything in paragraph 1 of this Article, the Government of the United Kingdom and the Government of the United States of America, in cases coming under (a) above, to take such measures as the Governments may deem necessary and appropriate in order

to act as an effective deterrent to the practice in question; and, in cases coming under (b) above, to impose such additional duties or charges on the article concerned as may be required to compensate for the bounty or subsidy.

3. Any measures taken under the preceding paragraph shall be withdrawn as soon as the circumstances which gave rise to their imposition have ceased to operate.

#### Article XI

Articles the growth, produce or manufacture of the United States of America specified in Schedule III annexed to this Agreement shall, on their importation into the territories named in the said Schedule in respect of which they are specified, from whatever place arriving, be accorded the treatment provided for in the said Schedule.

#### Article XII

Articles the growth, produce or manufacture of any of the territories to which this Agreement applies on the part of His Majesty the King, enumerated and described in Schedule IV annexed to this Agreement shall, on their importation into the United States of America, from whatever place arriving, be exempt from ordinary customs duties other or higher than those set forth and provided for in the said Schedule IV, subject to the conditions therein set out. The said article shall also be exempt from all other duties, taxes, fees, charges or exactions of any kind, imposed on or in connection with importation, in excess of those imposed on the day of the signature of this Agreement or required to be imposed



thereafter under laws of the United States of America in force on the day of the signature of this Agreement.

#### Article XIII

The Schedules annexed to this Agreement, and the notes included in them, shall have force and effect as integral parts of the Agreement.

#### Article XIV

The provisions of Article IX, Article X, Article XI, and Article XII of this Agreement shall not prevent the imposition at any time on the importation of any article of a charge equivalent to an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been produced or manufactured in whole or in part.

#### Article XI

1. No prohibition, restriction or any form of quantitative regulation, whether or not operated in connection with an agency of centralized control, shall be imposed or maintained in the United Kingdom or Newfoundland on the importation or sale of any article the growth, produce or manufacture of the United States of America specified in Schedules I or II, respectively; or in any territory named in Schedule III on the importation or sale of any such article specified in that Schedule in respect of such territory; or in the United States of America on the importation or sale of any article the growth, produce or manufacture of any of the territories in which this Agreement applies on the part of

His Majesty the King, enumerated and described in Schedule IV, except as otherwise expressly provided in the said Schedules I, II, III, or IV, as the case may be.

2. The foregoing provision shall not apply to quantitative regulations, in whatever form which may hereafter be imposed by either High Contracting Party on the importation or sale of any article the growth, produce or manufacture of the territories of the other, in conjunction with governmental measures or measures under governmental authority

- (a) operating to regulate or control the production, market supply, quality or price of the like article or domestic growth, production or manufacture; or
- (b) operating to increase the labor costs or production of the like article of domestic growth, production or manufacture;

Provided, however, that the High Contracting Party proposing to impose any such quantitative regulation is satisfied, in the case of measures described in subparagraph (a) of this paragraph, that such quantitative regulation is necessary to secure the effective operation of such measures, and, in the case of measures described in subparagraph (b), that such measures are causing the domestic production of the article concerned to be injuriously affected by imports which constitute an abnormal proportion of the total consumption of such article

in relation to the proportion supplied in the past by foreign countries.

3. Whenever either High Contracting Party proposes to impose or to effect a substantial alteration in any quantitative regulation authorized by the preceding paragraph, that High Contracting Party shall give notice in writing to that effect to the other and shall, upon request, enter into consultation regarding the matter. If agreement is not reached within thirty days after the receipt of the notice the High Contracting Party giving such notice shall be free to impose or alter the regulation at any time, and the other High Contracting Party shall be free within fifteen days after such action is taken to terminate this Agreement in its entirety on giving thirty day's notice in writing to that effect.

4. The provisions of paragraph 1 of this Article shall not apply to quantitative regulations, in whatever form, imposed by either High Contracting Party on the importation or sale of any article the growth, produce or manufacture of the territories of the other High Contracting Party, in connection with a multilateral agreement, binding both High Contracting Parties, designed to regulate or control the international marketing of such article.

#### Article XVI

1. The provisions of this Agreement shall not extend to prohibitions or restrictions

(a) imposed for the protection of public health or on moral or humanitarian grounds;



- (b) imposed for the protection of animals or plants, including measures for protection against disease, degeneration or extinction as well as measures taken against harmful seeds, plants and animals;
- (c) imposed by either High Contracting Party in pursuance of obligations under international agreements in force on the day of the signature of this Agreement by which that High Contracting Party is bound;
- (d) relating to the importation or exportation of gold or silver;
- (e) relating to the control of the traffic in arms, ammunition or implements of war, and, in exceptional circumstances, all other military supplies;
- (f) relating to neutrality or to public security;
- (g) imposed by either High Contracting Party should that Party be engaged in hostilities of war.

2. The provisions of Article XV shall not extend to prohibitions or restrictions

- (a) relating to prison-made goods;
- (b) relating to the enforcement of police or revenue laws.

#### Article XVII

In respect of articles the growth, produce or manufacture of the United States of America specified in Schedules I or II, imported into the United Kingdom or Newfoundland, respectively, and of articles the growth, produce or manufacture of any of the territories to which this Agreement

applies on the part of His Majesty the King, enumerated and described in Schedule IV, imported into the United States of America, on which ad valorem rates of duty, or duties based upon or regulated in any manner by value, are or may be assessed, the general principles of which dutiable value is determined in each of the importing territories, on the day of the signature of this Agreement, shall not be altered to the detriment of importers.

#### Article XVIII

If a wide variation should occur in the rate of exchange between the currencies of the United States of America and the United Kingdom, and if either High Contracting Party should consider the variation so substantial as to prejudice the industries or commerce of the territories of that High Contracting Party, such High Contracting Party shall be free to propose negotiations for the modification of this Agreement; and if agreement is not reached within thirty days after the receipt of such proposal, the High Contracting Party making the proposal shall be free to terminate the Agreement in its entirety on giving thirty day's notice in writing to that effect.

#### Article XIX

Each High Contracting Party reserves the right to withdraw or to modify any concession granted in any territory of that High Contracting Party on any article enumerated and described, or specified, in any of the Schedules annexed to this Agreement, or to impose quantitative regulations on the

importation of any such article into that territory if, as the result of the extension of such concession to other foreign countries, any such country obtains the major benefit of the concession, and if in consequence imports of the article concerned increase to such an extent as to threaten serious injury to producers in the territories of that High Contracting Party: Provided, That before any action authorized by this Article is taken, the High Contracting Party proposing to take such action shall give the other thirty day's notice thereof in writing and shall consult with that High Contracting Party concerning the proposed action.

#### Article XX

Should any measure be adopted in any territory of either High Contracting Party which, while not conflicting with the terms of this Agreement, appears to the other High Contracting Party to have the effect of nullifying or impairing any of the objects of the Agreement, the first High Contracting Party shall consider such representations and proposals as the other may make, with a view of effecting a mutually satisfactory adjustment of the matter.

#### Article XXI

Except as otherwise required by Article IIIo of this Agreement or by any of the Schedules annexed hereto:

(a) Nothing in the Agreement shall entitle His Majesty the King to claim the benefit of any treatment, preference or privilege which may at any time be accorded exclusively by the United States of America, its territories or posses-



sions or the Panama Canal Zone to one another or to the Republic of Cuba. The provisions of this subparagraph shall continue to apply in respect of any benefits now or hereafter accorded by the United States or America, its territories or possessions or the Panama Canal Zone to the Philippine Islands, irrespective of any change in the political status of the Philippine Islands.

(b) Nothing in the Agreement shall entitle the United States of America to claim the benefit of any treatment, preference or privilege which may at any time be in force exclusively between territories under the sovereignty of His Majesty the King or under His Majesty's protection or suzerainty; or of any special customs privileges which may be accorded in Palestine to articles the growth, produce or manufacture of any State the territory of which in 1914 was wholly included in Asiatic Turkey or Arabia.

#### Article XXII

Nothing in this Agreement shall be deemed to affect the rights or obligations of either High Contracting Party under any treaty or other international instrument in force between them on the day of the signature of the Agreement.

#### Article XXIII

This Agreement shall be proclaimed by the President of the United States of America and shall be ratified by His Majesty the King. It shall enter definitively into force thirty days after the exchange of the instrument of ratification and a copy of the proclamation, which shall take place in London as soon as possible.

## Article XXIV

Pending the definitive coming into force of this Agreement as provided in Article XXIII, the provisions thereof other than those of Article XI and of Schedule III shall be applied provisionally on and after January 1, 1931, subject to a right to terminate the provisional application of the Agreement pursuant to the provisions of paragraph 3 of Article XV and of Article XVIII. The provisional application of Article XI and of Schedule III shall be effected as to the several provisions thereof as soon as may be possible.

## Article XXV

Subject to the provisions of paragraph 3 of Article XV and of Article XVIII, this Agreement shall remain in force until December 31, 1941, and, unless at least six months before December 31, 1941, either High Contracting Party shall have given notice in writing to the other of intention to terminate the Agreement on that date, it shall remain in force thereafter until the expiration of six months from the date on which such notice shall have been given.

In witness whereof the respective Plenipotentiaries have signed this Agreement and have affixed hereto their seals

Done at the City of Washington, in duplicate, this seventeenth day of November, one thousand nine hundred and thirty-eight.

(seal)

CORDELL HULL.

(seal)

R. C. LINDSAY.

(seal)

A. E. OVERTON.

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