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OUTLOOK FOR U. S. IMPORTS IN 1949 and 1950

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OUTLOOK FOR U.S. IMPORTS IN 1949 and 1950

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Note:

This study was, for the most part, completed by Christmas, 1948, but checking of certain figures has delayed its release until now.

OUTLOOK FOR U. S. IMPORTS IN 1949 AND 1950

Summary and Conclusions

1. U. S. general imports amounted in 1947 to \$5,739 million compared to exports valued at \$4,456 million. The export surplus was \$8,717 million. The acute dollar shortage clearly stems from this disequilibrium in the U. S. balance of trade.

The restoration of equilibrium in the U. S. balance of trade is the necessary, though not sufficient, condition upon which the smooth expansion of international trade in the years ahead will depend. It must be recognized, however, that, for this restoration to have the most salutary effect equilibrium between U. S. exports and imports must be reached at a high level. It follows that the expansion of U. S. imports is to be considered the keystone of any sound structure of world trade in the years to come.

2. Compared with the prewar period, U. S. imports in 1947 were at a low level. The ratio between imports and disposable income plus corporate profits after taxes and dividend payments was 3% against a ratio of 5% in 1929. Assuming the latter as a rough indication of the "normal" ratio in a full employment year imports in 1947 should have been around \$9,400 million or 64% above the actual figure. The low level of U. S. imports in 1947 seems to be due primarily to the lack of sufficient supply in foreign countries.

3. The purpose of this paper has been to attempt an estimate of the probable amount of U. S. imports in 1949 and 1950 under the following assumptions: (a) steady increase in the availability of supply abroad; (b) a high level of prosperity in the United States in the years ahead; (c) no appreciable change in prices through 1950 from those prevailing in

the first semester of 1948; (d) unchanged U. S. import duties. Some space, however, has been devoted to the possible effects of further reductions in duties.

The approach has been primarily a structural one. By this it is meant that the analysis relies mainly on a type of information gathered from various sources covering such relevant variables as structural changes which have occurred since 1929 and particularly during the war period, domestic consumption and production of the various commodities, production in foreign countries, etc. On the basis of this analysis, often integrated with an examination of the most recent trends of imports, single forecasts for each group and subgroup of U.S. imports have been attempted.

4. The analysis shows that the probable amount of U. S. imports may be expected to be \$7,466 million in 1949 and \$8,027 million in 1950 (current prices).

These results have been reached by dealing in detail with the 30 principal subgroups of U.S. imports selected according to their values in 1947 and 1929. As a whole these subgroups covered 87 and 82 per cent of total imports in the two years, respectively. The remaining subgroups have been analyzed in the aggregate.

The principal subgroups have been classified in three large groups. The first includes those commodities, such as coffee, cocoa, paper, wood, jute, furs, tobacco, hides and skins, etc., the imports of which will depend primarily on (a) the trend of consumption in the U.S. as opposed to the trend, if any, of domestic production, (b) the availability of supply on foreign markets.

The second group includes those commodities such as non-ferrous metals and ferro-alloys, rubber, oilseeds and vegetable oils, petroleum

etc., the imports of which will depend upon the above-mentioned factors plus (a) U.S. purchases for the national stockpile, (b) U.S. purchases for the purpose of conservation of domestic resources.

The third group includes those commodities such as sugar, wool, textile manufactures, meat products, etc., the imports of which will depend upon the factors mentioned under group I plus (a) U.S. import duties, (b) the U.S. absolute-quota and tariff quota system, (c) other U.S. restrictions.

5. The following table summarizes the partial results of our estimates, including those obtained for the groups of commodities not considered in detail. The estimates for 1949 and 1950 are compared with the actual figures for 1947 and the annual rate for 1948 based on the trade returns for the first nine months.^{1/}

| <u>Groups</u> | <u>1947</u> | <u>1948</u> | <u>1949</u> | <u>1950</u> |
|---------------|-------------|-------------|-------------|-------------|
| Group I | 2,360 | 2,821 | 2,973 | 3,141 |
| Group II | 1,617 | 1,893 | 2,172 | 2,415 |
| Group III | 995 | 1,145 | 1,259 | 1,346 |
| Other Imports | 766 | 1,039 | 1,062 | 1,125 |
| Total | 5,738 | 6,898 | 7,466 | 8,027 |

The estimated increase in 1950 over 1947 for all U.S. imports is 40%, the absolute increase probably being greater in Groups I and II.

^{1/} The figures for 1948 in this table as well as throughout the analysis refer to the imports for consumption, whereas those for 1947 and 1929 refer to general imports. The difference between the two represents the movement into and out of the warehouse and is usually negligible. General imports in 1948 (annual rate based on the trade returns for the first 9 months) amounted to \$6,934 million as compared to imports for consumption of \$6,898 million.

The estimated global figures for 1950 show an increase of 7.5% over 1949, the latter an increase of 8.2% over 1948.

6. The largest share of the estimated net increase from 1947 to 1950 will probably be covered by the following commodities or groups of commodities:

Non-ferrous metals and ferro-alloys,
mainly tin, copper, lead and zinc

Crude petroleum

Coffee and cocoa

Hides and skins

Raw wool

Machinery in general

Paper base stocks, mainly
chemical wood pulp

Undressed furs

Standard newsprint paper

Semi-manufactured wood, mainly
softwood lumber

Burlap

Together the subgroups in which these commodities are included represent about 65% of the total estimated net increase.

7. Many countries would benefit from the expected increase in the U.S. imports, but particularly the following: United Kingdom and her colonial dependencies; some Latin American countries such as Venezuela, Brazil and Chile; Canada; Scandinavian countries; Netherlands Indies; India and Australia.

8. Although the analysis has been carried out on the assumption of no further U.S. tariff reduction, systematic attention has been given to the probable effect of a further reduction in duties on the value of U.S. imports.

It appears that further tariff restrictions would probably increase U.S. imports by some \$400 million. Tariff restrictions would be presumably most effective in the case of such products as textile manufactures, machinery, etc. It seems that European markets in particular would benefit from a further reduction in U.S. duties.

9. When a line is fitted to the data (actual and estimates) for the period 1947-50, it indicates an upward trend increasing at a diminishing rate, with U.S. imports levelling off at some \$9 - 9.5 billion in 1952-53.

However, our estimates have been, in general, rather conservative. Presumably with a real drive of foreign countries (particularly Europe) to increase their exports to the U.S. a level of \$10 billion could be achieved by 1952-53. An increase of such a magnitude in U.S. imports would do more than any other single factor to improve the whole outlook of world trade.

OUTLOOK FOR U. S. IMPORTS IN 1949 AND 1950

INTRODUCTION

1. U.S. general imports amounted in 1947 to \$5,739 million as compared to exports valued at \$14,456 million. The export surplus was, therefore, \$8,717 million. The acute dollar scarcity, which at present characterizes the international economic situation, clearly stems from this disequilibrium in the U.S. balance of trade.

The restoration of the equilibrium in the U.S. balance of trade is the necessary, though not sufficient, condition upon which the smooth expansion of international trade in the years ahead will depend. The American public is by now perfectly aware that the only "favorable" balance of trade is an equilibrium between exports and imports. It must be recognized, however, that for this restoration to have the most salutary effect the equilibrium between U.S. exports and imports must be reached at a high level. It follows that the expansion of U.S. imports is to be considered the keystone of any sound structure of world trade in the years to come.

2. Compared with the prewar period U.S. imports in 1947 (and the same is true for 1945 and 1946) were at a low level and, moreover, showed an altered distribution by economic classes. A simple method to determine this theoretical level of U.S. imports is to calculate the ratio of imports to national income in one prewar full-employment year such as 1929. This ratio turns out to be 5 per cent. In 1947 the ratio of imports to national income was 2.8 per cent. The ratio of 2.8% shows clearly that the U.S. imports in 1947 were comparatively at a low level, although it

has never been proved that a linear relationship between imports and national income is the one which necessarily relates the two magnitudes. It must be remembered, in this connection, that as the national income per head increases a relatively greater share is spent on services which affect imports only indirectly. With such qualifications the method of the ratios can be adopted merely as a rough indication of the discrepancy between the "normal" situation and an abnormal one, and within these limits it has recently been widely used.

Assuming the theoretical ratio, U.S. imports in 1947 would have amounted to some \$10,150 million or 7% above the actual figure. It is worth mentioning that this theoretical figure is not far from that calculated by the International Monetary Fund on the basis of extrapolations of regression equations computed for each economic class of imports through the period 1919-39. The IMF figure turns out to be \$10,132 million for the period June 1946-June 1947.^{1/}

In order to allow for the increasing impact of direct taxes on the economy from 1929 to 1947, the ratio of imports to disposable income plus corporate profits after taxes and dividend payments has been computed. This ratio turns out to be 5.1% in 1929 compared with a ratio of 3.1% for 1947. The corrected theoretical figure for 1947 would be, therefore, around \$9,400 million, which is 64% above the actual figure.

The following table shows the distribution of U.S. imports by economic classes in 1947 and compares it with the average distribution for the period 1919-39:

| <u>Economic Classes</u> | <u>% of total imports</u> | |
|-------------------------|---------------------------|----------------|
| | <u>1947</u> | <u>1919-39</u> |
| Crude materials | 31.0 | 35.2 |
| Crude foodstuffs | 18.0 | 12.7 |
| Manufactured foodstuffs | 11.6 | 13.4 |
| Semi-manufactures | 22.0 | 18.3 |
| Finished manufactures | 17.4 | 20.4 |

^{1/} IMF, The demand for imports of the U.S. in the inter-war period, January 27, 1948, RD-511

Crude materials, crude foodstuffs and semi-manufactures used by American manufacturing industries constituted 66% of total U.S. imports in the period 1919-39, whereas they constituted 71% of total imports in 1947. In this large group of commodities, however, the share going to crude materials (including primarily petroleum, non-ferrous ores and ferro-alloying ores, rubber, raw wool, undressed furs and hides and skins) was in 1947 less than in 1919-39, whereas the share going to crude foodstuffs (mainly coffee, cocoa, tea, fruits, and nuts, vegetables and preparations), and to semi-manufactures (primarily paper base stocks, saw-mill products, copper, tin, leather, etc.) was greater.

It is interesting to note the drop in the shares of manufactured foodstuffs and finished manufactures. These classes include primarily cane sugar, beverages, fish and shellfish, textile manufactures in general, newsprint, leather manufactures, machinery and vehicles, etc.

It is difficult to select a single cause of the comparatively low level and of the altered distribution by economic classes of the U.S. imports in 1947. It may be safely said, however, that one of the most important reasons for the postwar developments is the lack of sufficient supplies in foreign countries in general, particularly in certain countries.

The dependence of U.S. imports on the availability of foreign supplies is clearly shown, for instance, by a comparison of the imports from France and the U.K. in the last two and a half years. If U.S. imports depended solely on the high level of domestic prosperity, no discrepancy between French exports and British exports to the U.S. would appear. But statistical data show that monthly French exports increased from \$24.4 million in the period January-June 1946 to \$25.4 million in the period

January-May 1948, while monthly British exports increased from \$75.4 million to \$112.1 million in the same period. These data show quite clearly that the British export drive and the internal "austerity" program have produced satisfactory results. From this example the general conclusion may be reached that U.S. imports depend largely on the ability of foreign countries to supply adequate quantities of commodities at competitive prices.

With the restoration of production abroad, especially in Europe and the Far East, and assuming high levels of prosperity in the U.S. and fair international trade practices, it may be safe to expect (a) that U.S. imports will automatically increase, establishing a more "normal" relationship between these imports and disposable income plus corporate profits after taxes and dividend payments, (b) a tendency towards the restoration of the prewar distribution of economic classes, although in this respect it is probable that the former distribution will not be completely restored.

The present analysis is carried out primarily on the assumption that the availability of supply abroad will increase steadily in 1949 and 1950.

On the basis of the trade returns for the first nine months of 1948 the annual rate of U.S. imports runs at \$6,898 million or 3.3% of the disposable income plus corporate profits after taxes and dividend payments. The increase of the ratio over that for 1947 (3.1%) is a notable achievement and seems to show a movement approaching the "normal" ratio (5%). If this ratio were to prevail again in 1949-50 the U.S. imports would amount to \$10,700 million, on the basis of an estimated disposable

income plus corporate profits after taxes and dividend payments in the next two years of some \$ 210 billion at current prices.^{1/}

This hypothetical figure will probably differ from the actual one as a result of obstacles such as insufficient restoration of productive efficiency abroad, difficulties in commercial relationships, artificial hindrances to trade, etc.

3. The purpose of this paper is to attempt an estimate of the probable amount of U.S. imports in 1949 and 1950 on the assumptions described in the next paragraph.

The approach commonly used in this connection is that of correlating relevant magnitudes (for instance, income, consumption, imports, prices) in the inter-war period and then extrapolating the regressions so obtained over the near future. These researches are undoubtedly very elegant, but the results have to be accepted with considerable caution in view of the structural changes which have occurred meanwhile. Very often these changes make the inter-war regressions obsolete and the extrapolations misleading unless carefully qualified.

The present analysis differs from those now mentioned inasmuch as it is structural in character. It relies primarily on a group of relevant information gathered from various sources on structural changes since 1929,

and dividend payments
1/ The disposable income plus corporate profits after taxes/in 1949-50 has been calculated by computing firstly, the national income of 1949-50 on the assumptions that the working population will increase by 700,000 persons a year, and the productivity of labor by 2%, and then dividing it by the ratio between national income and disposable income plus corporate profits after taxes and dividend payments which obtained in 1947.

particularly during the war period, due to technical changes, changes in taste, and changes in income distribution. The data considered are:

- (a) Domestic consumption of the various commodities before and after the war and expectations about future developments;
- (b) Domestic production, if any, of the various commodities before and after the war and expectations about future trends;
- (c) Competition of foreign products with similar domestic products or domestic substitutes;
- (d) Production in the traditional exporting countries after the war and expectations about future trends;
- (e) Possibility of shifts of U.S. demand from the traditional exporting countries to others.

In each case U.S. imports in 1947 (volume and value) have been listed against those in 1929, as a typical prewar full employment year. In many cases this comparison may prove helpful for evaluating the order of magnitude of the changes in the long run, and for estimating the developments to be expected in the near future.

Frequently the results have been checked against the most recent trends of imports (1947 and the first part of 1948). In fact, the analysis depends greatly upon these trends in the case of groups of commodities for which a detailed examination of the kind described above was not possible.

4. The analysis is based on the following fundamental assumptions, besides that of the steady increase of supply from abroad:

- (a) A high level of prosperity in the United States in the next few years. Although many observers now point to some sort of recession

immediately ahead, the assumption seems justified by the presumption that, with the current knowledge of economic problems and the greater efficiency of the central authorities in dealing with them, such a recession would be mild and comparatively short. Of course, should this assumption not materialize, a large part of the present analysis would break down. It can be safely said, therefore, that the high level of prosperity in the United States is the most important single factor on which the future expansion of U.S. imports will depend.

(b) No appreciable change in prices through 1950 from those obtaining in the first semester of 1948^{1/}. This assumption implies a stable relationship between domestic and international prices in the next two years. It might be suggested that the analysis should be carried out at least along two other lines, namely, (i) falling domestic prices with stable international prices, (ii) stable domestic prices with falling international prices. The former type of analysis, however, is ruled out by the previous assumption on the level of prosperity in the United States. The latter, on the other hand, would be of some interest, although it seems more suitable for a long-run trend analysis. Professor Tinbergen calculated recently that the overall price-elasticity of U.S. imports is almost equal to unity. If this calculation were correct the results of the present analysis in terms of value would not be materially altered in the case of falling international prices. But it must be remembered that the International Monetary Fund has calculated a price-elasticity far

1/ Throughout the analysis "current prices" are calculated as the ratio between import values and import volume.

below unity for U.S. imports. Should this be the case the value of U.S. imports would drop as a consequence of falling international prices. The issue is clearly too complex for generalization. The analysis of the case of stable domestic prices and falling international prices has also been discarded in order to avoid difficult predictions of the movements of single international prices and the consequent reactions of U.S. demand. Should substantial changes in international prices take place in the next two years, our analysis would not break down, but considerable alterations in some parts would become necessary.

(c) With regard to U.S. tariffs the assumptions have been:

(i) unchanged U.S. import duties. This assumption seems to be justified by the fact that the U.S. has already granted many tariff reductions in trade agreements with various countries, especially in the Geneva Agreement (January 1948). The U.S. Tariff Commission has recently calculated that, as a result of all trade agreements (including the Geneva Agreement), reductions of 47% from the original rates of duties have already been made. The average rate of duty on all dutiable imports before any agreement was made (weighted by the imports in 1939) was 48.2% ad valorem; as a result of all the agreements combined, this average (similarly weighted) is 25.4%, the reduction being 47%. On a considerable number of commodities, including some of major importance, reductions of 75% from the original rates have been made. As, moreover, the increase in the prices of imported goods during the past two decades has caused a marked reduction in the average duty because of its effect on the ad valorem equivalents of the specific and compound duties (which together amount to about 2/3 of the total dutiable imports), the average ad valorem

equivalent rates turn out to be 15.3% on dutiable imports and 6% on free and dutiable imports combined.^{1/}

(ii) further substantial reduction of duties. Although this assumption seems rather theoretical after the previous remarks, it must be remembered that the U.S. will probably grant shortly tariff reductions to those countries which did not participate in the Geneva Agreement. For this reason the present analysis, although carried out primarily on the assumption of no further tariff reductions, has devoted some space to the possible effects of further reductions.

Two other minor assumptions must be mentioned, namely (a) fairly stable (i.e. not frequently changing) foreign exchange rates, (b) fairly unchanged taste of the American consumer. They rest on the presumption that, in the case of the exchange rates, the IMF will succeed in the future in preventing disorderly oscillations of rates; in the second case, that any major change of taste is in general a long-run phenomenon.

5. As a general guide to the survey, the principal subgroups of commodities imported into the United States in 1947 and 1929 are tabulated (millions of dollars):

| <u>Subgroup of Commodities</u> | <u>1947</u> | <u>1929</u> |
|-------------------------------------|-------------|-------------|
| Coffee, cocoa and tea | 782.9 | 379.5 |
| Non-ferrous metals and ferro-alloys | 515.1 | 330.8 |
| Sugar and related products | 445.5 | 229.7 |
| Paper and manufactures | 363.3 | 163.4 |
| Rubber and manufactures | 325.7 | 247.4 |
| Paper base stocks | 293.6 | 118.1 |
| Oilseed and vegetable oils | 265.3 | 170.8 |
| Petroleum and products | 260.5 | 143.6 |
| Unmanufactured wool | 225.4 | 87.3 |
| Fruits and nuts | 141.0 | 86.6 |
| Jute and manufactures | 136.7 | 96.0 |
| C/forward | 3,755.0 | 2,053.2 |

^{1/} In 1947 the duty-free imports amounted to 61% of the total. By economic classes the ratios of duty-free imports to total imports of each class were as follows: 67% for crude materials, 86% for crude foodstuffs, 6% for manufactured foodstuffs, 66% for semi-manufactures and 54% for finished manufactures.

| <u>Subgroup of Commodities</u> | | <u>1947</u> | <u>1929</u> |
|---|---------|-------------|-------------|
| B/forward | 3,755.0 | 2,053.2 | |
| Furs and manufactures | 127.0 | 125.9 | |
| Precious stones | 124.9 | 79.7 | |
| Semi-manufactured wood and shingles | 121.1 | 50.3 | |
| Tobacco and manufactures | 94.1 | 60.6 | |
| Hides and skins | 89.6 | 137.3 | |
| Fish and products | 84.5 | 39.8 | |
| Vegetable fibres other than cotton, jute, flax, hemp and ramie | 82.1 | 47.4 | |
| Beverages | 70.1 | 1.9 | |
| Unmanufactured cotton | 55.6 | 53.3 | |
| Clocks and watches | 54.7 | 16.9 | |
| Vegetables and products | 53.6 | 48.1 | |
| Fertilizers | 43.4 | 72.3 | |
| Naval stores, gums and resins | 43.3 | 35.6 | |
| Silk and manufactures | 29.7 | 471.3 | |
| Leather and manufactures | 30.3 | 86.2 | |
| Wool manufactures | 34.6 | 64.9 | |
| Cotton manufactures | 26.1 | 63.5 | |
| Flax, hemp and ramie manufactures | 30.1 | 48.9 | |
| Meat products | 23.3 | 40.9 | |
| Total | 4,973.1 | 3,598.0 | |
| Per cent to total imports | 87 | 82 | |

A first general indication is provided by the table, namely that the overall structure of the U.S. import trade, on a commodity basis, although changed somewhat from 1929 to 1947, has not undergone substantial alterations. The only striking changes occurred in the imports of beverages and silk. The change in beverage imports is however not structural at all, the negligible value in 1929 being due to the prohibition regime existing at that time in the United States.

Excluding beverages and silk, the following tabulation may give an idea of the changes which occurred in the structure of the U.S. import trade from 1929 to 1947. It shows the percentages of large groups of imports to total imports in 1947 and 1929 based on the list of subgroups and figures of the preceding table:

| Groups | 3 subgroups | | 6 subgroups (overlapping) | |
|---------------------------------------|-------------|------------|---------------------------|------|
| | 1947 | 1929 | 1947 | 1929 |
| First 3 subgroups | 30.1 | 21.2 | 47.2 | 33.5 |
| Second 3 subgroups | 17.1 | 12.3 | 30.3 | 21.4 |
| Third 3 subgroups | 13.2 | 9.1 | 20.3 | 16.2 |
| Fourth 3 subgroups | 7.1 | 7.1 | 13.0 | 11.4 |
| Fifth 3 subgroups | 5.9 | 4.3 | 10.4 | 9.4 |
| Sixth 3 subgroups | 4.5 | 5.1 | 6.4 | 6.7 |
| Seventh 3 subgroups (excl. beverages) | 1.9 | 1.6 | 4.3 | 5.1 |
| Eighth 3 subgroups | 2.4 | 3.5 | 3.5 | 6.9 |
| Ninth 3 subgroups (excl. silk) | 1.1 | 3.4 | 2.5 | 6.9 |
| Tenth 3 subgroups | <u>1.4</u> | <u>3.5</u> | | |
| Total (excl. beverages and silk) | 84.7 | 71.2 | | |
| Total (incl. beverages and silk) | 87.0 | 82.0 | | |

The table shows wide discrepancies between the percentages of 1947 and those of 1929. However, to what extent do these discrepancies indicate important structural changes? They depend to a large extent on changes in prices and on the fact that in 1947 "normal" patterns of trade were still not yet restored. As will be seen in the course of the analysis, only a few of these changes (besides that which occurred in the case of silk) can be called "structural changes". In two or three years' time it may be expected that most of the discrepancies shown in the previous table will be less significant even assuming unchanged prices. However, it seems better to leave any definite conclusion on this matter until the analysis of the single subgroups of U.S. imports has been carried out.

For the purpose of the analysis the subgroups of commodities tabulated above will be classified in the following large groups:

Group I. Includes those commodities, imports of which will depend primarily on (a) the trend of consumption in the United States compared with the trend, if any, of domestic production (b) the availability of supply on foreign markets. Under this group the following subgroups of commodities are included:

Coffee, cocoa and tea
Paper and manufactures
Paper base stocks
Fruits and nuts
Jute and manufactures
Furs and manufactures
Semi-manufactured wood and shingles
Tobacco and manufactures
Hides and skins
Fish and products
Vegetables and preparations
Fertilizers and fertilizer materials
Silk and manufactures

Group II. Includes those commodities, imports of which will depend on the elements mentioned in the preceding paragraph plus (a) U.S. purchases for the national stockpile, (b) U.S. purchases for the purpose of conservation of domestic resources. The major structural changes in the U.S. import trade are to be found in this group, which includes the following subgroups of commodities:

Non-ferrous metals and ferro-alloys
Rubber and manufactures
Oilseeds and vegetable oils
Petroleum and products
Precious stones
Vegetable fibres other than cotton, etc.
Naval stores, gums and resins

Group III. Includes those commodities, imports of which will depend on the elements mentioned under Group I plus (a) U.S. import duties, (b) U.S. absolute-quota or tariff-quota systems, (c) other U.S. restrictions. Under this heading the following subgroups of commodities are included:

- Sugar and related products
- Unmanufactured wool
- Beverages
- Unmanufactured cotton
- Clocks and watches
- Leather and manufactures
- Wool manufactures
- Cotton manufactures
- Flax, hemp and ramie manufactures
- Meat products

The relative importance of the three groups, on the basis of 1947 import values, is indicated by the following table:

| <u>Groups</u> | <u>1947 Imports</u> | |
|---------------|-----------------------|-------------------|
| | <u>Millions of \$</u> | <u>% of Total</u> |
| Group I | 2,360.5 | 47.5 |
| Group II | 1,616.9 | 32.5 |
| Group III | 995.7 | 20.0 |
| Total | 4,973.1 | 100.0 |

The present analysis is divided into 5 sections. The first three sections deal in detail with the subgroups of commodities included in the mentioned three groups. A fourth section is devoted to the other U.S. imports not previously considered in detail. A final section summarizes the results of the whole analysis.

SUMMARY OF SECTION I.

Section I deals in detail with the following subgroups of U.S. imports:

(1) coffee, cocoa and tea, (2) paper and manufactures, (3) paper base stocks, (4) fruits and nuts, (5) jute and manufactures, (6) furs and manufactures, (7) semi-manufactured wood and shingles, (8) tobacco and manufactures, (9) hides and skins, (10) fish and products, (11) vegetables and preparations, (12) fertilizers and fertilizer materials, (13) silk and manufactures.

These imports are estimated at \$2,973 million in 1949 and \$3,141 million in 1950, compared with \$2,359 million in 1947. An appreciable increase is expected to occur in all subgroups except tobacco.

In some instances the expansion of U.S. imports will depend primarily upon the trend of domestic consumption; in the case of coffee, undressed furs, fish, vegetables, fertilizers and silk.

Allowing for the normal increase in the U.S. population and a probable slight increase in per capita consumption, U.S. imports of coffee have been estimated at \$650 million in 1949 and \$662 million in 1950 compared with \$600 million in 1947.

Imports of raw furs (mainly undressed) have been estimated at \$180 million in 1949 and \$200 million in 1950, compared with \$122 million in 1947, on the assumption of a fairly linear relationship between these imports and U.S. real disposable income.

Some increases have also been estimated in the imports of fish, supposing a higher domestic consumption of fish products of all kinds (mainly fresh or frozen fish, canned fish and shellfish). The figures for 1949 and 1950 run at \$111 million and \$123 million respectively, as against \$84 million in 1947.

In the subgroup of fertilizers U.S. imports of nitrogenous fertilizers (mainly sodium nitrate) will probably increase in view of the strong U.S. demand for all kinds of fertilizers. They have been estimated at \$60-62 million in 1949-50 compared with \$37 million in 1947.

Minor increases may occur in imports of vegetables, which, however, are extremely difficult to predict, and also silk. In the latter case, it appears that silk may compete with rayon and nylon in some of its uses.

Along other lines U.S. imports will depend not only on the trend of consumption in the U.S. but also upon the ability of foreign supply to meet U.S. demand: this will be the case for cocoa, standard newsprint

paper, chemical wood pulp, softwood and hardwood lumber, burlap, fruits, (mainly bananas), hides and skins.

A tight supply is to be expected in the case of cocoa and bananas. Their imports in 1950 have been estimated, respectively, at \$225 million (primarily as a result of the increase in prices) and \$53 million compared with \$155 and \$50 million in 1947.

In the group of wood products (newsprint, chemical wood pulp and sawmill products) U.S. imports will depend primarily on the Canadian supply. The estimated increases in imports are based on the assumption of a larger supply abroad. Imports of newsprint paper have been estimated at \$400 million in 1949 and \$414 million in 1950 compared with \$343 million in 1947; those of chemical wood pulp at \$290 and \$317 million, respectively, against \$238 million in 1947; those of sawmill products at \$177 and \$192 million, respectively, compared with \$121 million in 1947.

The estimated increase in the import of burlap is noteworthy, but it will strictly depend upon the future policy of India and Pakistan. The figures for 1949 and 1950 run at \$156 and \$166 million, respectively, as against \$111 million in 1947.

With a greater supply abroad the expected increase in U.S. imports of hides and skins will be large. These imports have been estimated at \$190 million in 1949 and \$220 million in 1950 compared with \$89 million in 1947.

The largest per cent increases in 1950 over 1947 are expected to occur in imports of hides and skins, fertilizers, furs, semi-manufactured wood and jute. The largest absolute increases from 1947 to 1950 seem likely to occur in imports of coffee, cocoa and tea, hides and skins, paper base stocks, furs, standard newsprint paper, semi-manufactured wood and jute. These seven subgroups represent 84% of the estimated net increase from 1947 to 1950.

The largest share of the benefit would accrue to some Latin American countries (such as Brazil and Argentina), Canada, Scandinavian countries, India, and some British African Colonies.

Further substantial reductions in U.S. duties might stimulate primarily imports of silver or black fox furs, tomato products and canned fish. On the whole, U.S. imports might in such circumstances reach \$3,050 million in 1949 and \$3,230 million in 1950, the net increase in 1950 over 1947 due to tariff reductions being \$89 million.

SECTION I.

There are good reasons to believe that most U.S. imports in the first group (namely coffee, cocoa, paper, etc.) will increase automatically in the next two years as a result of the upward trend of domestic consumption and, in some cases, of the restoration of production abroad. No problem of tariff policy arises in this group in as much as most of the commodities enter the United States duty-free or at very low duties. Only in a few cases are the U.S. import duties significant. The tariff regime will be mentioned for each commodity or small group of commodities: where it is relevant, a brief analysis will be devoted to the effects of a tariff reduction.

Coffee, Cocoa and Tea.

U.S. imports of coffee, cocoa and tea amounted to \$782.3 million in 1947, coffee being the principal single commodity imported into the United States, (\$600 million or 1/10 of the total of U.S. imports). The following table indicates the imports of this subgroup in 1947 as compared to 1929.

| Commodities | 1947 | | 1929 | |
|-------------|----------------|------------|----------------|------------|
| | Million Pounds | Million \$ | Million Pounds | Million \$ |
| Coffee | 2,500 | 600 | 1,482 | 302 |
| Cocoa a/ | 608 | 155 | 515 | 51 |
| Tea | 67 | 27 | 89 | 26 |
| Total | | 782 | | 379 |

a/ Includes also prepared cocoa and chocolate, which are negligible items.

In quantitative terms imports of coffee and cocoa were in 1947 at levels 68% and 18% higher, respectively, than those of 1929, but imports of tea were at a lower level.

The international situation of the three markets seems to be at present as follows: enough supply in the case of coffee and tea (black tea), shortage of supply in the case of cocoa. It follows that U.S. imports will depend in the first two cases upon the trend of domestic consumption, in the last case also on the restoration of production abroad and/or the diversion of some exports from other markets toward the United States.

The U.S. per capita consumption of coffee (duty-free) showed in the past a steady increase from 12 pounds in 1929 to 19.1 pounds in 1946, dropping thereafter to 17.8 pounds in 1947. This drop, however, does not seem to indicate a turning point in the upward trend of per capita consumption. It is therefore reasonable to assume that the U.S. per capita consumption of coffee will remain at the current level and perhaps increase to some 17.50 pounds in 1949 and 1950. This slight increase, together with the normal rise of U.S. population and an unchanged volume of stocks, would give some 2,566 million pounds imported in 1949 and 2,588 million pounds in 1950. Such figures compare, however, with an annual rate of 2,834 million pounds for 1948 (based on the trade returns for the first six months) and an annual rate for the first six months of 1947 of 2,471 million pounds (which is very close to the actual figure for 1947). The least that can be said about the previous estimates for 1949 and 1950 is, therefore, that they are rather conservative and may be safely rounded to 2,600 million pounds for 1949 and 2,650 pounds for 1950. At current prices (25 cents per pound) U.S. imports of coffee, which come almost entirely from Brazil and other Latin American countries, would be worth \$650 million in 1949 and \$662 million in 1950.

Turning to cocoa (duty-free), the U.S. per capita consumption seems to have been stationary since the early thirties at around 4 pounds. However, there are reasons to believe that the per capita consumption would be, at present levels of income, higher, if the foreign supply were adequate. Now it is difficult to say whether or not the supply will be able to meet the U.S. demand in the next two years. An increase in production seems possible in the producing areas of Latin America (such as Brazil, Dominican Republic, Ecuador, etc.) but it will take time, whereas an increase in production in the British African Colonies (Gold Coast and Nigeria) is for the time being to be excluded owing to the depletion of soil fertility and the virus disease attacking the cocoa tree (particularly serious in the Gold Coast) which have caused cocoa output of these territories to decline since 1937.^{1/} However, an increase in U.S. imports of cocoa from the Gold Coast and Nigeria may occur as a result of some diversion of the exports of those territories (mainly the Gold Coast) from the United Kingdom to the United States, which seems to be the actual case. On the whole it appears probable that U.S. imports of cocoa will not increase much above the 1947 level in 1949 and 1950. A safe estimate for 1949 and 1950 would be some 620 and 630 million pounds, respectively, valued at \$217 and \$220 million (current price of 35 cents per pound).

In the case of tea (duty-free) U.S. imports will depend, as in the case of coffee, on the trend of domestic consumption, which is very difficult to determine. The domestic per capita consumption in the

^{1/} The imports of cocoa from Latin American countries and the British African Colonies represented in 1947 more than 90 per cent of the total U.S. imports.

last few years before the war showed a downward trend. At present it runs at 0.54 pounds compared with 0.57 pounds in 1947. Whether or not this downward trend will continue is difficult to say. With a restoration of production in China and Japan (producers of green tea) the per capita consumption might increase, for the simple reason that less cups of tea are brewed from a pound of green tea than from a pound of black tea (the type now imported, mainly from India and Ceylon). However, it must be pointed out in this connection that green tea is a special taste. For the following estimates it is assumed that production in China and Japan will not be restored by 1950 and that the U.S. per capita consumption of black tea will amount to some 0.55 pounds both in 1949 and 1950. Taking into account the increase in U.S. population, and an unchanged volume of stocks, U.S. imports of tea from all sources will probably amount to 80 million pounds in 1949 and 81 million pounds in 1950. At current prices (50 cents per pound) the estimated quantities would give \$40 million in 1949 and \$41 million in 1950.

The following table summarizes the estimated U.S. imports of coffee, cocoa and tea in 1949 and 1950 compared with 1947 (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------------|-------------|-------------|-------------|
| Coffee | 600 | 650 | 662 |
| Cocoa a/ | 155 | 220 | 225 |
| Tea | <u>27</u> | <u>40</u> | <u>41</u> |
| Total | 782 | 910 | 928 |
| Percentage increase over 1947 -- | - | 16% | 19% |

a/ The figures for 1949 and 1950 have been slightly increased in order to take into account imports of prepared cocoa and chocolate.

The percent increase in 1949 and 1950 above the 1947 level is largely due to the sharp increase in the price of cocoa from 1947 to 1948. Should this price drop again, the estimated global figure for 1949 and 1950 would be reduced.

Paper and Manufactures.

U.S. imports of paper and paper manufactures consist mainly of standard newsprint paper (duty-free). In 1947 the imports of this commodity amounted to \$343 million or 94 per cent of the total imports of the subgroup. Compared with 1929, imports in 1947 were, quantitatively, 63 per cent higher (namely 7.9 billion pounds as against 4.8 billion).

Even taking into account that newsprint consumption is considerably affected by changes in national income and tends to move closely with the level of business activity (take for instance the close relationship between advertising and paper consumption), the high level of imports in 1947 would seem to preclude any substantial increase in the next two years. However, the trend of imports for the first six months of 1947 through the same period of 1948 shows a sharply increasing movement: the current annual rate runs at 8.4 billion pounds as compared to an annual rate for the first semester of 1947 of 7.4 billion. Undoubtedly this trend reveals both a further increase in U.S. consumption and a reduction in U.S. production. As far as the latter is concerned, it seems that the increase in domestic consumption failed to provide the stimulus to domestic newsprint production which was expected, particularly in the South: at present U.S. production runs at 1.4 billion pounds as compared to 1.9 billion pounds in 1939. Current consumption may be estimated at some 10 billion pounds compared to 7

billion before the war, but it may be reasonably estimated at some 11 billion pounds in the next two years. Supposing a slight increase in the level of U.S. production from 1.7 to 2 billion pounds, imports in 1949 and 1950 may be expected to run at some 9 billion pounds.

It remains to be seen, however, whether or not foreign supply will meet the U.S. demand. The bulk of U.S. imports of newsprint paper in the prewar period came from Canada, with considerable quantities from Finland, Newfoundland and Sweden. In 1947 some 92 per cent of U.S. imports came from Canada and some 5 per cent from Newfoundland. It is therefore clear that, in the short run at least, the expansion of U.S. imports of newsprint will largely depend on the Canadian supply. It is unknown to what extent an increase in Swedish supply may take place in the next two years. Now, as far as Canada is concerned, it seems from recent information that newsprint output is increasing in that country: it is expected that it will reach some 10 billion pounds by 1951 or 1952 as compared to 8.8 billion in 1947, the net increase being 1.2 billion. As a large part of the Canadian newsprint is shipped to the U.S. (newsprint is Canada's largest single earner of U.S. dollars), it may be assumed that U.S. imports of newsprint paper from all sources would probably amount to 8.7 billion in 1949 and 9 billion in 1950. These figures presuppose also an increased supply from Newfoundland, Sweden and Finland. At current prices (4.6 cents per pound) these quantities would give \$400 million in 1949 and \$414 million in 1950 compared with \$343 million in 1947 and an annual rate for 1948 of \$392 million.

Turning to U.S. imports of the other items of the subgroup such as uncoated book, wrapping paper, pulpboard in rolls for wallboard, paper-

board, etc., which are subject to various ad valorem and specific duties, no appreciable increase is expected. Their value may be assumed slightly above the 1947 level, say \$25 million both in 1949 and in 1950 as compared to \$20 million in 1947.

The following table summarizes the estimated U.S. imports of paper and manufactures in 1949 and 1950 as compared to 1947 (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|--------------------------------|-------------|-------------|-------------|
| Standard newsprint paper | 343 | 400 | 414 |
| Miscellaneous paper and manuf. | <u>20</u> | <u>25</u> | <u>25</u> |
| Total | 363 | 425 | 439 |
| Per cent increase over 1947 | - | 17% | 21% |

Paper Base Stocks

U.S. imports of paper base stocks include mainly the following items: chemical and mechanical wood pulp and pulpwood (all duty-free). They amounted in 1947 to \$293 million compared with \$118 million in 1929, the increase being due only partly to higher prices. The high level of national income, which implies a greater use of paper for publications of all kinds and a greater and more elaborate packaging of products, the substitution of paper for textile fiber in many different uses and the ever increasing production of rayon are responsible for the increase in U.S. imports of these products.

These imports were distributed in 1947 among the various items in the following way:

| Commodity | 1947 | | 1929 | |
|-------------------------------|----------|------------|----------|------------|
| | Thousand | Million \$ | Thousand | Million \$ |
| Pulpwood (cord) | 1,829 | 30.5 | 1,350 | 14.6 |
| Mechanical Woodpulp (s.ton) | 314 | 19.2 | 273 | 6.2 |
| Chemical Woodpulp (s.ton) | 2,017 | 238.2 | 1,612 | 82.2 |
| Other paper stock ('000 lbs.) | 147 | 5.6 | 718 | 15.3 |
| Total | | 293.5 | | 118.1 |

The present analysis will be limited to the first three items of the table, which represented, in 1947, 98 per cent of the total U.S. imports of the subgroup.

Most of the pulpwood that is imported into the United States comes from Canada and is consumed in the Northeastern and Lake States. Imports are of principal importance in supplementing the wood supplies of these regions for the production of white pulp. With current U.S. consumption of pulpwood estimated at some 19 million cords, imports could amount to 2.2 million cords, on the basis of the ratio of imports to consumption existing before the war. Such an increase in imports above the 1947 level is, however, strictly dependent upon the Canadian supply. Large imports from the USSR might also be considered, but any forecasts regarding this development are for the time being purely conjectural.

Recent reports seem to show that Canadian production of pulpwood is increasing at a fairly satisfactory rate. However, it must be remembered that exports from Canada are now limited to some extent not only by the requirements of the domestic pulp and paper industry but also by government restrictions on the exports of unmanufactured wood. As a result of these restrictions an increased shift (which had already occurred in large part before the war) toward exports of pulpwood products in the form of wood pulp or of newsprint paper is to be noted. Of course, some European sources (such as the Scandinavian countries) could supply part of the U.S. requirements, but it is highly unlikely that those countries will be induced to ship substantial quantities of pulpwood to the U.S. They will prefer to ship wood pulp or standard newsprint paper. On these assumptions it seems reasonable to estimate that U.S. imports of pulp wood will run at some 1.9 million

cords valued at \$33 million, both in 1949 and 1950 (at the average current price for pulpwoods).

A different picture characterizes the import trade in mechanical and chemical wood pulp, which come in large quantities from Canada, but also in substantial quantities from the Scandinavian countries (such as Sweden, Finland and Norway). Estimating total current consumption in the United States at some 14 million tons (as compared to 8.8 million before the war) and domestic production at 11 million tons, a further increase in imports from 2.3 million tons in 1947 to 3 million may be expected. This increase would probably come mainly from the Scandinavian countries in the form of chemical wood pulp, but it is uncertain to what extent those countries will be in a position to increase shipments in the next two years, and moreover to what extent domestic production will be stimulated by the high domestic demand.

A conservative estimate points to U.S. imports of some 350,000 tons of mechanical wood pulp valued at \$21 million both in 1949 and 1950 and some 2.2 and 2.4 million tons of chemical wood pulp, respectively, in 1949 and 1950, valued at \$290 million and \$317 million (at the average current price for chemical wood pulps).

The previous estimates are summarized in the following table and compared with the actual figures for 1947 (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------------------------|-------------|-------------|-------------|
| Pulpwood | 30.5 | 33 | 33 |
| Mechanical wood pulp | 19.2 | 21 | 21 |
| Chemical wood pulp | 238.2 | 290 | 317 |
| Other paper stocks | <u>5.6</u> | <u>7</u> | <u>7</u> |
| Total | 293.5 | 351 | 378 |
| Per cent increase over 1947 | - | 19% | 28% |

The figures for 1949 and 1950 of the imports of other paper stocks have been obtained by applying to this item the same percent increase over 1947 as for the other items. The figures have been rounded.

Fruits and Nuts

Under this heading a great number of commodities are included. The present analysis will be concerned in detail only with the principal items of the subgroup, which are indicated in the following table together with the quantities and values of U.S. imports in 1947 and 1929.

| Commodities | 1947 | | 1929 | |
|--|---------|------------|---------|------------|
| | million | million \$ | million | million \$ |
| Bananas (bunch) | 60 | 49.6 | 65 | 36.0 |
| Olives in brine (gallons) | 7.1 | 14.4 | 6.3 | 4.6 |
| Principal nuts and preparations a/ | 183 | 47.0 | 165 | 23.3 |
| Total | | 111.0 | | 63.9 |
| Percent of total imports of the subgroup | | 79% | | 74% |

a/ Includes: chestnuts, almonds, Brazil or cream, filberts, walnuts, pistache, cashew and prepared coconut meat.

U.S. imports of bananas (duty-free) come almost entirely from the Central American countries. The volume in 1947 was below the 1929 level, although the increase in per capita consumption of all fruits in general (from 138.7 pounds in the period 1935-39 to 145.9 pounds in 1947) might have suggested a net increase in imports of bananas. The low level of imports is entirely due to the plant disease in most Central American countries, which compels producers to give up large areas of cultivation. It seems that the restoration of production

will require some time, so that an increase in U.S. imports of bananas appears at the moment highly improbable. It is assumed that imports in 1949 would amount to the same quantity as in 1947 (60 million bunches) which gives, at current prices, \$49 million. An increase of 5 million bunches is assumed in 1950, which gives a total of \$53 million.

The imports of olives in brine (subject to specific duties, rather low on an equivalent ad valorem basis) supplied before the war more than 50 per cent of U.S. consumption. With the increase in national income, olives represent one of those commodities the consumption of which seems bound to increase considerably. Because of the difference in type between domestic and imported olives, the increase in domestic consumption may greatly stimulate imports. However, the actual volume of imports will depend on the ability of the supplying areas (Mediterranean countries) to meet the U.S. demand. A glance at the volume of U.S. imports of olives in the first six months of 1948 shows that shipments to the United States are steadily increasing. It can therefore be estimated that in 1949 and 1950 U.S. imports of olives in brine will probably average some 12 million gallons valued at \$19 million.

It is very difficult to make any reliable prediction on the future U.S. imports of nuts and preparations. The number of products covered by this item, although reduced in the present analysis to the principal commodities, is still large enough to affect any sort of generalization. Moreover most of these imports are subject to various duties which complicate the picture further. However in what follows a tentative estimate of U.S. imports in 1949 and 1950 will be given, distinguishing tree nuts (chestnuts, almonds, Brazil or cream, filberts,

walnuts, pistache and cashew) from prepared coconut meat,

Imports of tree nuts used to cover before the war some 40 per cent of domestic consumption: they came mainly from Mediterranean countries (chestnuts, almonds, filberts, pistache), India (cashew, China (walnuts) and Brazil (Brazil nuts). In 1947 U.S. imports of these tree nuts amounted to 112 million pounds valued at \$31.4 million. With the present high level of national income in the U.S. an increase could be expected in the imports of tree nuts above the 1947 level. However, it must be considered in the first place that in many cases foreign nuts compete directly with domestic nuts (this is the case for almonds, walnuts and filberts); in the second place, that foreign nuts not produced in the United States also compete to a large extent with domestic nuts; in the third place that the war has heavily damaged the nut industries of some of the major foreign suppliers (this is the case in China and some Mediterranean countries). For these reasons an increase in U.S. imports of nuts seems highly improbable. It is possible in this category to obtain an increase in imports through a reduction in duties (which are still fairly high although reduced somewhat at the Geneva Agreement) but in no case would the increase be at all large.^{1/} The U.S. trade returns for the first six months of 1948 show, as a matter of fact, a reduction instead of an increase in imports of tree nuts in spite of the tariff concessions made at Geneva last January. On the whole it seems safe to expect imports of tree nuts in the United States in 1949 and 1950 at around the 1947 value say \$31 million.

U.S. imports of prepared coconut meat ^{2/} amounted in 1947 to 71 million pounds, valued at \$15.6 million, coming mainly from the

^{1/} On shelled walnuts a tariff-quota system of 5 million pounds is established.

^{2/} Does not include copra.

Philippine Islands (duty-free). They used to cover, before the war, almost the entire U.S. consumption. Owing to the greatly increasing output of confectionery and bakery products in the U.S. and the rather stationary domestic production of coconut meat (Puerto Rico), a fairly marked increase in imports in this category may be expected from Pacific areas. A sharp increase in imports is already shown by the U.S. trade returns for the first six months of 1948. A simple projection of the most recent trend, even at a sharply decreasing rate, would give a volume of imports in 1949 and 1950 of some 140 million pounds. Assuming some difficulties in increasing shipments from Pacific areas to such an extent, U.S. imports of prepared coconut meat are estimated at 120 million pounds valued at \$30 million in 1949 and 130 million pounds valued at \$32 million in 1950.

The following table summarizes our estimates compared with the 1947 figures (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|---------------------------------|-------------|-------------|-------------|
| Bananas | 49.6 | 49 | 53 |
| Olives in brine | 14.4 | 19 | 19 |
| Principal nuts and preparations | <u>47.0</u> | <u>61</u> | <u>63</u> |
| Total | 111.0 | 129 | 135 |

These estimates do not include, as stated at the beginning, many other types of fruits and nuts. Some 6 per cent of the total value of nuts and preparations imported into the United States in 1947 and some 30 per cent of the total value of fruits and preparations imported in 1947 have been excluded. In the case of nuts other than those considered in detail it may be safely assumed, as for the principal nuts, that their imports will not increase in 1949 and 1950 above the 1947 level. The

figures of the previous table may therefore be rounded to \$64 million in 1949 and \$66 million in 1950. Similar procedure is not reasonable, however, in the case of fruits and preparations not considered in detail, which amounted in 1947 to \$27 million. The only criterion to follow in this field, apart from a detailed analysis, is the most recent trend. Now this trend seems to be slightly increasing. Projecting it through 1950, these imports may be estimated at \$31 million in 1949 and \$33 million in 1950, so that total U.S. imports of fruits and preparations will amount to \$99 million in 1949 and \$105 million in 1950.

A summary table of U.S. imports of fruits and nuts in 1949 and 1950 as compared to 1947 appears as follows (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------------------------|-------------|-------------|-------------|
| Fruits and preparations | 91.2 | 99 | 105 |
| Nuts and preparations | <u>49.8</u> | <u>64</u> | <u>66</u> |
| Total | 141.0 | 163 | 171 |
| Per cent increase over 1947 | - | 16% | 21% |

The largest share of the estimated net increase in U.S. imports of the subgroup is covered by prepared coconut meat from the Pacific area (mainly the Philippine Islands).

Jute and Manufactures

U.S. imports of jute and manufactures consist mainly of burlap, unmanufactured jute and jute bags and sacks. These imports amounted in 1947 to \$128 million, or 94 per cent of the total for the subgroup, coming almost entirely from India and Pakistan. The following table indicates the quantities and values of U.S. imports of jute and manufactures in 1947 and 1929.

| Commodity | 1947 | | 1929 | |
|---------------------|----------------|-----------------|----------------|-----------------|
| | million pounds | million dollars | million pounds | million dollars |
| Burlap | 552 | 111.5 | 643 | 77.4 |
| Unmanufactured jute | 89 | 10.8 | 127 | 8.1 |
| Bags and sacks | 37 | 6.6 | 32 | 3.2 |
| Other jute products | a/ | 7.8 | a/ | 7.3 |
| Total | | 136.7 | | 96.0 |

a/ Not available for some products.

Burlap, which is subject to a very low specific duty, is the principal textile manufacture, in terms of both value and weight, imported into the U.S. About 3/4 of the supply is used in the manufacture of bags, chiefly for agricultural purposes. The remaining 1/4 enters into industrial uses, chiefly as wrapping material, although substantial amounts are used in the manufacture of linoleum, hair felt, upholstered furniture and mattresses, and in automobiles as wrapping for springs, lining for seats and similar uses.

A glance at these various and important uses of burlap in the United States indicates that the prospects for an increase in U.S. imports of this commodity are good. However, it is also to be remembered that in the last few years (especially during the war), burlap has been replaced by paper and by cotton fabrics in a great many uses. Of course since the war burlap has regained most of its former market in bag manufactures (at the expense of cotton fabrics which are high priced) but in wrapping material the recovery has been slower and perhaps some of the market lost to the lower cost wrapping of paper may never be regained.

Assuming, besides good crops of jute in the years ahead, an Indian policy of holding down exports of unmanufactured jute and an

agreement between India and Pakistan so that a large part of the raw jute produced in Pakistan is shipped to the processing industries in India, U.S. imports of burlap from India may amount to some 590 million pounds in 1949 and 630 million pounds in 1950 compared with 529 million pounds in 1947. Adding imports from other areas, the previous figures may be rounded, respectively, to 600 and 640 million pounds. At current prices (26 cents per pound) these quantities would give \$156 million in 1949 and \$166 million in 1950.

The prospects for U.S. imports of unmanufactured jute (duty-free) are conditioned by the assumptions made in the case of burlap. Imports of raw jute came entirely from India and Pakistan in 1947. Raw jute is used principally in the foundation fabric of wool carpets, in the manufacture of wrapping twines and in reinforcing paper. As there is no commercial production of burlap in the United States, no imported jute fiber goes into burlap. Therefore, the imports of raw jute and those of burlap are not competitive. However, an increase in U.S. imports of unmanufactured jute may bar an increase in imports of burlap, inasmuch as Indian production of raw jute may be unable to supply both the United States and the Indian processing industry. Given the previous assumptions about U.S. imports of burlap in the next two years, it is safe to estimate U.S. imports of raw jute at some 130 million pounds in both 1949 and 1950 valued at \$20 million. 1/

An increase in U.S. imports is, on the other hand, not to be expected in the case of jute bags and sacks (subject to low duties) which

1/ It is interesting to note that the U.S. trade returns for the first six months of 1948 show U.S. imports of burlap from all sources at the annual rate of 478 million pounds, as compared to 552 million in 1947, and those of raw jute at the annual rate of 220 million pounds as compared to 90 million pounds in 1947. The estimates reached are based on a fundamental, although very probable, change in the policy of the governments of India and Pakistan.

again come almost entirely from India. Jute bags are of two types, those made of burlap and those made of sacking gunny cloth. Burlap bags are produced domestically out of imported burlap, whereas bags made of sacking are imported from India. They enter at Puerto Rico and Hawaii, and are used in those territories as containers for sugar. Imports supply most of the jute-bag requirements of these territories, but in continental U.S. imports supply a negligible part of the requirements. Now, owing to the fact that sugar production in Puerto Rico and Hawaii has shown little variation over a period of years and is expected to continue so, no increase in the imports of jute bags and sacks is expected in 1949 and 1950. It is assumed that in both years U.S. imports will remain at the 1947 level, namely \$7 million in round figures.

The probable amount of U.S. imports of jute and manufactures in 1949 and 1950 is indicated in the following summary table, which gives also the actual figures for 1947 (millions of dollars):

| | 1947 | 1949 | 1950 |
|-----------------------------|------------|-----------|-----------|
| Burlap | 111.5 | 156 | 166 |
| Unmanufactured jute | 10.8 | 20 | 20 |
| Bags and sacks | 6.6 | 7 | 7 |
| Other jute products | <u>7.8</u> | <u>11</u> | <u>12</u> |
| Total | 136.7 | 194 | 205 |
| Per cent increase over 1947 | -- | 43% | 52% |

The estimated figures for other jute products in 1949 and 1950 have been obtained assuming an increase in these imports proportional to the increase in the imports of the principal jute products. The figures are rounded.

The estimated increase in U.S. imports of jute and manufactures in 1949 and 1950 above the 1947 level is large. But, if the mentioned

changes in the policy of the governments of India and Pakistan do not materialize, U.S. imports of burlap in 1949 and 1950 would be far lower and this loss would certainly not be offset by greater imports of raw jute.

Furs and Manufactures

U.S. imports of furs and manufactures consist almost entirely of raw furs. In 1947 they amounted to \$127 million, of which \$123.3 million were raw furs. The following table indicates the U.S. import of furs and manufactures in 1947 and 1929 (quantities and values) distinguished by large groups of commodities:

| <u>Commodity</u> | 1947 | | 1929 | |
|---|----------------|-----------------|----------------|-----------------|
| | million pieces | million dollars | million pieces | million dollars |
| Undressed and dressed raw furs, except silver or black fox | 40 a/ | 122.1 c/ | 38 b/ | 119.9 c/ |
| Silver or black fox furs | - | 1.2 | - | 0.1 |
| Fur manufactures | - | 3.7 | - | 5.8 |
| Total | | 127.0 | | 125.8 |

- a/ Does not include coney and rabbit furs, which are given in lbs. (19 million).
 b/ Does not include hare and coney and rabbit furs, which are given in pounds (2 million and 17 million pounds, respectively).
 c/ Dressed furs amounted to \$1.7 million in 1947 and \$11.9 million in 1929.

The table shows that, on the average, the import prices of raw furs, except silver or black foxes, have not changed from 1929 to 1947. The table shows also that these imports, which are duty-free if undressed, and subject to rather high ad valorem duties if dressed, were in 1947 at the same level as in 1929. Now, as most furs are regarded

as a luxury and consumption usually follows the trend of national income and as moreover some 50 per cent of the raw furs consumed in the United States are imported from abroad (principally from the USSR, Canada, South Africa, and Australia), a larger volume of imports in 1947 might have been expected. The relatively low level of imports in 1947 seems to be due to the fact that imports in 1946 amounted to \$233 million and probably some overstocking of the market has taken place. The average of the two years 1946 and 1947 gives a figure of \$177 million, an increase of 47 per cent over the 1929 level.

The drop in U.S. imports of raw furs, which occurred from 1946 to 1947, must be considered therefore as a temporary phenomenon due to over-stocking of the market. The annual rate for 1948 (based on the returns for the first six months) already shows a sharp increase over 1947 (\$168 million), which may be regarded as a return to the normal in relation to current levels of national income. Projecting this movement through 1949 and 1950, imports of raw furs, primarily in the form of undressed furs, may be safely estimated at some \$180 and \$200 million, respectively. Such figures would represent an increase over 1929 of some 50 per cent and 67 per cent, which compare with an increase in the real disposable personal income in the United States in the same period of 64%. It does not seem unreasonable to assume in this field a linear relationship between the relevant magnitudes. This relationship would hold good even supposing a non-linear relationship between domestic consumption of raw furs and real disposable personal income (in the sense that consumption increases less than proportionately to disposable income), since the increase in domestic

production of raw furs seems to fall short of the increase in consumption. As far as the foreign supply is concerned, it appears to be in a position to meet the U.S. demand.

Turning to imports of silver or black fox furs, the low level of 1947 was probably due to the high duties (37-1/2% ad valorem) and to the absolute quota of 100,000 skins established in 1940. The quota was removed, however, in May 1947. Since then no increase in imports has occurred, so that there are reasons to believe that the import trade is heavily restricted by the high duties. It is likely that a substantial reduction in duties could stimulate imports, although silver or black fox furs are not now so much in style. In such circumstances imports might be estimated at some \$15-20 million in 1949 and 1950. Should no reduction occur, as is assumed in the following estimates, these imports would remain more or less at the 1947 level, say \$2 million.

There is no chance of an increase in imports of fur manufactures. They are subject to rather high ad valorem duties, but even a large tariff reduction could only moderately stimulate imports. It must be remembered that in this field changes of taste are a fundamental factor in determining the whole trade: the processing of raw material will therefore remain mainly with the domestic industries which can closely follow these changes. For these reasons U.S. imports of fur manufactures are estimated at some \$4 million both in 1949 and 1950, assuming however no tariff reduction.

The following table summarizes the previous estimates compared with 1947 (millions of dollars):

| | 1947 | 1949 | 1950 |
|---|------------|----------|----------|
| Undressed and dressed raw furs, except silver or black fox | 122.1 | 180 | 200 |
| Silver or black fox furs | 1.2 | 2 | 2 |
| Fur manufactures | <u>3.7</u> | <u>4</u> | <u>4</u> |
| Total | 127.0 | 186 | 206 |
| Per cent increase over 1947 | -- | 46% | 62% |

The high per cent increase over 1947 is mainly due to the fact that the imports of undressed raw furs in 1947 were at an abnormally low level.

A reduction in duties on silver or black fox furs and on fur manufactures could increase the totals for 1949 and 1950 to \$203 and \$223 million, respectively.

Semimanufactured Wood and Shingles

U.S. imports of semimanufactured wood or sawmill products amounted in 1947 to \$121.1 million, distributed in three principal categories: 1) softwood lumber; 2) hardwood lumber; 3) shingles. In relation to 1929 imports of these wood products in 1947 stood as follows, in quantitative and value terms:

| Commodity | 1947 | | 1929 | |
|-----------------|----------------|-------------|----------------|------------|
| | million Bd.Ft. | million \$ | million Bd.Ft. | million \$ |
| Softwood lumber | 1,090 | 77.4 | 1,418 | 36.5 |
| Hardwood lumber | 214 | 24.2 | 124 | 6.8 |
| Shingles | 1,981 a/ | <u>19.5</u> | 1,673 b/ | <u>6.8</u> |
| Total | | 121.1 | | 50.1 |

a/ thousand squares

b/ millions

Softwood lumber, the import of which is subject to very low duties (whether specific or ad valorem), comes almost entirely from Canada and consists primarily of spruce, fir, pine, hemlock, larch and cedar. Normally some 70 per cent of all softwood lumber consumed in the United States is used in construction. It follows that, owing to the large accumulated demand for new construction, maintenance and repairs (not taking into account the vast requirements in manufacturing and other industrial uses) both consumption and domestic production of softwood lumber are at present at a high level. Production in the United States seems to average some 25 billion board feet compared with 20 billion before the war. Adding to the figure of domestic production 1,090 million board feet imported in 1947, apparent U.S. consumption is around 26 billion board feet. However, the potential level of consumption, at the current national income, seems to amount to some 29-30 billion board feet or more. In such conditions an increase in domestic production and imports is to be expected in the next two years, which may be quite marked unless the pressure on producers to pursue sustained yield practices (already exerted by the governments of the United States and Canada) is further promoted. Considering the most recent movement of imports in this field (which is sharply upward) and assuming no further restrictions in Canada, U.S. imports of softwood lumber may be estimated at approximately 1.7 billion board feet in 1949 and 1.8 billion in 1950. At current prices (\$74 per thousand board feet) these quantities would give \$126 million in 1949 and \$133 million in 1950.

The situation is different for hardwood lumber, which enters the United States under low duties. This kind of lumber includes many

types of domestic hardwoods (mainly used in the manufacture of flooring and furniture), cabinet woods of foreign types (used principally for furniture, ship finish, partitions and other cabinet work), balsa (used in the manufacture of model airplanes and for life preservers) and teak (used in the construction of ships and boats). Here again domestic production is very high (it averages some 7.5 billion board feet as compared to 3.7 billion before the war) but the demand of the market, strongly enhanced by the high level of national income, is still higher. A further increase in imports of all kinds of hardwood is, therefore, to be expected in the near future. This increase, however, will depend on supply conditions in the principal countries of origin, which are Canada (hardwoods except cabinet woods), the Philippine Islands, Mexico, and Brazil (cabinet wood lumber,) Ecuador (balsa wood) and Burma, Siam and Java (teakwood). For many reasons, such as the conservation practices in Canada and particularly the fact that production has not been completely restored in the Far East countries, the increase in U.S. imports may take time. The most recent trade returns show, in fact, no appreciable increase in U.S. imports in this field. Assuming a slightly greater foreign supply in the near future, especially from the Far East, U.S. imports of hardwood lumber may be conservatively estimated at some 250 million board feet in 1949 and 270 million in 1950. At current prices (\$110 per thousand board feet) they would be valued at \$27 million in 1949 and \$30 million in 1950.

Turning to imports of shingles, chiefly used for roofing but also for side-wall coverage of houses and farm structure, the situation

is similar to that described in the case of softwood and hardwood lumber imported from Canada. Again the potential increase in imports, which are duty-free, is considerable, but may be hindered by conditions of supply in Canada. Assuming enough supply in the next two years, U.S. imports may amount to some 2.5 million squares in 1949 and 3 million squares in 1950 valued, respectively, at \$24 and \$29 million (current prices).

The estimated values of U.S. imports of sawmill products and shingles in 1949 and 1950 are assembled in the following table and compared with the actual figures for 1947 (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Softwood lumber | 77.4 | 126 | 133 |
| Hardwood lumber | 24.2 | 27 | 30 |
| Shingles | <u>19.5</u> | <u>24</u> | <u>29</u> |
| Total | 121.1 | 177 | 192 |
| Percent increase over 1947 | - | 46% | 59% |

Tobacco and Manufactures

The bulk of U.S. imports in this subgroup consists of unmanufactured tobacco, mainly stemmed cigar leaf and unstemmed cigarette leaf. 1947 imports amounted to 105 million pounds valued at \$94 million. In the following table U.S. imports of tobacco in 1947 are distinguished by broad categories and compared with imports in 1929 (quantitative and value terms):

| <u>Commodity</u> | <u>1947</u> | | <u>1929</u> | |
|-------------------------|-------------------|---------------|-------------------|---------------|
| | million pounds | million \$ | million pounds | million \$ |
| Leaf for cigar wrapping | 1.2 | 4.3 | 8.6 | 15.7 |
| Cigar leaf | 13.4 | 19.1 | 26.1 | 19.2 |
| Cigarette leaf | 85.7 | 65.9 | 31.0 | 18.1 |
| Scrap and manufactures | 4.8 | 4.8 | 4.9 | 7.6 |
| Total | 105.1 | 94.1 | 70.6 | 60.6 |

U.S. imports of leaf for cigar wrappers (subject to specific duties which, although appreciably reduced at the Geneva Agreement, are still rather high) used to cover before the war some 20 per cent of domestic consumption, coming almost entirely from Sumatra (90 per cent of the total). The low level of imports in 1947 as compared to 1929 is mainly due to the disruption of the wrapper industry in Sumatra which occurred during the Japanese occupation. It is expected that it will be some time before production can be restored sufficiently to provide exports of high quality leaf. With the restoration of production in Sumatra U.S. imports will probably increase appreciably, but this restoration does not appear to be possible beyond a certain extent in the short-run and, moreover, a marked increase seems to be excluded in any case since domestic production was steadily developed during the war. For these reasons U.S. imports of leaf for cigar wrappers may be estimated at some 1.5 million pounds in 1949 and 1.8 million in 1950, valued, respectively, at \$6 and \$7 million (current prices, figures rounded). Some further increase in imports may, however, occur as a result of a reduction in duties, which is not considered in the present estimates.

As far as imports of cigar leaf (mainly imported from Cuba) and of cigarette leaf (mainly imported from Turkey and Greece) are concerned, no increase in U.S. imports is expected in the next two years. In the case of cigar leaf an increase is unlikely because of the uncertain trend of consumption of cigars in the postwar period. It is true that cigar consumption is higher than before the war because of high national income, but a further increase is improbable. The same is true of Cuban tobacco used in the cigars made in the United States.

In the case of cigarette leaf, an increase in imports is again unlikely because the taste of the American consumer would not welcome a much larger proportion of Turkish tobacco than is now customary in the manufacture of cigarettes. Of course in both cases an increase in imports will occur as a consequence of the increase in the U.S. population, but this increase is unlikely to be appreciable. Perhaps a reduction of duties, which, although lowered somewhat at Geneva, are fairly high on both products (particularly on Turkish tobacco) might increase U.S. imports, but for the above mentioned reasons such an increase is uncertain. It is assumed, therefore, that U.S. imports of tobacco will be in 1949 and 1950 slightly above the 1947 level, say at some \$87 million in 1949 and \$90 million in 1950.

Similarly an increase in U.S. imports of scrap tobacco and manufactures in the next two years seems highly improbable. They may be estimated at some \$5 million both in 1949 and 1950.

In the following table our estimates are summarized and compared with the actual values for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------------------------|-------------|-------------|-------------|
| Leaf for cigar wrappers | 4.3 | 6 | 7 |
| Cigar leaf | 19.1) | | |
| Cigarette leaf | 65.9) | 87 | 90 |
| Scrap and manufactures | <u>4.8</u> | <u>5</u> | <u>5</u> |
| Total | 94.1 | 98 | 102 |
| Per cent increase over 1947 | - | 4% | 8% |

Hides and Skins

U.S. imports of raw hides and skins amounted in 1947 to \$89 million compared with \$137 million in 1929. The value of imports in 1947 relative to 1929 is very low indeed, but of course the volume is

still lower, as the following table, in which imports of the subgroup in 1947 and 1929 are distinguished by broad categories, indicates (quantitative and value terms):

| Commodities | 1947 | | 1929 | |
|-----------------------|----------------|------------|----------------|------------|
| | million pounds | million \$ | million pounds | million \$ |
| Cattle hides | 56 | 14.9 | 265 | 42.6 |
| Calf and kipskins | 5 | 1.9 | 56 | 16.4 |
| Sheep and lambskins | 46 | 18.9 | 65 | 21.9 |
| Goat and kidskins | 59 | 39.4 | 100 | 47.5 |
| Other hides and skins | 25 a/ | 14.5 | 30 | 8.9 |
| Total | 191 | 89.6 | 516 | 137.3 |

a/ Does not include miscellaneous hides and skins. The value of these products is included in the dollar figure.

The small amount of hides and skins imported into the United States in 1947 seems to be due mainly to the following causes: (a) the relative shortage in the leading exporting countries such as Argentina and Brazil (cattle hides), India (goatskins), Australia, New Zealand and several African countries (sheepskins); (b) the wartime development of tanneries in some exporting countries (such as Argentina, Brazil and India) which increased their consumption of hides and skins in domestic production of leather both for local consumption and for export; (c) the acute shortage in Europe, which is therefore competing heavily with the United States on the export markets. All these causes together certainly affected the volume of U.S. imports of hides and skins in 1947 and will probably affect it somewhat in the short-run, but one of them, namely (b), will be significant also in the long-run. Moreover, since 1929 many substitutes for leather, such as natural and synthetic rubber, plastics, cork fabrics, felt and fiber for footwear and a greater variety of fabrics for upholstery materials, luggage,

handbags, etc., have been used in increasing quantities, so that it seems unlikely that U.S. imports of hides and skins in the future could attain levels comparable with that of 1929 (taking into account the difference in levels of national income).

Nevertheless, U.S. imports of hides and skins, which are duty-free with the exception of cattle hides and calf and kid skins (subject, however, to very low duties), may be expected to increase very considerably above the 1947 level. At present the domestic demand for leather products is very great as a result of current and accumulated needs, while domestic production, although high compared with the pre-war period, is not in a position to meet the demand. Of course the expansion of imports depends upon the availability of foreign supply. From recent information it appears that the supply situation abroad is easing, especially in some Latin American countries, but also, in India, Australia, New Zealand and Africa. As a consequence U.S. imports of hides and skins in the first six months of 1948 have shown a steep upward trend. A linear projection of this movement through 1950 would give very high figures in the next two years, but they would be rather unrealistic since (a) the high level of import of hides and skins in 1948 will cover a large part of the accumulated demand, (b) the U.S. production of hides and skins will increase appreciably in the years ahead as a result of the expected improvement in the livestock situation. It seems therefore more reasonable to project a trend increasing at a decreasing rate; the results are assembled in the following table. The quantitative distribution among the different categories of hides and skins both in 1949 and 1950 has been estimated according to the

distribution in the first six months of 1948, slightly modified in order to allow for some increase in supply of certain types of products. The values of each category have been estimated at current average prices.

| Commodity | 1949 | | 1950 | |
|-----------------------|--------------------|----------------|--------------------|----------------|
| | millions pounds | millions \$ | millions pounds | millions \$ |
| Cattle hides | 180 | 48 | 215 | 56 |
| Calf and kid skins | 20 | 13 | 30 | 18 |
| Sheep and lamb skins | 85 | 35 | 100 | 41 |
| Goat and kid skins | 90 | 66 | 100 | 73 |
| Other hides and skins | 45 a/ | 28 | 55 a/ | 32 |
| Total | 420 | 190 | 500 | 220 |

a/ Does not include miscellaneous hides and skins. The value of these products are included in the dollar figures.

The global figures for 1949 and 1950 compare with \$89 million in 1947, showing a per cent increase of 113 per cent in 1949 and 147 per cent in 1950.

Fish and Products

U.S. imports of fish, shellfish and products amounted in 1947 to 411 million pounds valued at \$84 million compared with 383 million pounds valued at \$40 million in 1929. In broad categories these imports were distributed as follows (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|----------------------------------|-------------------|---------------|-------------------|---------------|
| | million pounds | million \$ | million pounds | million \$ |
| Fresh or frozen fish | 235 | 33.7 | 174 | 11.8 |
| Dried and pickled or salted fish | 80 | 11.5 | 126 | 10.1 |
| Canned fish | 36 | 14.9 | 35 | 6.8 |
| Shellfish | 52 | 22.3 | 42 | 11.1 |
| Others | 8 | 1.9 | 2 | 0.9 |
| Total | 411 | 84.3 | 383 | 40.7 |

The table shows that U.S. imports of fresh or frozen fish in 1947 were, in quantitative terms, well above the 1929 level, whereas imports of dried and pickled or salted fish were considerably below it. Minor changes occurred in the import of canned fish and shellfish. On the average the imports of the subgroup were only slightly above the 1929 level, reflecting, at least to a certain extent, the stationary trend in the United States per capita consumption (11 pounds of edible weight on the average, before and after the war).

The increase in imports of fresh or frozen fish (subject to very low specific duties, with the exception of smelts, tuna and herring which are duty-free) has resulted from an expanding market in the U.S. These imports come from a number of countries, primarily Canada, and could increase somewhat in the near future if there were sufficient refrigerating facilities for transport and storage, together with adequate marketing schemes, to allow an increase in consumption of fish products in the Central States which are responsible for the very low per capita consumption in the United States as a whole. It is expected that such refrigerating facilities will be provided on a very large scale in the near future. To what extent, however, fish consumption will increase in the Central States is difficult to say. It is reasonable to expect that this increase will take time, so that for the next two years U.S. imports of fresh or frozen fish may be estimated at some 240 million pounds valued at \$40 million in 1949 and 245 million pounds valued at \$43 million in 1950 (average current prices),

With respect to dried and pickled or salted fish, which again enters the United States subject to very low specific duties, no in-

crease in imports seems to be expected in the next two years. Domestic consumption of this type of fish products has clearly shown in the last few years a declining trend and no significant change in this trend is in sight. U.S. imports of these products will probably amount to \$12 million both in 1949 and 1950.

The category of canned fish, which includes fish in oil and fish in airtight containers, differs from the previous ones mainly because it consists to a large extent of high-priced products which are nevertheless highly appreciated by American consumers. Canned fish is imported primarily from Norway, Portugal and Peru. At current levels of national income in the United States, an appreciable increase in these imports may be expected in the next two years. Its extent will, however, depend largely upon the U.S. tariff policy. Canned fish in general, and fish canned in oils in particular, are subject at present to ad valorem duties which, although reduced somewhat at the Geneva Agreement, are still rather high. Assuming no reduction in duties U.S. imports of canned fish may be estimated at 50 million pounds valued at \$21 million in 1949 and 60 million pounds valued at \$25 million in 1950. Should a substantial reduction in duties occur in the next two years, the previous figures could increase to \$40 and \$50 million, respectively. In the following total estimates an unchanged level of duties is assumed.

The prospects are favorable also with regard to shellfish and products which are imported principally from Canada, Mexico and Newfoundland. Before the war a large part of the imports of shellfish consisted of canned crabmeat, coming almost entirely from Japan. It is unlikely that this trade will resume its former importance in the near future, but an appreciable increase may be expected in other imports, such as

those of lobsters, which enter the United States duty-free. It seems safe to estimate the U.S. imports of shellfish in general at some 90 million pounds valued at \$36 million in 1949 and 100 million pounds valued at \$40 million in 1950.

The previous estimates are summarized in the following table in which the probable amount of the U.S. imports of fish and shellfish in 1949 and 1950 is compared with the actual figures for 1947 (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------------|-------------|-------------|-------------|
| Fresh or frozen fish | 33.7 | 40 | 43 |
| Dried and pickled or salted fish | 11.5 | 12 | 12 |
| Canned fish | 14.9 | 21 | 25 |
| Shellfish | 22.3 | 36 | 40 |
| Others a/ | <u>1.9</u> | <u>2</u> | <u>3</u> |
| Total | 84.3 | 111 | 123 |
| Per cent increase over 1947 | -- | 32% | 46% |

a/ Approximate figures for 1949 and 1950 on the basis of the average increase estimated for the other products.

With a reduction in duties on canned fish, the global figures for 1949 and 1950 could increase to \$130 and \$150 million, respectively.

Vegetable and Preparations

This subgroup includes a great variety of commodities, imports of which in the next two years are very difficult to predict. The present analysis will be limited to the most important commodities, and for the others an attempt will be made toward a reasonable generalization.

U.S. imports of vegetable and preparations amounted in 1947 to \$54 million compared with \$48 million in 1929. The following table

indicates the principal commodities imported under this heading (quantitative and value terms):

| <u>Commodity</u> | 1947 | | 1929 | |
|---|----------------|-------------|----------------|-------------|
| | million pounds | \$ | million pounds | \$ |
| Tomatoes, fresh, and tomato paste, and canned tomatoes | 282 | 22.9 | 308 | 14.4 |
| White potatoes | 315 | 7.4 | 256 | 4.3 |
| Farinaceous substances | 87 | 6.2 | 181 | 4.7 |
| Other vegetable and preparations | a/ | <u>17.1</u> | a/ | <u>24.7</u> |
| Total | | 53.6 | | 48.1 |

a/ Not calculated.

In the category of tomatoes and products, imports of tomatoes in the natural state (coming principally from Mexico) reached a very high level in 1947 compared with 1929 (263 million pounds against 119 million) but those of canned tomatoes and tomato paste (coming mainly from Italy) were much below the 1929 level (18 and 0.29 million pounds, respectively, as against 174 and 13.8 million). The low level of U.S. imports of canned tomatoes and tomato paste seems to be due partly to the low output abroad (Italy) and partly to the high level of U.S. duties (which are very low in the case of tomatoes in the natural state). In such circumstances an increase in U.S. imports of canned tomatoes and tomato paste is probable in the near future with the restoration of production abroad, but any substantial increase seems to be excluded at the present level of duties. An expansion of imports from Mexico of tomatoes in the natural state also seems possible, but no large increase above the 1947 level is likely. On the whole U.S. imports of tomatoes and products may be estimated at some \$25 million, both in 1949 and 1950. A substantial reduction in duties on canned tomatoes and tomato paste

could increase this figure to some \$50 million (taking the volume of imports of canned tomatoes and tomato paste in 1929 as a basis).

No increase in imports seems to be expected in the category of white potatoes (almost entirely from Canada). The U.S. per capita consumption of potatoes has been decreasing steadily since 1921, largely because of the change in American diet. The current high level of national income is most unlikely to cause a higher consumption; if anything, the current level of income may mean a greater shift toward higher priced vegetables and fruit, and, therefore, decrease further the consumption of potatoes. In such circumstances no benefit would be derived from either an increase in the quota (tariff-quota system) now established on white potatoes or a reduction in duties. U.S. imports of white potatoes in 1949 and 1950 may be safely estimated at the 1947 level, say \$8 million.

Some increase in imports of farinaceous substances (tapioca, sago and arrowroot) which are duty-free, seems possible owing to the various important uses for these substances (e.g. for foods, for making textiles and paper, etc.) They may be estimated at some \$9 million in 1949 and \$10 million in 1950.

The information derived from the previous analysis cannot be used for any reasonable estimate of the probable amount of imports of other vegetables and preparations in the next two years. The only method seems to be to extrapolate the trend of the most recent period through 1950. Now the annual rate for 1948 (first six months) shows for all imports of vegetable and preparations, not yet considered, an increase of some 10 per cent over the annual rate for 1947 based on the first

six months of the year. Taking price increases into account, the quantitative increase appears very small indeed. Assuming increases of some 5 per cent a year, and allowing for seasonal variations, tentative figures for 1949 and 1950 are \$20 million in 1949 and \$21 million in 1950.

The following table summarizes the results now obtained and compares them with the actual figures for 1947 (millions of dollars);

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|---|-------------|-------------|-------------|
| Tomatoes (fresh and canned) and tomato paste | 22.9 | 25 | 25 |
| White potatoes | 7.4 | 8 | 8 |
| Farinaceous substances | 6.2 | 9 | 10 |
| Other vegetables and preparations | <u>17.1</u> | <u>20</u> | <u>21</u> |
| Total | 53.6 | 62 | 64 |
| Per cent increase over 1947 | -- | 16% | 19% |

Should a substantial reduction in duties on canned tomatoes and tomato paste occur, the total figures for 1949 and 1950 may increase to \$87 and \$89 million respectively.

Fertilizers and Fertilizer Materials

U.S. imports of fertilizers and materials consist primarily of nitrogenous fertilizers, as is shown in the following table in which the imports in the subgroup, distinguished by broad categories, in 1947 are compared with those in 1929 (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|-----------------------------|---------------------|---------------|---------------------|---------------|
| | thousand sh.tons | million \$ | thousand sh.tons | million \$ |
| Nitrogenous fertilizers | 1,065 | 37.4 | 1,485 | 50.4 |
| Phosphate fertilizers | 56 | 0.7 | 117 | 2.1 |
| Potash fertilizer materials | 48 | 1.9 | 896 | 17.6 |
| Others | 99 | 3.4 | 112 | 2.1 |
| Total | 1,268 | 43.4 | 2,610 | 72.2 |

Nitrogenous fertilizers are of two types: inorganic, of which sodium nitrate (from Chile) and calcium cyanamide (from Canada) are the most common, and organic. Of the two, the inorganic is much more important, accounting before the war for about 90 per cent of U.S. reported production of the two types, 95 per cent of imports, and 90 per cent of reported consumption. In 1947 U.S. imports of nitrogenous fertilizers (which are duty-free) amounted to \$37 million, of which almost \$30 million consisted of sodium nitrate, calcium cyanamide, ammonium nitrate and ammonium sulphate.

At present world production of chemical fertilizer nitrogen is somewhat higher than before the war, but world demand has increased more than production owing to the pressure for higher agricultural production, depleted fertility of the soil, educational programs intended to encourage the use of more fertilizers, etc. Of course this situation restricts imports into the United States, which used to cover, before the war, some 45 per cent of the domestic consumption of chemical nitrogen. In 1947 U.S. imports amounted to about 1 million short tons (gross weight) as compared to 7 million tons consumed (for agricultural and industrial purposes); that is to say, the ratio of imports to consumption decreased to 14 per cent from 45 per cent before the war. The relative shortage of supply abroad is without doubt largely responsible for the drop in the ratio of imports to consumption, but it must also be noted that during the war the U.S. capacity for production of synthetic ammonia increased very greatly owing to the military uses of this product. It is to be expected that a greater availability of supply abroad will increase the ratio of U.S. imports to consumption, although a

restoration of the prewar ratio seems to be out of the question. U. S. trade returns for the first six months of 1948 show a sharp increase (allowing for seasonal variations) in imports of fertilizers in general over the 1947 level, the net increase, however, being entirely due to sodium nitrate from Chile. This product seems to compete successfully with domestic synthetic ammonia. On the basis of a projection at a decreasing rate of the most recent trend, imports of sodium nitrate may be estimated at some 800 million pounds valued at \$25 million in 1949 and at 850 million pounds valued at \$27 million in 1950; total imports of nitrogenous fertilizers as a whole would probably amount (at current prices) to \$60 million in 1947 and \$62 million in 1950, assuming no appreciable increase in imports of other nitrogenous materials, inorganic and organic.

Both phosphates and potash fertilizers, which again enter the U.S. duty-free, are at present minor items in the U.S. import trade and they are bound to remain so in the near future. Together with other fertilizer materials their imports into the U.S. will probably amount to some \$7 million, both in 1949 and 1950.

The following table indicates the estimated amount of U.S. imports of fertilizers and materials in 1949 and 1950 compared with the actual figures for 1947 (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------------------------|-------------|-------------|-------------|
| Nitrogenous fertilizers | 37.4 | 60 | 62 |
| Other fertilizers | <u>6.0</u> | <u>7</u> | <u>7</u> |
| Total | 43.4 | 67 | 69 |
| Per cent increase over 1947 | — | 56% | 63% |

Silk and Manufactures

This subgroup provides the most outstanding example of once typical U.S. imports, which have by now almost disappeared. Imports of silk and manufactures amounted to \$471 million in 1929 (mainly raw silk -- 90 per cent of the total) but decreased to \$130 million in 1939. In 1946 they stood at \$136 million due to the U.S. Government program of supporting large imports of raw silk from Japan, but dropped to \$29.7 million in 1947, as soon as that program was discontinued. This unparalleled decline may be ascribed to three causes: (a) the increased use of substitutes, mainly rayon, in the thirties; (b) trade difficulties with the traditional exporting countries, such as Japan and Italy in that period, and (c) the appearance in recent years of a new synthetic fiber, nylon.

In broad categories U.S. imports of silk and manufactures were distinguished as follows in 1947 and 1929 (quantitative and value terms):

| <u>Commodity</u> | <u>1947</u> | | <u>1929</u> | |
|----------------------------------|-----------------|------------|-----------------|------------|
| | thousand pounds | million \$ | thousand pounds | million \$ |
| Raw silk and other unmanuf. silk | 3,182 | 16.1 | 98,016 | 432.3 |
| Silk manufactures | a/ | 13.6 | a/ | 39.0 |
| Total | | 29.7 | | 471.3 |

a/ Not calculated.

Certainly two of the causes mentioned above, namely the competition of rayon and nylon, will not disappear in the future, and, therefore, it is quite evident that U.S. imports of raw silk (which enter the U.S. duty-free) will never regain a position remotely comparable with that in 1929. However, the very low amount of imports of 1947 was also due to

the lack of supply abroad, and the high level of prices. It is reasonable to expect an appreciable increase in U.S. imports of raw silk with the restoration of production in the principal exporting countries (Japan and Italy) and a reduction in prices. Already in 1948 imports of raw silk show in quantitative terms a considerable increase over 1947 and it seems very probable that this upward trend will continue to a certain extent in the near future. At the current high levels of national income in the United States a fairly large domestic consumption of raw silk is to be expected. Assuming a constantly increasing flow of foreign production, U.S. imports of raw silk may be estimated at 7 million pounds, valued at \$17.5 million in 1949 and at 7.5 million pounds valued at \$22.5 million in 1950 (at current prices, which are greatly below the 1947 level). Adding one million dollars for imports of other unmanufactured silk the previous figures may be rounded to \$19 and \$24 million, respectively.

It is much more difficult to predict the probable amount of U.S. imports of silk manufactures, which are subject to very high ad valorem import duties. If no reduction in duties occurs in this category, U.S. imports will certainly never become significant; they will probably remain more or less at the 1948 annual rate (based on the returns for the first semester), say \$20 million. With a substantial reduction in duties U.S. imports could increase somewhat, provided that foreign exporters succeed in carrying out adequate marketing programs in the U.S. Successful competition with rayon and nylon on the U.S. market seems to depend upon the ability of foreign exporters to stimulate a renewed interest of the American consumers in silk products. The same is true, a fortiori, of raw silk. Subject to this condition U.S. imports of

silk manufactures and particularly raw silk may be greatly stimulated, but to what extent it is difficult to say. Any estimate in this field, at the present moment, would be purely conjectural.

The following estimates are based on the assumption of no reduction in duties on silk manufactures and of no major marketing schemes by the exporting countries. They are compared with the actual figures for 1947 (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------------------------|-------------|-------------|-------------|
| Raw silk | 16.1 | 19 | 24 |
| Silk Manufactures | <u>13.6</u> | <u>20</u> | <u>20</u> |
| Total | 29.7 | 39 | 44 |
| Per cent increase over 1947 | - | 31% | 48% |

Conclusions

The probable values of U.S. imports of the commodities in this group in 1949 and 1950 are assembled in the following summary table, in which the estimates are compared with the actual figures for 1947.

| <u>Subgroups</u> | <u>millions of dollars</u> | | | <u>Percent increase in 1950 over 1947</u> | <u>Percent of total increase from 1947 to 1950</u> |
|----------------------------|----------------------------|--------------|--------------|---|--|
| | <u>1947</u> | <u>1949</u> | <u>1950</u> | | |
| Coffee, cocoa and tea | 783 | 910 | 928 | 19 | 18.6 |
| Paper and manufactures | 363 | 425 | 439 | 21 | 9.7 |
| Paper base stocks | 294 | 351 | 378 | 28 | 10.7 |
| Fruits and nuts | 141 | 163 | 171 | 21 | 3.8 |
| Jute and manufactures | 137 | 194 | 205 | 52 | 8.7 |
| Furs and manufactures | 127 | 186 | 206 | 62 | 10.1 |
| Semimanufactured wood | 121 | 177 | 192 | 59 | 9.1 |
| Tobacco and manufactures | 94 | 98 | 102 | 8 | 1.0 |
| Hides and skins | 89 | 190 | 220 | 147 | 16.8 |
| Fish and products | 84 | 111 | 123 | 46 | 5.0 |
| Vegetable and preparations | 54 | 62 | 64 | 19 | 1.3 |
| Fertilizers and materials | 43 | 67 | 69 | 63 | 3.3 |
| Silk and manufactures | 29 | 39 | 44 | 48 | 1.9 |
| Total | 2,359 | 2,973 | 3,141 | 33 | 100. |

The table shows that the largest per cent increases over 1947 will probably take place in the categories of hides and skins, fertilizers, furs, semimanufactured wood and jute. The greatest absolute increases occur in the categories of coffee, cocoa and tea, hides and skins, paper products, furs and semimanufactured wood.

From the analysis it emerges also that the expansion in U.S. imports depends in many cases upon the restoration of production abroad. This is particularly true of cocoa, standard newsprint paper, paper base stocks, bananas, semimanufactured wood, hides and skins and fertilizers.

Finally it must be remembered that the previous table rests on the assumption of no reduction in duties. Should a substantial reduction occur, U.S. imports of silver or black fox furs, canned tomatoes and tomato paste and canned fish would increase appreciably. According to the previous estimates for these commodities the totals for 1949 and 1950 would be \$3,034 million and \$3,210 million respectively. It has not been estimated what increases a reduction of duties could promote in other fields such as those of nuts, tobacco and silk manufactures. In order to take into account also the probable effects of a tariff reduction on the imports of these items, the previous figures may be tentatively rounded to \$3,050 million and \$3,230 million respectively.

The following table distinguishes the probable amount of U.S. imports of the commodities examined, in 1949 and 1950, in the case of no reduction of duties from the probable amount of such imports in the case of a substantial tariff reduction (millions of dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> | <u>Per cent increase in 1950 over 1947</u> |
|--|-------------|-------------|-------------|--|
| 13 subgroups with no reduction in duties | 2,359 | 2,973 | 3,141 | 33% |
| 13 subgroups with substantial reduction in duties | 2,359 | 3,050 | 3,230 | 37% |
| Increase due to reduction of duties | - | 77 | 89 | 4% |

The table shows quite clearly that a substantial reduction in duties on the commodities included in Group I would change only slightly the picture of the future U.S. import trade.

SUMMARY OF SECTION II.

Section II deals in detail with the following subgroups of U.S. imports:

(1) non-ferrous metals and ferro-alloys, (2) rubber and manufactures, (3) oilseeds and vegetable oils, (4) petroleum and products, (5) precious stones, (6) vegetable fibres other than cotton, jute, flax, hemp and ramie, (7) naval stores, gums and resins.

The estimated value of these imports is \$2,172 million in 1949 and \$2,415 million in 1950 compared with \$1,616 million in 1947. Increases in the value of imports have been estimated for all subgroups, particularly non-ferrous metals and ferro-alloys, and petroleum.

Imports of non-ferrous metals and ferro-alloys will be greatly stimulated by the U.S. stockpiling program. Almost all the non-ferrous metals and ferro-alloys are listed by the Munitions Board as strategic materials to be stockpiled in the U.S. On the assumption that purchases for the stockpile will be speeded up in the near future and supply abroad will be greater, U.S. imports of non-ferrous metals and ferro-alloys have been estimated at \$802 million in 1949 and \$895 million in 1950 as compared to \$515 million in 1947. The largest share of the increase is covered by copper, lead, tin and zinc.

With regard to petroleum and products, it is interesting to note the changed position of the U.S. In 1947 the U.S. was, for the first time in twenty-five years, on a net import basis for crude petroleum. This situation is expected to continue in the future. Assuming an increasing production of crude petroleum in Venezuela and large shipments to the U.S., imports for 1949 and 1950 have been estimated at \$350 and \$430 million, respectively, compared with \$170 million in 1947. U.S. imports of fuel oils have been estimated at \$100 million in 1949 and \$80 million in 1950 as against \$75 million in 1947.

Smaller increases than in the previous two subgroups are expected in U.S. imports of rubber, precious stones and vegetable fibres other than cotton, jute, etc.

In the case of rubber and manufactures (mainly crude rubber) the relatively low value of imports of crude rubber estimated for 1949 and 1950 (\$297 and \$337 million, respectively, as compared to \$306 million in 1947), is primarily due to the recent drop in prices.

The prospects for U.S. imports of precious stones and vegetable fibres other than cotton, jute, etc. are more favorable. An appreciable increase is to be expected in imports of industrial diamonds (which are listed by the Munitions Board as strategic material) and the total value of imports of precious stones in 1949 and 1950 may be estimated at \$157 and \$163 million, respectively, as compared with \$125 million in 1947.

Imports of vegetable fibres other than cotton, jute, etc., which include primarily sisal and manila (strategic materials), have been put at \$100 million in 1949 and \$114 million in 1950 against \$82 million in 1947.

Minor increases are expected in imports of oilseeds and vegetable oils and naval stores, gums and resins.

A tight supply will probably characterize the international market in some vegetable oils in the near future, but the estimated moderate increase in U.S. imports of these products during the next two years is due to the expected drop in the purchases of linseed oil. On the whole, U.S. imports of oilseeds and vegetable oils have been estimated at \$271 million in 1949 and \$292 million in 1950 compared with \$265 million in 1947.

Imports of naval stores, gums and resins (primarily lac and shellac) will probably amount to \$45 million in 1949 and \$49 million in 1950 as against \$43 million in 1947.

Both the largest per cent and the largest absolute increase in 1950 over 1947 will probably occur in the imports of petroleum and non-ferrous metals and ferro-alloys. These two subgroups together represent 81% of the estimated net increase over the next two years.

The largest share of the benefit would accrue to some Latin American countries (such as Venezuela, Chile, and Mexico), Far East countries (such as British Malaya and Netherlands East Indies), some British African dependencies, Canada and South Africa.

Further substantial reductions in duties would be almost meaningless in the field of imports covered by this section. It has been estimated that the U.S. imports would be raised by some \$10 million should such reductions be granted.

SECTION II

This section is devoted to the analysis of U.S. imports of those commodities which have been included in Group II namely: (1) non-ferrous metals and ferro-alloys; (2) rubber and manufactures; (3) oilseeds and vegetable oils; (4) petroleum and products; (5) precious stones; (6) vegetable fibres other than cotton, jute, flax, hemp and ramie; (7) naval stores, gums and resins.

The present analysis will be carried out on the assumption that the current U.S. stockpiling program will be completed by June 1953.

Also in this section the U.S. tariff regime for each commodity will be mentioned, although here again, as in the previous section, no real problem of tariff policy seems to arise.

Non-ferrous metals and ferro-alloys.

This subgroup includes most of the materials being stockpiled by the U.S. It is needless to stress, therefore, their great importance in the U.S. import trade.

U.S. imports of non-ferrous metals and ferro-alloys amounted in 1947 to \$515 million compared with \$331 million in 1929. The following table indicates the quantities and values of the principal imports in the subgroup in the two years (manufactures are indicated separately):

| <u>Commodity</u> | 1947 | | 1929 | |
|---|-------------------|---------------|-------------------|---------------|
| | Million Pounds | Million \$ | Million Pounds | Million \$ |
| Copper (content) | 828 | 162.5 | 974 | 153.7 |
| Lead (content) | 461 | 54.2 | 238 | 13.5 |
| Tin (content) | 117 | 62.9 | 195 | 91.8 |
| Zinc (content) | 750 | 34.9 | 29 | 1.1 |
| Manganese (content) | 1599 | 35.8 | 724 | 8.4 |
| Chromite (oxide content) | 868 | 18.9 | 711 | 2.7 |
| Nickel | 176 | 45.4 | 97 | 19.1 |
| Tungsten (content) | 9 | 8.7 | 7 | 2.5 |
| Bauxite (crude) | 3644 | 11.9 | 853 | 1.7 |
| Aluminum metal, scrap,etc. | 63 | 6.4 | 48 | 8.9 |
| Other non-ferrous metals & alloys | a/ | 29.0 | a/ | 17.2 |
| Brass and bronze manufac- tures (copper content) | 159 ^{b/} | 42.1 | 14 ^{b/} | 4.3 |
| Other manufactures | a/ | 2.4 | a/ | 5.9 |
| Total | | 515.1 | | 330.8 |

a/ Not calculated

b/ Includes only old brass and clippings.

With respect to the U.S. stockpiling program it is estimated (a) that, of the balance of strategic materials still to be purchased for the national stockpile, namely \$2.5 billion, some \$1.9 billion will probably be spent on copper, lead, tin, zinc, manganese and chromite, (b) that of this amount, supposing conservatively a distribution over the next four and one-half years at an increasing rate, the shares for 1949 and 1950 will be \$300 and \$400 million, respectively, (c) that these amounts will probably be allocated as follows: 25% to copper, 20% to lead, 25% to tin, 20% to zinc, 5% to manganese and 5% to chromite.

It is assumed, moreover, that U.S. imports of these materials for normal requirements (that is, outside the stockpile program) will remain in 1949 and 1950 at the same level as in 1947. This assumption is based on the presumption that, although for some materials such as copper, lead and zinc current net imports plus domestic production are not sufficient

to meet domestic consumption an increase in domestic production as well as a decrease in exports may be expected in 1949 and 1950. This is not so for tin which is not produced in the U.S. and is exported in negligible quantities. The gap between domestic consumption and imports in 1947 (44 million pounds) must be covered by an increase in imports, which will be considered in the following calculations. As far as manganese and chromite are concerned, it seems that current imports meet approximately U.S. normal requirements.

On the preceding assumptions, U.S. imports of the six materials in 1949 and 1950 for normal requirements and for the stockpile at current prices ^{1/} may be theoretically estimated as follows (million dollars).

The estimates are compared with the actual figures for 1947.

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------|-------------|-------------|-------------|
| Copper | 162 | 250 | 277 |
| Lead | 54 | 135 | 158 |
| Tin | 63 | 216 | 235 |
| Zinc | 35 | 107 | 123 |
| Manganese | 36 | 53 | 61 |
| Chromite | 19 | 45 | 51 |
| Total | 369 | 800 | 905 |

The totals for 1949 and 1950 differ from those reached by adding to the total for 1947 \$300 million in 1949 and \$400 million in 1950 for two reasons: (a) the higher current prices of the six materials, (b) the addition of some 44 million pounds to the imports of tin in 1949 and 1950 in order to cover the normal requirements.

^{1/} Current prices (average of the first 8 months of 1948) are as follows: manganese \$45 per short ton, chromite \$30 per ton, copper \$440 per ton, lead \$300 per ton, tin \$1800 per ton and zinc \$200 per ton. In calculating the dollar figures, moreover, current prices have been deflated somewhat in the cases of copper and lead (5%) and especially in the cases of tin and zinc (8 and 20%, respectively) in order to take into account the fact that part of the imports enter the U.S. in the form of concentrates and therefore command lower prices per unit of metal content.

The problem now is to investigate whether such an expansion in U.S. imports is possible, which would imply, of course, an investigation of the trend of production of each material in the producing countries. Such an analysis is difficult and, moreover, it would require too much space. Looking at the supply situation in the various producing countries (such as Latin America for copper, tin, zinc and lead, the Netherlands Indies and British Malaya for tin, the Belgian Congo and Northern Rhodesia for copper, USSR and Southern Rhodesia for manganese and chromite, Australia and Canada for zinc and lead) it appears that the actual figures of the mentioned U.S. imports for 1949 and 1950 will probably fall short of the theoretical figures. This seems to be particularly true in the case of lead and zinc. The following table gives the probable U.S. imports of the six materials in 1949 and 1950, compared with the figures for 1947 (million dollars). The estimates have been based also on the most recent trend of U.S. imports of these materials.

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-------------------------------|-------------|-------------|-------------|
| Copper | 162 | 219 | 230 |
| Lead | 54 | 85 | 100 |
| Tin | 63 | 182 | 215 |
| Zinc | 35 | 72 | 80 |
| Manganese | 36 | 45 | 50 |
| Chromite | <u>19</u> | <u>36</u> | <u>42</u> |
| Total | 369 | 639 | 717 |
| Percent increase over 1947 | - | 73% | 94% |

Other non-ferrous metals and ferro-alloys are, all, with a few exceptions, listed by the Munitions Board as strategic materials to be stockpiled. It is estimated that, of the balance to be spent on strategic materials other than the six minerals already examined, some \$300 million will probably be

allocated to other minerals such as nickel, tungsten, bauxite, etc.

Assuming also in this case a distribution at an increasing rate in the next four and one-half years, some \$50 million in 1949 and \$75 million in 1950 will probably be spent on these materials. Now, on the assumption that imports in 1947 covered in many cases the normal domestic requirements (an exception, perhaps, is tungsten), U.S. imports would amount to some \$150 million in 1949 and \$175 million in 1950. Allowing for some increases in prices in the last few months for the minerals to be stockpiled and for some further imports for normal requirements, the previous theoretical figures may be safely raised to some \$160 million and \$185 million, respectively.

Here again, however, the question arises whether or not the foreign producers will be in a position to meet the U.S. demand. On the whole it seems that, with the major exception of tungsten and antimony (which come mainly from China), the supply situation abroad is good enough to meet a large part of the U.S. demand for the next two years. The trade returns for the first six months of 1948 show, as a matter of fact, a sharply increasing trend in these imports. Conservatively, it is assumed in the following estimates that U.S. imports of non-ferrous metals and ferro-alloys other than the six minerals previously considered will amount to some \$150 million in 1949 and \$170 million in 1950.

The analysis has not considered up to now U.S. imports of brass and bronze manufactures and miscellaneous manufactures. As far as the former is concerned the high level of 1947 was entirely due to imports of war surplus from the U.K. under an agreement to return refined copper. It is therefore to be expected that they will sharply decrease in the next two years. To what extent, it is difficult to say. It is assumed that they

will run in 1949 and 1950 appreciably below the annual rate for 1948 (\$25 million), say \$10 million and \$5 million respectively. Miscellaneous metal manufactures are expected to be, as in 1947, a negligible item. It is assumed that they will amount to some \$3 million both in 1949 and 1950.

The following table summarizes the estimates of the probable U.S. imports of non-ferrous metals and ferro-alloys in 1949 and 1950 compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|---|-------------|-------------|-------------|
| Six principal strategic materials | 369 | 639 | 717 |
| Other non-ferrous metals and ferro-alloys | 101 | 150 | 170 |
| Brass and bronze manuf. | 42 | 10 | 5 |
| Other manufactures | <u>3</u> | <u>3</u> | <u>3</u> |
| Total | 515 | 802 | 895 |
| Percent increase over 1947 | - | 56% | 74% |

The U.S. tariff treatment of the imports of non-ferrous metals and ferro-alloys can be described as follows: (a) some products, such as chromite, tin and nickel enter the U.S. duty-free, (b) others, such as bauxite, aluminum alloys and scraps, zinc, lead and nickel in ingots or bars, are subject to specific rates that are not very high on an equivalent ad valorem basis, (c) others, such as manganese and tungsten are subject to specific rates that are rather high on an equivalent ad valorem basis. Copper occupies a particular position; it is duty-free, but subject to an import tax of 4 cents per pound (copper content) temporarily suspended until March 1949. The duty on lead has also been suspended temporarily.

In normal times, it does not seem that a reduction in duties could stimulate appreciably the imports of non-ferrous metals and ferro-alloys. In the present circumstances it can be safely concluded that a reduction in duties would not affect the volume of U.S. imports.

Rubber and manufactures

U.S. imports of rubber and manufactures amounted in 1947 to \$325 million as compared to \$247 million in 1929. They consisted mainly, as usual, of crude rubber. The following table indicates U.S. imports of this subgroup, distinguished by broad categories, in 1947 and 1929 (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|-----------------------|----------------|--------------|----------------|--------------|
| | million pounds | million \$ | million pounds | million \$ |
| Crude rubber | 1,547 | 306.9 | 1,263 | 240.9 |
| Natural latex | 39 | 9.8 |) | |
| Other rubber and gums | 28 | 6.2 | 43 | 4.1 |
| Rubber manufactures | a/ | 2.9 | a/ | 2.3 |
| <u>Total</u> | | <u>325.8</u> | | <u>247.3</u> |

a/ Not calculated.

Imports of crude natural rubber (which are duty-free) used to cover, before the war, the total U.S. consumption of rubber, coming mainly from British Malaya and the Netherlands Indies. In 1940, of the 650,000 long tons of crude rubber consumed in the U.S., approximately 97% came from those areas. Of course this situation changed substantially as a consequence of the war in the Far East. From the beginning of 1942 the U.S. was cut off from its supplies of natural rubber and the problem of finding a substitute came to the foreground. In fact, the U.S. authorities had already considered this problem sometime before, having studied alternatives such as stimulating production of natural rubber in Latin American countries or increasing production of reclaimed rubber. But, ^{when} the emergency arose, the greatest effort was made in the development of the synthetic rubber industry. Within two years the U.S. had erected, at government expense, a synthetic rubber industry with a rated annual capacity of 850,000 tons. In the latter part of 1944 it was already producing at the rate of more than

one million tons annually.

Soon after the war, with the resumption of the trade with the Far East, the picture changed again. In 1946 production of synthetic rubber fell to 750,000 long tons and imports of natural rubber reached 366,000 tons. In 1947 imports increased further to 690,950 long tons (or 1547 million pounds) while production of synthetic rubber decreased further to 460,000 tons. It is to be expected that this restoration of the prewar pattern will continue. However it seems unlikely that the synthetic rubber industry will be completely displaced. For many reasons, such as the intention of the U.S. Government to minimize the ultimate loss of its invested capital, but mainly for strategic motives, it is certain that a small and efficient synthetic rubber industry will be maintained and protected. Furthermore, some types of synthetic rubber are better than natural rubber for a number of special purposes. Finally, although it is true that no synthetic rubber now being produced at a cost competitive with that of natural rubber is considered equal to natural rubber for most major uses, it is equally true that this situation may change with further development of technique.

It has been suggested that the production of synthetic rubber will amount in normal times to 350,000 tons. Estimating U.S. consumption of rubber (excluding reclaimed rubber) at 1.1 million tons, imports of natural rubber for normal requirements should run at 750,000 long tons. But natural rubber is also a strategic material to be stockpiled in the U.S. Adding the imports for the stockpile the previous figure may be raised to 850,000 tons.

Current U.S. imports of crude rubber run at an annual rate of 700,000 tons compared with 690,950 tons in 1947. In the next two years they may be estimated at 750,000 tons and 850,000 tons respectively. At current prices (which are below the 1947 level) these quantities would give \$297 million in 1949 and \$337 million in 1950.

Imports of natural latex or milk of rubber, which again enters the U.S. duty-free and is listed by the Munitions Board as a strategic material, show a sharply increasing trend in the first six months of 1948 compared with 1947. Projecting this trend through 1950 at a decreasing rate imports of natural latex may be expected to run at some 100 million pounds valued at \$25 million in 1949 and at 120 million pounds valued at \$30 million in 1950.

Imports of other rubber and gums and of rubber manufactures may be estimated at some \$7 million and \$3 million, respectively, both in 1949 and 1950. The most recent U.S. trade returns show a fairly stationary level.

Our estimates of the probable U.S. imports of rubber and manufactures in 1949 and 1950 are summarized in the following table and compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Crude rubber | 306.9 | 297 | 337 |
| Natural latex | 9.8 | 25 | 30 |
| Other rubber and gums | 6.2 | 7 | 7 |
| Rubber manufactures | <u>2.9</u> | <u>3</u> | <u>3</u> |
| Total | 325.8 | 332 | 377 |
| Percent increase over 1947 | - | 2% | 16% |

Of course, the moderate percent increases over 1947 shown by the table are entirely due to the drop in the price of crude natural rubber which occurred in the last few months.

Oilseeds and vegetable oils

U.S. imports of oilseeds consist at present mainly of copra and castor beans, imports of vegetable oils mainly of tung oil, linseed oil (from flaxseed) palm oil and coconut oil (from copra). Imports of carnauba, other vegetable waxes and essential oils are also important.

Imports of all oilseeds and vegetable oils in 1947 amounted to \$265 million compared with \$171 million in 1929. The following table indicates the quantities and values of these imports in 1947 and 1929, distinguished by broad categories:

| Commodity | 1947 | | 1929 | |
|---------------------------------|----------------|------------|----------------|------------|
| | million pounds | million \$ | million pounds | million \$ |
| <u>Oilseeds</u> | | | | |
| Copra | 1,355 | 107.4 | 571 | 24.2 |
| Castor beans | 277 | 24.7 | 175 | 6.2 |
| Flaxseed | 16 | 1.9 | 1,357 | 46.5 |
| Others | 54 | 5.3 | 56 | 2.5 |
| Total | 1,702 | 139.3 | 2,159 | 79.4 |
| <u>Vegetable oils and waxes</u> | | | | |
| Tung oil | 122 | 35.4 | 120 | 15.0 |
| Linseed oil | 123 | 36.5 | 10 | 0.7 |
| Palm oil | 63 | 9.6 | 262 | 17.5 |
| Coconut oil | 26 | 4.5 | 412 | 29.5 |
| Carnauba & other veg. waxes | 24 | 18.1 | 11 | 2.2 |
| Essential oils | 6 | 13.5 | 7 | 7.6 |
| Other vegetable oils | 34 | 8.5 | 222 | 19.0 |
| Total | 398 | 126.1 | 1,044 | 91.5 |
| Grand Total | - | 265.4 | - | 170.9 |

In comparison with 1929 the U.S. import trade in 1947 was characterized by a very low level in imports of flaxseed partly offset by a high level in imports of linseed oil, and by a low level in imports of coconut oil largely offset by a high level in imports of copra. The shift from flaxseed to

linseed oil is due partly to the policy of the government of Argentina (the principal supplying area) which intends to stimulate the exports of linseed oil instead of flaxseed, partly to the notable expansion in the U.S. production of flaxseed which occurred during the war (stimulated by high government-supported prices) and constitutes at present one of the objectives of the U.S. Government support policy. The shift from coconut oil to copra is due, on the other hand, to the heavy war damage suffered by the coconut oil industry in the Philippines (the principal supplier) so that only imports of copra are at present possible on a large scale.

Assuming approximate oil yields of 63 and 34 per cent, respectively, for copra and flaxseed, the following total supply of coconut oil and linseed oil from foreign sources was available in the U.S. in 1947 compared with 1929 (million pounds):

| | <u>1947</u> | <u>1929</u> |
|--------------------------|-------------|-------------|
| Oil yields from copra | 853 | 359 |
| Plus coconut oil imports | <u>26</u> | <u>412</u> |
| Total | <u>879</u> | <u>771</u> |
| Oil yield from flaxseed | 5 | 460 |
| Plus linseed oil imports | <u>123</u> | <u>10</u> |
| Total | <u>128</u> | <u>470</u> |

The table shows that the supply of coconut oil from abroad in 1947 was above the 1929 level, whereas the supply of linseed oil was far below the 1929 level.

Supposing a continuation of U.S. government support of domestic flaxseed production at the 1948 level, no increase in imports either of flaxseed or of linseed oil is to be expected in the near future. Instead it is very likely that these imports will drop noticeably, as the most recent trend in imports of linseed oil seems to show. Both in 1949 and 1950

the U.S. imports of flaxseed and linseed oil may be estimated at very low levels, say \$2 million and \$5 million respectively (the annual rates for 1948, based on the trade returns for the first semester, are \$7 million for flaxseed and \$1.6 million for linseed oil)^{1/}.

In the case of coconut oil and copra, on the other hand, an increase in imports of the former and a decrease in imports of the latter are to be expected following the gradual restoration of the processing industry in the Philippines. It is improbable, however, that the prewar proportions of copra and coconut oil imports (50 and 50 per cent) will be restored as buyers have built oil mills on the west coast of the U.S. and crushing in the Philippines is unlikely on an appreciable scale. The most recent trend of these imports suggests that U.S. imports of coconut oil will amount to 180 million pounds valued at \$36 million in 1949 and 250 million pounds valued at \$50 million in 1950, and that imports of copra will amount to 800 million pounds valued at \$96 million in 1949 and 700 million pounds valued at \$84 million in 1950. The quantitative figures for 1949 and 1950 give a global supply of coconut oil from foreign sources of some 690 million pounds in both years compared with 879 million in 1947 and 770 million in 1948 (annual rate based on the first semester). This decrease will presumably occur provided the current high price of copra remains unchanged, as assumed in the present estimates, and consequently increased competition from other foreign and domestic oilseeds takes place before enough coconut oil can be obtained from the Philippines^{2/}.

1/ Of course, if the support level is lowered, imports may increase.

2/ The fact that coconut oil is a strategic material does not seem to change appreciably the situation.

Imports of the other important oilseeds such as castor beans, and vegetable oils such as tung oil and palm oil may be expected to increase appreciably in the near future both for normal requirements and for stockpile purposes. However, whereas an increase in imports of castor beans (coming mainly from Brazil) seems likely, an increase in imports of tung oil (mainly from China) and palm oil (mainly from the Netherlands Indies and Africa) seems doubtful, owing to the very short supply abroad. It is estimated that imports of castor beans will probably amount to 350 million pounds valued at \$28 million in 1949 and 400 million pounds valued at \$32 million in 1950. Imports of tung oil, assuming a slight easing of the supply situation in the next two years, may be estimated at 140 million pounds valued at \$31 million in 1949 and 160 million pounds valued at \$34 million in 1950 (current prices of tung oil are below the 1947 level); those of palm oil at some 75 million pounds valued at \$14 million in 1949 and 90 million pounds valued at \$16 million in 1950.

There remain to be considered carnauba and other vegetable waxes, essential oils, and miscellaneous oilseeds and vegetable oils. From the trend of U.S. imports of waxes and essential oils in the first semester of 1948, it seems reasonable to expect little change in the next two years from the 1947 level, say \$20 and \$14 million, respectively.

An appreciable increase is, however, probable in the imports of miscellaneous oilseeds and vegetable oils, which include several important items (such as rapeseed oil, which is listed as a strategic material to be stockpiled). An estimate, based on the most recent trend, of some \$25 million in 1949 and \$35 million in 1950 appears conservative.

The following summary table assembles the estimates of U.S. imports of oilseeds and vegetable oils in 1949 and 1950 compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|---------------------------------------|-------------|-------------|-------------|
| <u>Oilseeds</u> | | | |
| Copra | 107.4 | 96 | 84 |
| Castor beans | 24.7 | 28 | 32 |
| Flaxseed | 1.9 | 2 | 2 |
| <u>Vegetable oils and waxes</u> | | | |
| Tung oil | 35.4 | 31 | 34 |
| Linseed oil | 36.5 | 5 | 5 |
| Palm oil | 9.6 | 14 | 16 |
| Coconut oil | 4.5 | 36 | 50 |
| Carnauba and other vegetable waxes | 18.1 | 20 | 20 |
| Essential oils | 13.5 | 14 | 14 |
| Other oilseeds and veg.oils | <u>13.8</u> | <u>25</u> | <u>35</u> |
| Total | 265.4 | 271 | 292 |
| Percent increase over 1947 | - | 2% | 10% |

The U.S. tariff regime on imports of oilseeds and vegetable oils may be described as follows: (a) some products, such as copra, tung oil and palm oil, enter the U.S. duty-free, (b) others, such as flaxseed, coconut oil and linseed oil, are subject to specific duties which are very low on an equivalent ad valorem basis. Therefore, it can be said that no problem of tariff policy emerges in this subgroup. However, it must be remembered that some of these products, such as copra and palm oil, are subject to fairly high processing taxes.^{1/} Owing to the fact that vegetable oils, whether used in food or in soap and paints, are to a certain extent interchangeable, these taxes give some advantage to domestically produced vegetable oils. In view of the present shortage of fats and oils in general, however, it does not seem that a removal^{of} or a substantial reduction in these taxes would appreciably alter the previous estimates.

^{1/} In the case of palm oil the tax is not levied when the product is used for tin plate.

Petroleum and products

The bulk of U. S. imports under this heading is represented by crude petroleum and fuel oils, as shown in the following table, in which imports of petroleum and products into the U. S. in 1947, distinguished by broad categories, are compared with those in 1929 (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|---|-----------------|---------------|-----------------|---------------|
| | million bbl. | million \$ | million bbl. | million \$ |
| Crude petroleum | 104 | 170.5 | 79 | 79.9 |
| Fuel oils | 56 | 75.2 | 20 | 16.5 |
| Other refined oils & petroleum prod. | a/ | 14.8 | a/ | 47.2 |
| Total | | 260.5 | | 143.6 |

a/ Not calculated.

U. S. production of crude petroleum has had a remarkably strong and sustained rate of growth. Since 1900 it has increased at the rate of 50% or more a decade. Throughout this period, estimates of future production indicated leveling off of the rate of growth and during the twenties there was fear of an imminent decline in production due to exhaustion of reserves. Subsequently, however, a number of oil fields were discovered and production increased enormously. Later, conservation measures were adopted and are still in force, which help to keep production at each field close to the rate at which maximum eventual extraction can be achieved. In 1947 the production of crude petroleum broke previous records and exceeded 2 billion barrels, which seems to be the present maximum efficient rate. But, total consumption is following a steeply upward trend so that in 1947 production fell short of consumption. In 1947, the U. S. was for the first time in 25 years on a net import basis: imports of crude petroleum amounted to 104 million barrels, valued at \$170 million against exports of 45 million barrels valued at \$98 million. In the near future U. S. consumption of crude petroleum is estimated at

2.15-2.20 billion barrels or more compared with a domestic production of 2 billion. Imports of some 150-160 million barrels of crude petroleum in 1949 seem, therefore, highly probable. In 1950, imports might increase to some 190-200 million barrels. Foreign supply seems to be in a position to meet the U. S. demand.

In 1947 U. S. imports of crude petroleum, which are duty-free but subject to an import excise tax, came almost entirely from Latin American countries, namely Venezuela, Colombia and Mexico. There are good reasons to believe that they will continue to come mainly from those areas. The problem, therefore, is to examine whether or not Latin American countries will be able to meet U. S. demand in the next two years. Now, it seems that production of crude petroleum in Venezuela is increasing at the rate of 10% a year, whereas the production in Colombia and Mexico is fairly stationary. Production in Venezuela amounted to 434 million barrels in 1947; this amount would increase, at the observed rate, to 477 million in 1948, 524 million in 1949 and 576 million in 1950, the increase above the 1947 level being 90 billion barrels in 1949 and 142 billion barrels in 1950. Assuming that 2/3 of these increases are directed toward the U. S., imports of crude petroleum of some 160 million barrels in 1949 and 195 million barrels in 1950, compared with 104 million barrels in 1947, appear possible. Of course some imports could also come from the Middle East. In the following estimates, however, it is assumed that these imports will be negligible in the next two years, on the grounds that exports from the Middle East go principally to Europe. At current prices the previous quantitative figures give \$350 million in 1949 and \$430 million in 1950.

U. S. imports of fuel oils (residual fuel oils) which are again duty-free but subject to an import excise tax, originated in 1947 mainly in Curacao. It may be expected that imports of fuel oil will run at high

levels if domestic refineries lack sufficient supplies of crude petroleum. Assuming, a large expansion in U. S. imports of crude petroleum in the next two years, imports of fuel oil need not necessarily increase. However, it must be considered that imports of fuel oil depend also on the relative costs of refining crude in the U. S. and in other countries, especially those which themselves produce crude petroleum or are geographically very close to the producing areas (such as Curacao.) Foreign prices of fuel oil have increased sharply in the last few months, so that it seems reasonable to put U. S. imports of fuel oil in 1949 and 1950 below the level of 1947, say 50 million barrels valued at \$100 million in 1949 and 40 million barrels valued at \$80 million in 1950 (current prices).

A slight decrease is to be expected, also, in imports of miscellaneous petroleum products, which may therefore be estimated at some \$15 million (current prices) both in 1949 and 1950.

The probable U. S. imports of petroleum and products in 1949 and 1950 are indicated in the following summary table and compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Crude petroleum | 170.5 | 350 | 430 |
| Fuel oils | 75.2 | 100 | 80 |
| Other petroleum products | <u>14.8</u> | <u>15</u> | <u>15</u> |
| Total | 260.5 | 465 | 525 |
| Percent increase over 1947 | - | 78% | 101% |

Precious stones

U. S. imports of precious and semi-precious stones, which consist mainly of diamonds, amounted in 1947 to \$125 million compared with \$79 million in 1929. The following table indicates imports in this subgroup in 1947 and 1929 distinguished by broad categories. Industrial diamonds have been shown separately.

| Commodity | 1947 | | 1929 | |
|---|----------|-------------|----------|-------------|
| | thousand | million | thousand | million |
| | \$ | | \$ | |
| Industrial diamonds (carat) | 4,036 | 13.1 | 47 | 4.1 |
| Other diamonds (carat) | 1,423 | 96.9 | 771 | 51.9 |
| Other precious and semi- precious stones and imitations | a/ | <u>14.8</u> | a/ | <u>23.6</u> |
| Total | | 124.8 | | 79.6 |

a/ Not calculated.

The very high level of U. S. imports of industrial diamonds (which are duty-free) in 1947 compared with 1929 is entirely due to the tremendously increased use of diamonds in the industrial field. During the war, particularly, new uses and new methods of application of industrial diamonds were developed and industry became more widely acquainted with the results that can be achieved from their use. It is expected that the use of industrial diamonds will continue to increase more rapidly than total industrial production. In these circumstances, and taking into account, also, the backlog of demand from the war and postwar shortage, U. S. imports of industrial diamonds for normal requirements in the near future may run well above the 1947 level, say at 10 or 11 million carats. However, this increase depends on supply conditions in the exporting countries (mainly South Africa and Belgian Congo) and also on the policy of the South African Diamond Syndicate (Diamond Trading Company). Looking at the trade returns for the first six months of 1948, which show an annual rate of 11 million carats, it does not seem that either the supply situation or the policy of the Diamond Syndicate are likely to hold down exports of industrial diamonds to the U. S. Imports into the U. S. may therefore be estimated at some 12 million carats valued at \$38 million in 1949 and at 13 million carats valued at \$40 million in 1950, including purchases for normal requirements and purchases for the national stockpile.

Of course the expansion in imports of industrial diamonds will affect to a certain extent the U. S. imports of other diamonds (rough or uncut and cut but unset) which are used for jewelry purposes. It must be remembered, furthermore, that in this field the domestic needs accumulated during the war have been largely met by the heavy imports in 1946. In 1948 imports of diamonds for jewelry are running at an annual rate of 1,250 million carats. On the best hypothesis they would probably amount to 1,300 million carats valued at \$104 million in 1949 and to 1,350 million carats valued at \$108 million in 1950 (current prices and current distribution between uncut and cut but unset diamonds). Incidentally, it is worth mentioning that imports of cut diamonds are charged a duty of 10% ad valorem, whereas those of uncut diamonds are duty-free. Owing to the nature of the demand for cut diamonds, it is clear that no tariff reduction could appreciably affect imports.

Imports of other precious and semi-precious stones (such as pearls) and imitations, into the U. S. in the next two years may be estimated at a level very close to that of 1947, say \$15 million. This estimate is based on a projection of the most recent trend.

The following table summarizes our estimates of U. S. imports of precious and semi-precious stones in 1949 and 1950 compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|--|-------------|-------------|-------------|
| Industrial diamonds | 13.1 | 38 | 40 |
| Other diamonds | 96.9 | 104 | 108 |
| Other precious and semi-precious stones and imitations | <u>14.8</u> | <u>15</u> | <u>15</u> |
| Total | 124.8 | 157 | 163 |
| Percent increase over 1947 | - | 26% | 31% |

Vegetable fibers other than cotton, jute, etc.

U. S. imports of vegetable fibers other than cotton, jute, flax, hemp, and ramie amounted in 1947 to \$82 million compared with \$47 million in 1929. They consisted mainly of raw sisal, henequen and manila or abaca. The subgroup includes also some manufactures of various vegetable fibers other than those mentioned above. The following table indicates the quantities and values of U. S. imports in the subgroup in 1947 and 1929, distinguished by broad categories.

| Commodity | 1947 | | 1929 | |
|------------------------|---------------|------------|---------------|------------|
| | thousand tons | million \$ | thousand tons | million \$ |
| Sisal and henequen | 117 | 31.5 | 135 | 21.1 |
| Manila or abaca | 78 | 29.5 | 72 | 13.5 |
| Other vegetable fibers | 28 | 6.0 | 31 | 5.6 |
| Manufactures | a/ | 15.1 | a/ | 7.0 |
| Total | | 82.1 | | 47.2 |

a/ Not calculated.

Imports of sisal and henequen (the latter is a product botanically related to the former) come mainly from Mexico, Haiti and Tanganyika, and enter the U. S. duty-free. They are used for binder twine, padding for upholstery and mattresses, cords, etc. As they are to a large extent interchangeable with manila or abaca (mainly from the Philippines) imports may increase in the near future pending a restoration of the production of abaca in the Philippines, which seems to be proceeding rather slowly. Moreover, sisal is listed by the Munitions Board as a strategic material to be stockpiled. It seems, therefore, reasonable to estimate U. S. imports of these fibers at 150,000 tons valued at \$45 million in 1949 and at some 170,000 tons valued at \$51 million in 1950.

Imports of manila or abaca which again are duty-free, can be expected to increase considerably if the supply situation improves.

To what extent this improvement will take place in the next few years is, however, difficult to say. From trade returns for the first six months of 1948 it appears that imports into the U. S. are, at present, below the 1947 level, which points to a supply situation which is still very tight. Assuming a slight improvement in the supply situation in the next two years, imports may be estimated at some 80,000 tons valued at \$34 million in 1949 and at some 100,000 tons valued at \$42 million in 1950.^{1/}

Imports of both miscellaneous vegetable fibers and manufactures, some of which are duty-free and others subject to specific and ad valorem duties (in some cases fairly high), may be put on the best hypothesis at the 1947 level, say \$6 million and \$15 million both in 1949 and 1950. These estimates have been based on the assumption of a slight improvement of the most recent trend, which seems to show a decline in these imports.

The following table summarizes the previous results about the probable amount of U. S. imports of vegetable fibers other than cotton, jute, etc., and manufactures in 1949 and 1950. The estimates for the next two years are compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Sisal and henequen | 31.5 | 45 | 51 |
| Manila and abaca | 29.5 | 34 | 42 |
| Other vegetable fibers | 6.0 | 6 | 6 |
| Manufactures | <u>15.1</u> | <u>15</u> | <u>15</u> |
| Total | 82.1 | 100 | 114 |
| Percent increase over 1947 | - | 22% | 39% |

It might be that a substantial reduction in duties on manufactures could increase their imports somewhat, but certainly not to any appreciable extent. The global figures of the table could be raised, in these circumstances, to \$105 and \$120 million respectively.

^{1/} Manila or abaca is also a strategic material to be stockpiled in the U. S.

Naval stores, gums and resins

U. S. imports of naval stores, gums and resins amounted in 1947 to \$43 million as compared to \$36 million in 1929. The principal items in this subgroup are crude lac, unbleached shellac and crude chicle. Distinguished in broad categories imports of naval stores, gums and resins into the U. S. in 1947 are indicated in the following table (quantitative and value terms) and compared with 1929:

| Commodity | 1947 | | 1929 | |
|-----------------------|------------------|------------|------------------|------------|
| | million pounds | million \$ | million pounds | million \$ |
| Crude lac | 19 | 6.9 | 8 | 2.6 |
| Unbleached shellac | 22 | 10.5 | 33 | 12.8 |
| Crude chicle | 14 | 11.8 | 13 | 6.6 |
| Other gums and resins | 61 ^{a/} | 14.1 | 85 ^{a/} | 15.6 |
| Total | 116 | 43.3 | 139 | 35.6 |

a/ Does not include some minor items.

Crude lac and unbleached shellac, which enter the U. S. duty-free, are, respectively, a resinous incrustation produced by certain insects on the twigs of various species of trees in India and neighboring countries, and a product obtained by the first processing of the former. The principal uses of lacs and shellacs are in the manufacture of spirit varnishes and the production of phonograph records. Shellac is also used in molded parts and insulating coatings on electrical goods, in molded articles such as buttons, etc., in sealing wax, leather and shoe dressing, etc. Although during the war some substitutes for shellac were produced in the U. S., it does not seem that at present they will offer serious competition to shellac.

Before the war, imports of crude lac and unbleached shellac averaged some 35 million pounds a year. The quantity imported in 1947, namely 41 million pounds, is therefore above the prewar average. However,

there are good reasons to expect a further increase in these imports in the near future as a result of the increased domestic consumption and the considerable backlog demand. Already in 1948 the annual rate was 52 million pounds. It seems safe to expect by 1949 and 1950 imports of some 55 and 60 million pounds, respectively. As moreover, shellac is listed by the Munitions Board as a strategic material to be stockpiled, the previous figures may be raised to 58 and 63 million pounds for 1949 and 1950. At current prices and assuming, as in 1948 an equal distribution between lac and shellac, these quantities give \$11 million in 1949 and \$12 million in 1950, for imports of crude lac, and \$13 million in 1949 and \$14 million in 1950 for imports of unbleached shellac.

Crude chicle, which again enters the U. S. duty-free, is a gum imported from Mexico and some Central American countries. It is primarily used in the manufacture of chewing gum. The most recent trend of these imports has been sharply downward. On the best hypothesis, therefore, their value in the next two years may be estimated at the level of the 1948 annual rate, say \$5 million.

It is very difficult to make a generalization on the probable trend of the U. S. imports of other gums and resins, such as tragacanth, leche capsi, crude balsams, damar etc., which enter the U. S. generally duty-free. Considering the various uses of these products in many manufactures, it may be reasonably expected that their imports will increase in the next two years. At their current prices, which are somewhat lower than in 1947, the value of U. S. imports in 1949 will probably be close to that in 1947, say \$16 million, whereas it may rise to some \$18 million in 1950.

The following table summarizes the previous estimates of U. S. imports of naval stores, gums and resins in 1949 and 1950 compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Crude lac | 6.9 | 11 | 12 |
| Unbleached shellac | 10.5 | 13 | 14 |
| Crude chicle | 11.8 | 5 | 5 |
| Other gums & resins | <u>14.1</u> | <u>16</u> | <u>18</u> |
| Total | 43.3 | 45 | 49 |
| Percent increase over 1947 | - | 4% | 13% |

Conclusions

The probable values of U. S. imports of the commodities included in Group II (7 subgroups) in 1949 and 1950 are assembled in the following summary table, in which the estimates for the next two years are compared with the actual figures for 1947.

| Subgroups | : Millions of Dollars: Percent increase: Percent of total | | | | | |
|--|---|-------|-------|------------------|----------------------|---------|
| | 1947 | 1949 | 1950 | : 1950 over 1947 | : increase from 1947 | to 1950 |
| Non-ferrous metals and ferro-alloys | 515 | 802 | 895 | : | 74 | : |
| Rubber and manufactures | 326 | 332 | 377 | : | 16 | : |
| Oilseeds and veg. oils | 265 | 271 | 292 | : | 10 | : |
| Petroleum and products | 260 | 465 | 525 | : | 101 | : |
| Precious stones | 125 | 157 | 163 | : | 31 | : |
| Vegetable fibers other than cotton, jute, flax, hemp and ramie | 82 | 100 | 114 | : | 39 | : |
| Naval stores, gums and resins | 43 | 45 | 49 | : | 13 | : |
| Total | 1,616 | 2,172 | 2,415 | | 49 | 100.0% |

The table shows that the largest percent increases over 1947 will probably occur in the categories of petroleum and non-ferrous metals and

ferro-alloys. The absolute increases are greatest in the same categories, non-ferrous metals and ferro-alloys having, however, the lead.

From the analysis it emerges that the expansion in U. S. imports depends in this group, much more than in Group I, upon the restoration and increase of production abroad. This factor will influence more or less all categories in Group II.

In this group, a substantial reduction in U. S. duties would affect the volume of imports much less than in Group I. With such a reduction the previous global figures could be rounded to \$2,180 million and \$2,425 million respectively, the increase being almost entirely due to the possible expansion in imports of manufactures of vegetable fibers other than cotton, jute, etc.

The following table distinguishes the probable amount of U. S. imports of the commodities in Group II in 1949 and 1950 in the two cases, no reduction of duties and a substantial tariff reduction (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> | <u>Percent increase in 1950 over 1947</u> |
|--|-------------|-------------|-------------|---|
| 7 Subgroups with no reduction of duties | 1,616 | 2,172 | 2,415 | 49% |
| 7 Subgroups with a substantial reduction of duties | 1,616 | 2,180 | 2,425 | 50% |
| Increase due to the reduction of duties | - | 8 | 10 | 0.6% |

The present analysis does not consider the possible increase in U. S. imports if domestic taxes (such as those on the processing of some foreign oilseeds and vegetable oils) are removed. But it does not seem, generally speaking, that the effects of such a removal would be sizeable.

SUMMARY OF SECTION III.

Section III deals in detail with the following subgroups of U.S. imports:

(1) sugar and related products, (2) unmanufactured wool, (3) beverages, (4) unmanufactured cotton, (5) clocks and watches, (6) leather and manufactures, (7) wool manufactures, (8) cotton manufactures, (9) flax, hemp, and ramie and manufactures thereof, (10) meat products.

The estimated value of these imports is \$1,259 million in 1949 and \$1,346 million in 1950 compared with \$995 million in 1947. A fairly large increase is expected in imports of raw wool, textile manufactures in general, leather manufactures, meat products, and beverages, but little or no increase in imports of sugar and related products, raw cotton and clocks and watches.

Allowing for the impact of the normal increase in the U. S. population together with a very slight increase in the per capita consumption, U. S. imports of raw wool have been estimated at \$330 million in 1949 and \$351 million in 1950 as compared to \$225 million in 1947. These estimates are based also on the assumption that domestic production will remain unchanged at the current level and, furthermore, that foreign producers (mainly Australia, Uruguay, Argentina, India) will be able to meet the U. S. demand.

No increase is expected in imports of raw cotton, which are restricted by absolute quotas. These quotas, although limited to certain types of cotton, are sufficient to hold down the level of total U. S. imports of raw cotton, and are likely to remain in force in the near future.

With the restoration of production in the traditional exporting countries, mainly Europe, a sharp increase is to be expected in U. S. imports of wool, cotton, and flax manufactures. Imports of wool manufactures have been estimated at \$63 million in 1949 and \$81 million in 1950 compared with \$35 million in 1947; those of cotton manufactures at \$55 and \$71 million, respectively, against \$26 million in 1947; those of flax, hemp and ramie manufactures at \$40 and \$50 million, respectively, against \$30 million in 1947. These estimates are based generally on a very conservative projection of the most recent trends.

Also dependent upon the restoration of production in Europe are U. S. imports of leather manufactures (such as shoes, gloves, bags, etc.) These imports, including leather, would probably run at \$43 million in 1949 and \$52 million in 1950 compared with \$30 million in 1947.

In the subgroup of meat products, U. S. imports will primarily increase in the categories of prepared and preserved meats, in consequence of the strong domestic demand. No increase is to be expected in imports of fresh and frozen meat which are largely barred by the sanitary embargo on shipments from Latin American countries. As a whole, U. S. imports of meat products have been estimated at \$63 million in 1949 and \$58 million

in 1950 compared with \$23 million in 1947. The drop from 1949 to 1950 is based on the expected increase in the domestic supply of meat by 1950.

U. S. imports of beverages (mainly whisky) will probably amount to \$93 million in 1949 and \$106 million in 1950 compared with \$70 million in 1947. The increase will be due primarily to the high domestic consumption of beverages in general at the current level of national income.

A drop is to be expected in imports of cane sugar on the assumption that the current absolute quota for domestic areas (which is fairly high) remains unchanged in the next two years. Assuming an appreciable increase in the imports of inedible molasses, U. S. imports in the subgroup have been estimated at \$454 million in 1949 and \$459 million in 1950 as compared to \$445 million in 1947.

Presumably imports of watches and clocks will remain more or less unchanged.

The largest per cent increases in 1950 over 1947 will probably occur in imports of textile manufactures, meat products, leather manufactures and raw wool. The largest absolute increases from 1947 to 1950 will probably occur in imports of raw wool, wool and cotton manufactures, beverages and meat products. These five subgroups represent 82% of the estimated total net increase from 1947 to 1950.

The largest share of the benefit is expected to accrue to European countries (primarily United Kingdom), some Latin American countries (such as Argentina and Uruguay), Canada and Australia.

A further substantial reduction in U. S. duties might be more beneficial in the subgroups of this section than in the subgroups examined in the previous sections. It has been calculated that U. S. imports would amount to \$1,470 million in 1949 and \$1,550 million in 1950 with such reductions, the net increase due to tariff reductions being about \$200 million.

The other U. S. restrictions, such as absolute-quotas and sanitary embargo, have been assumed to be unchanged.

SECTION III

The analysis of this section will refer to the U. S. imports which have been included in Group III, namely: 1) sugar and related products; 2) unmanufactured wool; 3) beverages; 4) unmanufactured cotton; 5) clocks and watches; 6) leather and manufactures; 7) wool manufactures; 8) cotton manufactures; 9) flax, hemp and ramie manufactures; 10) meat products.

In this list of commodities there are a number of manufactured products. Any analysis of the future trend of U. S. imports of manufactured products is bound to meet greater difficulties than that dealing with the trend of imports of unmanufactured products. The reasons are obvious. It is enough to point out that the number of variables to deal with is, generally speaking, greater in the case of finished products than in the case of raw materials or crude foodstuffs. For instance, the picture is now complicated by the fact that U. S. duties on manufactures are still fairly high, although reduced somewhat at the Geneva Agreement. Furthermore, nearly all the abovementioned goods coming from abroad compete with similar goods produced domestically and the outcome of a renewed competition of foreign products (mainly from Europe) in the U. S. is very difficult to predict. For these reasons it must be said from the start that, if the results reached in the previous two sections are largely tentative, the results of this section are still more so.

The group includes, however, foodstuffs, such as sugar and meat products, and unmanufactured raw materials, such as wool and cotton. They have been included in the group, because of the various U. S. restrictions which affect somewhat the volume of the U. S. import trade along these lines. Compared with imports of manufactured products, the prediction of the future trend of these imports is easier, under definite assumptions.

The present analysis is carried out on the general assumption of no further reduction in duties and of no removal of or change in other U. S. restrictions. However, a brief analysis will be devoted in each case to the possible influence on the volume of imports of any reduction in the U. S. restrictions, whenever of course such a policy may be reasonably expected.

Sugar and related products

U. S. imports of sugar and related products, which consist mainly of cane sugar, amounted to \$445 million in 1947 compared with \$230 million in 1929. The following table distinguishes the imports of cane sugar and molasses (inedible) in 1947 and 1929 (quantitative and value terms) from the other imports in the subgroup.

| Commodity | 1947 | | 1929 | |
|-------------------------------|----------------|------------|----------------|------------|
| | million pounds | million \$ | million pounds | million \$ |
| Cane sugar | 8,328 | 410.5 | 9,777 | 209.2 |
| Molasses, inedible | 1,135 | 25.9 | 2,012 | 16.0 |
| Other sugar and related prod. | a/ | 9.1 | a/ | 4.5 |
| Total | | 445.5 | | 229.7 |

a/ Not calculated.

Since the beginning of this century, U. S. imports of cane sugar have supplied about half of domestic consumption requirements, coming almost entirely from Cuba and the Philippines. The domestic production was composed of two parts, one supplied by the continental U. S. (beet sugar) the other by the insular areas, mainly Puerto Rico and Hawaii (cane sugar). After World War I the structure of trade remained unchanged, although some changes occurred in the shares of the different areas. In the period 1927-30 the share of imports to total consumption increased somewhat, Cuba supplying some 49% of U. S. consumption, the Philippines some 10% (total imports: 59% of consumption). However, the share of imports declined again in the period 1931-33, Cuba supplying 30%, the Philippines

16% (total imports: 46% of consumption). It must be remembered in this connection that Philippine sugar was duty-free and hence was in effect protected by the duty on Cuban and other foreign sugar. After 1933 the volume of imports from the various sources was rigidly controlled by quotas under the U. S. sugar legislation.

The system of absolute quotas was introduced with the Sugar Act of 1934. The reason was to provide a more effective protection to the domestic sugar industry, which could not be achieved by the tariff. Two facts must be mentioned which jeopardized the U. S. sugar industry, namely the excess supply of sugar which has generally characterized the international situation (except during the war) and, secondly, a level of internal prices well above the world markets. In these circumstances, the protection provided by the tariff was only moderate. Since 1934, therefore, the absolute quota system has replaced the tariff as the effective instrument of national policy. Tariffs on sugar primarily act as a revenue measure.

The quota system, continued with the Sugar Act of 1937, was suspended in April 1942 when it became apparent that the world was shifting from a surplus to a deficit position, but the restrictions were again put into operation as of January 1948 (Sugar Act of 1948).

The Sugar Act of 1948 provides fixed quantitative quotas for all domestic supplying areas (i.e. continental U.S., Puerto Rico, Hawaii and Virgin Islands) and the Philippines. Any deficiency of domestic or the Philippines supply is allocated to Cuba. In these conditions, the volume of imports from Cuba and other foreign countries (except the Philippines) is strictly determined by the efficiency of the domestic supplying areas and the Philippines; they are thus a kind of "residual". For instance, the Sugar Act of 1948 established a quota of 4.5 million short tons (revised as of March 2, 1948) for domestic supplying areas and the Philippines. At the current per capita consumption of 105 pounds, this

quota would imply imports from Cuba and other areas of some 3 million short tons in 1948. Of course, imports from Cuba would be larger if the domestic areas and the Philippines were not able to cover the quota. Supposing these areas to be in a position to cover their quotas and taking into account the Philippines quota of 290,000 short tons, U. S. imports of sugar from abroad, in 1948, would run at some 3,290,000 tons or 6,580 million pounds as compared to 8,328 million pounds in 1947.

Now, assuming that in 1949 and 1950 a quota for domestic areas of some 4,2 million short tons (as in 1948) is established and assuming, moreover, that these areas will be able to cover their quotas, imports from Cuba and the Philippines would again be below the 1947 level, even with the increase in the U. S. population and a possible increase in the per capita consumption from 105 to 110 pounds. Under such circumstances, domestic consumption would be around 8,120,000 tons in 1949 and 8,140,000 tons in 1950. Imports would amount to 3,920,000 tons or 7,840 million pounds in 1949 and 3,940,000 tons or 7,880 million pounds in 1950. At current prices these quantities give \$388 million in 1949 and \$390 million in 1950.

On the other hand, the prospects are favorable for inedible or industrial molasses, which enters the U. S. subject to very low duties. Before the war imports of molasses used to cover about 65% of domestic consumption, coming almost entirely from Cuba and the Dominican Republic. Over half of the industrial molasses consumed in the U. S. is used as a raw material in industrial-alcohol plants, virtually all of the high-test molasses being used for this purpose. Its use in livestock feeds is another major outlet. Current domestic consumption of industrial molasses might possibly run at about 3,000 million pounds. Supposing that the prewar ratio of imports to consumption could be restored, imports would amount to 2,000 million pounds. This figure is much above that of

1947. However, imports in 1947 were at a low level because there was no high-test molasses produced in Cuba or the Dominican Republic. The U. S. trade returns for the first six months of 1948 show a sharp increase in imports of inedible molasses (the annual rate is 1,720 million pounds) which seems to indicate a resumption of that production. In these conditions, it may be expected that U. S. imports of industrial molasses will be at high levels in the next two years, although an increasing quantity of the product is used in Cuba for the production of alcohol. Conservatively U. S. imports may be estimated at 1,800 million pounds valued at \$57 million in 1949 and 1,900 million pounds valued at \$60 million in 1950.

Turning to U. S. imports of other sugar and related products, the most recent trend shows quite clearly that no increase in these imports is to be expected in the next two years. It is estimated, optimistically, that they will run in 1949 and 1950 at the same level as in 1947, say \$9 million.

The following table summarizes the previous results comparing them with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------------|-------------|-------------|-------------|
| Cane sugar | 410.5 | 388 | 390 |
| Molasses, inedible | 25.9 | 57 | 60 |
| Other sugar and related products | 9.1 | 9 | 9 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 445.5 | 454 | 459 |
| Percent increase over 1947 | - | 2% | 3% |

Of course this picture would be substantially altered if the U. S. absolute-quota system is removed or if the quotas for domestic supplying areas are reduced appreciably in the next two years. The first possibility seems to be excluded for the time being. As far as the second one is concerned any sort of prediction is at the moment impossible.

Unmanufactured wool

U. S. imports of unmanufactured wool amounted to 631 million pounds

(actual weight) valued at \$225 million in 1947 as compared to 280 million pounds valued at \$87 million in 1929. The following table shows the imports of raw wool in 1947 and 1929 distinguished by broad categories (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|--|-------------------|---------------|-------------------|---------------|
| | million pounds | million \$ | million pounds | million \$ |
| Donskoi, Smyrna, etc. (carpet wool) | 214 | 50.6 | 175 | 46.9 |
| Woolen types (clothing wool) | 24 | 7.8 | 18 | 6.9 |
| Worsted types (combing wool) | 388 | 163.4 | 84 | 31.9 |
| Other (alpaca, mohair, etc.) | 5 | 3.5 | 3 | 1.6 |
| Total | 631 | 225.3 | 280 | 87.3 |

The table shows that U. S. imports of raw wool, in terms of both value and weight, were in 1947 far above the 1929 level.

During the inter-war period imports of wool into the U. S. varied widely, depending on the degree of general business activity in the U. S., but the general tendency was downward after 1923, in large part owing to the increase in domestic production of wool and mohair, which rose from about 220 million pounds (actual weight) in 1922 to 400 million pounds in 1939, the increase being 82%. Because of the liquidation of stock sheep which began in the fall of 1942, domestic production of wool is at present only slightly above that in 1939; it seems to average 450 million pounds annually in actual weight. On the other hand, domestic consumption is much larger than before the war, in part because of the higher national income, in part because of the deferred demand for wool fabrics left over from the war period when civilian consumption was restricted. Current consumption seems to average 1.2 billion pounds (actual weight). Taking into account the normal increase in the U. S. population in 1949 and 1950, and a probable increase in the per capita consumption from 8.25 pounds (actual weight) to 8.50 pounds in 1949 and 8.75 pounds in 1950, U. S. imports of unmanufactured wool as a whole may

be estimated at around 800 million pounds in 1949 and 850 million pounds in 1950, on the assumption of an unchanged domestic production. These figures compare with an annual rate for 1948 (based on the trade returns for the first six months) of 750 million pounds.^{1/}

Now, two problems have to be discussed: (a) how the estimated total volume of imports will be distributed among the different types of wool products, (b) whether or not the foreign producers will be in a position to meet U. S. demand.

For the distribution of U. S. imports of wool in 1949 and 1950, the distribution in the first six months of 1948, which shows a sharp increase in the share going to Donskoi, Smyrna, etc. wools compared with 1947, will be assumed. It gives the following results. The values are computed at the average current foreign unit prices for each category.

| Commodities | 1949 | | 1950 | |
|-------------------------------------|-------------------|---------------|-------------------|---------------|
| | million pounds | million \$ | million pounds | million \$ |
| Donskoi, Smyrna, etc. (carpet wool) | 360 | 108 | 382 | 115 |
| Clothing wool | 34 | 14 | 37 | 15 |
| Combing wool | 400 | 200 | 425 | 213 |
| Other (alpaca, mohair, etc.) | 6 | 8 | 6 | 8 |
| Total | 800 | 330 | 850 | 351 |

With regard to the supply abroad, it seems that it will be in a position to meet the U. S. demand. In 1947, U. S. imports of wool came primarily from Argentina, Uruguay, Australia, and India. Some of these countries and also others now of minor importance will presumably expand their exports of raw wool to the U. S. in the next two years. The preceding figures may therefore be taken as the most probable figures.

1/ Corrected for seasonal variations (1947 as a term of reference).

The following table compares our estimates with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-------------------------------------|-------------|-------------|-------------|
| Donskoi, Smyrna, etc. (carpet wool) | 29.6 | 108 | 115 |
| Clothing wool | 16.1 | 14 | 15 |
| Combing wool | 175.7 | 200 | 213 |
| Other (alpaca, mohair, etc.) | <u>3.9</u> | <u>8</u> | <u>8</u> |
| Total | 225.3 | 330 | 351 |
| Percent increase over 1947 | - | 47% | 56% |

A few words will be devoted now to the U. S. tariff regime on wool imports.

Imports of lower grades of unmanufactured wool, when bonded to be used in the manufacture of press cloth, rugs, carpets or any other floor covering, are duty-free. All other imports are subject to specific duties. The current rates of duty are still very high on an equivalent ad valorem basis, notwithstanding the double effect of the reduction of duties through trade agreements (including the Geneva Agreement) and the increase in international prices. The equivalent ad valorem of the current duties is, on the average, well above 30%, compared with some 85% before the war.

It is commonly admitted that a substantial reduction in the duties on wool would doubtless have a marked effect in increasing imports and reducing domestic production. Assuming that imports in 1949 and 1950 would both increase under such circumstances by some 150 million pounds (actual weight) and, moreover, that the increase would occur mainly in the category of worsted types, the previous figures would be raised to about \$390 and \$410 million, respectively, the net increase due to tariff reduction being approximately \$60 million.

Beverages

U. S. imports of beverages amounted to \$70 million in 1947. No comparison is possible with 1929 in as much as imports of alcoholic

beverages were then barred by prohibition. The following table compares, therefore, imports in 1947 with those in 1939 (quantitative and value terms) distinguishing them in broad categories. Imports of whisky, which are by far the most important, are shown separately.

| Commodity | 1947 | | 1939 | |
|--|--------------------------|------|--------------------------|------|
| | thousand million gallons | \$ | thousand million gallons | \$ |
| Whisky (proof) | 11,001 | 51.1 | 9,846 | 41.5 |
| Other distilled spirits (proof) | 1,489 | 6.1 | 1,577 | 6.7 |
| Sparkling wines | 241 | 2.2 | 560 | 2.5 |
| Still wines | 1,919 | 6.6 | 3,377 | 6.5 |
| Other beverages (beer, mineral waters, fruit juices, etc.) | a/ | 4.1 | a/ | 2.2 |
| Total | | 70.1 | | 59.4 |

a/ Not calculated.

Since consumption of beverages in general is closely related to the level of national income and moreover, imported beverages are mostly high-priced products (which implies that the effect of high income upon imports would probably be somewhat greater than that upon production) a higher volume of imports might have been expected in 1947. The relatively low level of imports seems to be due partly to the heavy internal taxes and the high rate of duties on these imports, which tend to hold down consumption and a fortiori imports, and partly to the very high prices abroad, especially of wines.

Under such circumstances, an expansion in U. S. imports of beverages in general in the next two years is very probable, but presumably it will not be large.

Imports of whisky, which represented in 1947 some 73% of the total imports of beverages, come entirely from the United Kingdom and Canada. They used to cover about 9% of domestic consumption before the war. Assuming an increase in per capita consumption and taking account of the increase in population, total consumption may average in the next two years some 140 - 160 million proof gallons. Supposing a higher ratio of

of imports to domestic consumption, say, 10%, in the next two years, imports of whisky may be estimated at some 14 million proof gallons in 1949 and 16 million gallons in 1950. At current prices the value of these imports would be \$69 and \$78 million, respectively.

A similar trend may be expected in the case of other distilled spirits, such as brandy, gin, rum, etc. These imports may be put at 1.7 million proof gallons in 1949 and 2 million in 1950, valued, respectively, at \$9 and \$12 million.

In contrast, U. S. imports of sparkling wines (mainly from France) will probably continue to be limited by the high level of foreign prices. At best, their value may be slightly above the 1947 value, say \$3 million both in 1949 and 1950.

The high level of foreign prices might also be expected to keep down imports of still wines, which include vermouth. However, in this case the most recent trade returns show a slightly upward trend. Projecting this trend through 1950, these imports may be estimated at some 2.2 million gallons valued at \$8 million in 1949 and at 2.4 million gallons valued at \$9 million in 1950.

No increase is to be expected in U. S. imports of other beverages. Before the war, they consisted partly of special kinds of beer from Germany and Czechoslovakia, but mainly of fruit juices, malt liquors, etc. from different sources. Their value in 1949 and 1950 may be estimated at the same level as in 1947, say \$4 million.

The following table summarizes the previous estimates of U. S. imports of beverages in 1949 and 1950 and compares them with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-------------------------|-------------|-------------|-------------|
| Whisky | 51.1 | 69 | 78 |
| Other distilled spirits | 6.1 | 9 | 12 |
| Sparkling wines | 2.2 | 3 | 3 |
| Still wines | 6.6 | 8 | 9 |

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Other beverages | 4.1 | 4 | 4 |
| Total | <u>70.1</u> | <u>93</u> | <u>106</u> |
| Percent increase over 1947 | - | 33% | 51% |

It has been mentioned before that two of the reasons for the relatively low level of U. S. imports of beverages are the high rates of duties (which are all specific but, on the whole, well above 35% on a current equivalent ad valorem basis) and the heavy internal taxes (which are particularly high in the case of distilled liquors). However, most of the duties on alcoholic beverages were much reduced by the Geneva Agreement. Now, although the duties are small compared with the taxes, and therefore any reduction in the former will probably not increase domestic consumption, it is likely that tariff reduction will increase somewhat the ratio of imports to domestic consumption. U. S. trade returns for the first six months do not show any appreciable increase in imports of beverages, but the possibility cannot be excluded that in a longer period, say by 1949 or 1950, the effects of the reduction conceded at Geneva will be felt. Our estimates take account of these long-range effects. Needless to say, another substantial reduction in duties could stimulate U. S. imports of beverages still further, say by 20% or approximately \$25 million.

Unmanufactured cotton

U. S. imports of unmanufactured cotton consist partly of long-staple raw cotton (extra-long staple raw cotton for thread and fine clothes almost entirely imported from Egypt), partly of short-staple raw cotton, mainly from India and Mexico. In 1947, U. S. imports of raw cotton amounted to 214 million pounds valued at \$55 million compared with 223 million pounds valued at \$53 million in 1929. The following table indicates the imports of raw cotton in these two years (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|-------------------------|----------------|------------|----------------|------------|
| | million pounds | million \$ | million pounds | million \$ |
| Long staple raw cotton | 83 | 33.5 | 52 | 17.7 |
| Short staple raw cotton | 86 | 18.2 | 171 | 35.6 |
| Cotton linters | 45 | 4.0 | a/ | a/ |
| Total | 214 | 55.7 | 223 | 53.3 |

a/ Presumably included in the previous categories.

Imports of long staple raw cotton in 1947 were in terms of both weight and value, above the 1929 level. Long-staple cottons are used for combed yarns which go into lawns and other fine clothes, uniform twills and other army fabrics, thread, underwear and hosiery. In the last few years consumption in the U. S. has followed a downward trend, this decline being attributed to improvements in spinning processes, which make possible the use of shorter fibers where longer ones were previously required. Moreover, because of improvement in quality rayon has displaced long-staple cotton in certain uses.

In these circumstances, any expansion in U. S. imports of long-staple raw cotton above the 1947 level seems problematical. However, it must be noted that at current prices in the U. S. (which are fairly high, compared with world prices, as a result of the U. S. Government price-support program) imports of long-staples from Egypt might increase somewhat should present restrictions be removed. These restrictions consist of an absolute quota of 45.6 million pounds, which is limited, however, to cotton having a staple of $1\frac{1}{8}$ but not more than $1\frac{11}{16}$ inches in length. In 1947 the quota was entirely covered and perhaps exceeded. Assuming an unchanged absolute quota in 1949 and 1950, and the continuation of the U. S. Government price-support program, imports of long-staple raw cotton may be estimated at 80 million pounds valued at \$34 million in both years.

An increase in the U. S. imports of short-staple raw cotton, in the next two years also seems unlikely. For the U. S. is the world's largest producer of raw cotton (mainly short-staple) and its crops have supplied and are expected to supply an adequate quantity for the domestic market whatever may be the increase in domestic consumption^{1/}. However, in this category, as for long-staple raw cotton, an increase in imports would take place if no restrictions were in force. Here again, the U. S. government policy of price support was combined with the establishment of an absolute quota of some 14.5 million pounds, which does not include harsh or rough cotton less than 3/4 inch in staple length. In 1947 the quota was entirely covered. Assuming similar conditions in 1949 and 1950, U. S. imports of raw cotton could be estimated at some 85 million pounds in both years. However, it is probable that an increase will occur in imports of harsh or rough cotton less than 3/4 inch in length which is not produced domestically and is very low priced; the previous figure may be conservatively raised to 95 million pounds valued at \$16 million (current prices, which are below the 1947 level).

The most recent trend seems to show an increase in imports of cotton linters. Linters are, in the U. S., a by-product of the cottonseed-oil industry and their quantity depends, therefore, on the size of the cotton crop. In view of the huge U. S. cotton crop, the most recent trend in imports of cotton

1/ The estimated crop for 1948 is 15.2 million bales or 7.6 billion pounds as against 8.6 million bales or 4.3 billion pounds in 1946.

linters is due entirely to the sharp decrease in foreign prices. It seems that the value of these imports will not exceed substantially the 1947 level. The value of \$5 million is assumed for both 1949 and 1950.

The following table gives the estimated value of U. S. imports of raw cotton in 1949 and 1950 compared with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Long staple raw cotton | 33.5 | 34 | 34 |
| Short staple raw cotton | 18.2 | 16 | 16 |
| Cotton linters | <u>4.0</u> | <u>5</u> | <u>5</u> |
| Total | 55.7 | 55 | 55 |
| Percent increase over 1947 | - | - | - |

The U. S. tariff regime on raw cotton can be described as follows: (a) imports of long-staple raw cotton are subject to low specific duties but are limited, as mentioned before, by an absolute quota; (b) imports of short-staple raw cotton are duty-free but subject again to an absolute quota; (c) imports of cotton linters are duty-free and are not limited by absolute quotas.

For the reasons previously mentioned it seems that an increase in the quotas would affect U. S. imports of raw cotton. In this event, it is highly probable that imports would increase up to the limit of the new quota, given a continuation of the U. S. Government price-support policy. Should the quotas be removed or, conversely, should the present policy be discontinued, the picture would be substantially altered. Both these possibilities seem, however, to be out of question for the time being.

Clocks and watches

U. S. imports of clocks and watches, which consist mainly of watches and watch movements, amounted to \$55 million in 1947 as compared to \$17 million in 1929. They came entirely from Switzerland, whose industry, in this field, is very well known.

Imports of clocks and watches are closely related to national income; in 1947 they were approximately at their "normal" level in this respect. The number of watches and movements imported was 7.8 million as compared to 5.1 million in 1929, the increase being 53%. The values in the two years were respectively \$43.5 and \$11.7 million, the increase being 272%.

In these circumstances, a further increase in U. S. imports of clocks and watches from Switzerland seems to be excluded. Only a reduction in duties which are various and high, although specific, could stimulate imports appreciably, particularly of cheap jeweled watches for which the current duties are comparatively more restrictive. It remains to be seen, however, whether or not such a reduction is in the realm of possibility. There are good reasons to believe that it is not. The question of an absolute quota on the imports of clocks and watches from Switzerland was discussed recently. Finally the proposed quota system was abandoned on the tacit assumption that imports from Switzerland would be kept within certain limits. These limits are unofficially established by the Swiss Government itself with the specific purpose of avoiding unfavorable reactions from the American producers. It is quite clear that in these conditions a tariff reduction is out of the question.

It is estimated that in the most favorable circumstances U. S. imports of clocks and watches would not exceed \$60 million in 1949 and 1950, an increase over 1947 of 9%.

Leather and manufactures

U.S. imports of leather manufactures amounted to \$30 million in 1947 compared with \$86 million in 1929. They include a large variety of commodities which are assembled in broad categories in the following table. The table indicates the quantities and values of these U.S. imports in 1947 and 1929:

| Commodity | 1947 | | 1929 | |
|------------------------------------|----------------|---------|----------------|---------|
| | thousand \$ | million | thousand \$ | million |
| Leather | a/ | 18.7 | a/ | 44.6 |
| Boots, shoes & other footwear (pr) | 1,703 | 6.6 | 8,359 | 18.7 |
| Gloves (pr) | 898 | 1.8 | 17,389 | 16.5 |
| Other leather manuf. | a/ | 3.2 | a/ | 6.2 |
| Total | | 30.3 | | 86.0 |

a/ Not calculated.

Imports of leather include many items which may be classified into four main groups: cattle hide leather, calf and kip, goat and kid, sheep and lamb leathers. Leather may also be classified by use, such as for footwear; industrial belting; harness and saddlery; upholstery; bag, case and strap; luggage and pocketbook; and glove and garment leathers. Approximately 85% of all leather consumed in the U.S. is used in the production of footwear.

As the production of leather of all kinds is limited by the available supply of hides and skins, of which there is a relative shortage in the U.S., a substantial increase in imports of leather in the near future might be expected. However, it was assumed in Section I (see paragraph on hides and skins) that U.S. imports of hides and skins would increase substantially in the next two years. In such circumstances, American tanners would be able to obtain from abroad the supplies of hides necessary to make good the deficiency of domestic hides and skins, and therefore an appreciable increase in imports

of leather seems unlikely. Of course this situation will not prevent U.S. imports of leather from increasing somewhat under the pressure of the high domestic demand. It is conservatively estimated that they will amount to \$23 million in 1949 and \$25 million in 1950 compared with \$18 million in 1947 and an annual rate of some \$21 million in 1948 (based on the returns of the first six months). Imports of leather have come, in the past, principally from the United Kingdom, France, and the Netherlands, but in the future other countries such as Argentina and Brazil may become suppliers, even the main ones.

With regard to imports of footwear in general, it must be noted from the start that the ratio of these imports to total U.S. consumption was negligible in the last few years before the war, compared with the twenties. In view of the high efficiency of the domestic industry, which can at present produce footwear at very low cost, it seems doubtful that imports will regain, in the future, a position comparable with that of the twenties. However, an appreciable increase above the 1947 level would be possible if full production in the traditional European exporting countries (primarily U.K. and Czechoslovakia), and more normal commercial relationships with some of them were restored. On these assumptions U.S. imports of footwear (all leather) could amount to about 4 - 5 million pairs, valued at some \$25-30 million, supposing a ratio of imports to total consumption close to that of the prewar period. It seems, however, unlikely that such a volume of imports will enter the U.S. in the next two years. The trade returns of the first six months of 1948 do not show any increasing trend, with the exception of textile shoes with sole leather imported primarily from Central America. It is therefore estimated, conservatively, that U.S. imports

of footwear in general will amount to some \$10 million in 1949 and \$12 million in 1950.

A substantial expansion in U.S. imports could also occur in the next two years in the categories of gloves and miscellaneous leather manufactures (such as luggage, bags, etc.) in which the proportion of labor required for production is larger than in the case of footwear so that some foreign countries can produce them at lower costs. These imports come primarily from European countries (France, Italy, Czechoslovakia, United Kingdom, etc.) and were imported into the U.S. in large quantities during the twenties and also before the war. They consisted mainly of women's and children's leather gloves. Undoubtedly an appreciable increase in these imports above the 1947 level might be expected with an adequate expansion of production abroad and a fall in prices. To what extent, however, this will happen is difficult to say, especially taking into account the recent development of the U.S. industry. Conservatively, U.S. imports are estimated at some \$10 million in 1949 and \$15 million in 1950.

The following table assembles the previous estimates for 1949 and 1950 and compares them with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------------|-------------|-------------|-------------|
| Leather | 18.7 | 23 | 25 |
| Boots, shoes & other footwear | 6.6 | 10 | 12 |
| Gloves | 1.8 |) 10 |) 15 |
| Other leather manu- factures | 3.2 | — | — |
| Total | 30.3 | 43 | 52 |
| Percent increase over 1947 | - | 42% | 72% |

In the previous estimates, the effects of the tariff reductions granted by the U.S. at the Geneva Agreement have been taken into account.

It is worth mentioning, however, that duties on leather and particularly on leather manufactures, are still fairly high. The rates on boots, shoes and other footwear range from 10 to 35%; those on gloves from \$4 to \$5 per dozen pairs, with the additional provision of cumulative duties varying from \$.50 to \$2 per dozen pairs and provided that minimum ad valorem rates ranging from 25 to 40% are collected. On other leather manufactures (such as bags, harnesses, saddles, etc.) the rates of duty range from 7½ to 25%. The duties on leather are lower, ranging from 7½ to 15%. It seems that a further substantial reduction in duties would increase appreciably U.S. imports of leather manufactures, especially of gloves and miscellaneous leather products. On the whole, it may be estimated that under such circumstances, U.S. imports in the subgroup could increase by some 50% or approximately \$20-25 million.

Wool manufactures

A large number of items are included in this subgroup as in the other two which follow (cotton and flax, hemp and ramie manufactures). Single estimates for each item would therefore take much time, and moreover would be purely conjectural owing to the complicated factors involved in each case. The analysis will be, therefore, limited to major categories for which some sort of working generalization is possible.

U.S. imports of wool manufactures amounted to \$35 million in 1947 compared with \$65 million in 1929. The following table distinguishes by broad categories U.S. imports in this subgroup in 1947 and 1929 (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|-----------------------------|----------|---------|----------|---------|
| | thousand | million | thousand | million |
| | \$ | \$ | | \$ |
| Woven fabrics of wool (lb.) | 2,881 | 9.8 | 10,037 | 20.0 |
| Wearing apparel (lb.) | 2,064 | 9.1 | a/ | 19.9 |
| Carpets (sq. ft.) | 14,919 | 14.9 | 10,020 | 21.5 |
| Other wool manufactures | a/ | 0.8 | a/ | 3.4 |
| Total | | 34.6 | | 64.8 |

a/ Not calculated.

Imports of woven fabrics of wool, which included worsteds and woolens of wool, mohair and other hair, are supplied mainly by the United Kingdom, with relatively small amounts in prewar years coming from France, Belgium and Germany. Before the war they used to cover a negligible amount of domestic consumption, compared with the twenties. The domestic industry produces mainly the medium-priced fabrics that constitute the bulk of the demand; the output of high-priced fabrics is relatively small. Imports are mainly high-priced fabrics, such as fine worsted suitings and all-wool woollen overcoatings, but include some low-priced specialties such as coarse tweeds.

The current high level of national income in the U.S. implies a tendency toward a larger proportion of the higher priced fabrics in the domestic consumption. U.S. imports of woven fabrics of wool may therefore be expected to increase in the near future with a full restoration of production in the traditional exporting countries, mainly the United Kingdom. Trade returns for the first six months of 1948 show, in fact, a steep upward trend. Projecting this trend through 1950, U.S. imports of woven fabrics may be safely estimated at some 8 million pounds valued at \$32 million in 1949 and 12 million pounds valued at \$48 million in 1950.

In the group of wearing apparel (hosiery, gloves, hats, etc.)

which come, again, primarily from European countries (United Kingdom), an expansion in U.S. imports seems problematical. One factor retarding these imports is style, which in the past has made importing woolen apparel a difficult as well as a hazardous business. Moreover, in no other country has factory production of wool garments reached such a large scale as in the U.S. Mainly for these reasons U.S. imports of wool wearing apparel in 1949 and 1950 may be estimated at the same level as in 1947, say \$9 million.

Carpets come primarily from Iran and India, but some types also come from different European countries. Oriental rugs compete only indirectly with domestic machine-made carpets and rugs. Imports of carpets in general were at a very high level in 1947, exceeding the 1929 level by 49% in volume. Yet a considerable increase above the 1947 level seems possible owing to the high domestic demand stimulated by the current level of national income. It is assumed that U.S. imports of carpets will run at some 25 million square feet valued at \$20 million in 1949 and at some 28 million square feet valued at \$22 million in 1950.

Owing to the nature of the other imports of wool manufactures (blankets, pile fabrics, knit fabrics, etc.) no appreciable increase is expected. Their value will probably be around \$2 million in both 1949 and 1950.

The following table summarizes our results and compares them with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|----------------------------|-------------|-------------|-------------|
| Woven fabrics of wool | 9.8 | 32 | 48 |
| Wearing apparel | 9.1 | 9 | 9 |
| Carpets | 14.9 | 20 | 22 |
| Other wool manufactures | 0.8 | 2 | 2 |
| Total | 34.6 | 63 | 81 |
| Percent increase over 1947 | - | 82% | 134% |

All imports of wool manufactures are subject to fairly high duties, which are mixed in the case of woven fabrics and wearing apparel (the specific duty, which is intended to compensate for the duty on raw wool, averages 30 cents per pound; the ad valorem duty averages 25%) and ad valorem in the case of carpets (the average is 30%). These duties, which are the result of the reductions granted by the U.S. at the Geneva Agreement (the effects of which have been taken into account in the previous estimates), are still considered an obstacle to higher imports of wool manufactures. Assuming a further substantial reduction in duties, U.S. imports of wool manufactures (mainly woven fabrics and carpets) might increase, on the average, by some 50% or approximately \$30-40 million. However, it must be remembered in this connection that at the Geneva Agreement the right to impose a tariff quota on woven fabrics of wool was reserved for the U.S. The quota has not yet been established, but the simple fact that the right was reserved seems to preclude, at least for the time being, the possibility of a further reduction in duties.

Cotton manufactures

The general observations made at the beginning of the previous paragraph regarding wool manufactures are even more true of cotton manufactures. Imports of these products will be similarly assembled in large categories for the purpose of the analysis.

U.S. imports of cotton manufactures amounted to \$26 million in 1947 compared with \$63 million in 1929. The following table indicates, in quantitative and value terms, U.S. imports of cotton manufactures,

distinguished by broad categories, in 1947 and 1929:

| Commodity | 1947 | | 1929 | |
|----------------------------------|------------------|------|----------|---------|
| | thousand million | \$ | Thousand | million |
| Countable cotton cloth (sq. yd.) | 17,377 | 7.6 | 61,185 | 15.9 |
| Other cotton fabrics | a/ | 2.8 | a/ | 8.5 |
| Wearing apparel | a/ | 3.7 | a/ | 15.6 |
| Other advanced cotton products | a/ | 9.8 | a/ | 13.7 |
| Other cotton manuf. | a/ | 2.2 | a/ | 9.8 |
| Total | | 26.1 | | 63.5 |

a/ Not calculated.

The low level of U.S. imports of cotton manufactures in 1947 was due largely to insufficient production in the foreign countries from which the U.S. used to import before the war (European countries, especially the United Kingdom and Czechoslovakia, for high-grade articles, and Japan for intermediate-grade articles), but it is also due, though to a lesser degree, to the increased use of substitutes, such as rayon and other synthetic fibers. Finally, the high efficiency reached at present by the American manufacturing industry enables it to compete with foreign industries in nearly all cotton manufactures.

While it is reasonable to expect a considerable increase in U.S. imports of cotton manufactures in the near future with the rehabilitation of production in the traditional exporting countries, it is equally probable that this increase will not be such as to restore imports to a level comparable with that of the twenties. The increase in imports will probably be greater in high-grade articles, since they are relatively more important in imports than in domestic production and the current high level of national income would support a very strong demand for them. But the increase in imports of intermediate-grade articles may also be sub-

stantial.

Countable cotton cloths came, before the war, primarily from European countries (United Kingdom and Switzerland) and Japan. The bulk of the imports from Japan consisted of medium and low-priced fabrics and the imports from Europe of high-priced articles. Compared with 1947 the most recent trend of imports is sharply increasing, indicating greater availability abroad. On the basis of a conservative projection of the recent trend, U.S. imports of cotton cloths may be estimated at approximately 50 million square yards valued at \$19 million in 1949 and 60 million square yards valued at \$23 million in 1950. These values have been calculated at current prices according to the current distribution among the various types of cotton cloths.

In the case of other cotton fabrics, which include tapestry and upholstery cloth, table damask, sheets, cases, towels, etc. mainly imported from European countries, the outlook is also favorable. They may be safely estimated at some \$8 million in 1949 and \$12 million in 1950.

In the category of wearing apparel, which includes knit apparel such as gloves and hosiery and non-knit apparel of different types, the increased competition of rayon and other synthetic fibers is bound to affect more seriously the volume of U.S. imports. However, some increase in imports is to be expected with the restoration of production abroad (European countries and Japan). It may be estimated that U.S. imports of cotton wearing apparel in general will amount to around \$6 million in 1949 and \$10 million in 1950.

Finally, the prospects are favorable with regard to imports of miscellaneous advanced cotton products such as handkerchiefs, laces, etc. These imports have shown recently a clear upward trend, which,

conservatively projected through 1950, would give some \$17 million in 1949 and \$20 million in 1950.

The following table summarizes the estimated values of U.S. imports of cotton manufactures in 1947 and 1950 compared with the actual figures for 1949 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|--------------------------------|-------------|-------------|-------------|
| Countable cotton cloth | 7.6 | 19 | 23 |
| Other cotton fabrics | 2.8 | 8 | 12 |
| Wearing apparel | 3.7 | 6 | 10 |
| Other advanced cotton products | 9.8 | 17 | 20 |
| Other cotton manufactures a/ | <u>2.2</u> | <u>5</u> | <u>6</u> |
| Total | 26.1 | 55 | 71 |
| Percent increase over 1947 | - | 111% | 172% |

a/ The figures for 1949 and 1950 have been obtained applying the same percent increase over 1947 as for the other cotton manufactures.

Most of the U.S. duties on cotton manufactures were substantially reduced at the Geneva Agreements. In the previous estimates the effects of these reductions on the volume of U.S. imports in the next two years have been taken into account.

The current level of duties is, however, still fairly high, reaching for some items 35 or 40 percent ad valorem. It seems therefore likely that another appreciable reduction in duties could stimulate imports. To what extent is difficult to say, but roughly speaking, an average increase of 50% or approximately \$30-40 million would be a reasonable estimate.

Flax, hemp and ramie and manufactures

U.S. imports of raw flax, hemp and ramie and manufactures thereof amounted in 1947 to \$30 million compared with \$49 million in 1929. The following table shows U.S. imports of the subgroup in 1947 and 1929,

distinguished by broad categories (quantitative and value terms):

| Commodity | 1947 | | 1929 | |
|---|-----------------|------------|-----------------|------------|
| | thousand pounds | million \$ | thousand pounds | million \$ |
| Raw flax and hemp | 8,926 | 2.4 | 28,482 | 6.9 |
| Yarns, threads, twines of flax, hemp and ramie | 1,369 | 1.8 | 3,217 | 1.8 |
| Woven fabrics | 5,795 | 15.8 | a/ | 23.2 |
| Other advanced products | a/ | 10.0 | a/ | 17.0 |
| Total | | 30.0 | | 48.9 |

a/ Not calculated.

In U. S. production flax is mainly used to make twines (mattress, broom and sail twine) and threads (sewing and shoe thread). Hemp is used in much the same manufactures as flax. Before the war imports of flax used to cover more than 90% of domestic consumption, and imports of hemp more than 50%. In 1947 imports of hemp were negligible, amounting to 58,240 pounds. It is to be expected that they will remain at low levels in the near future. Imports of flax were comparatively higher but it must be remembered that flax is of relatively minor importance in the U.S. textile industry. Domestic consumption of linen products consists principally of fabrics such as table linen, towels, etc., which have been supplied very largely by imports from textile-manufacturing countries in Western and Central Europe. It seems, therefore, reasonable to expect that imports of raw flax also will not increase appreciably above the 1947 level in the near future. It is estimated that imports of raw flax and hemp will amount to some 9 - 10 million pounds valued at \$3 million in both 1949 and 1950.

On the other hand, an expansion is to be expected in U.S. imports of manufactured products and especially of woven fabrics and other advanced manufactures (such as handkerchiefs, laces, sheets, etc.). This is particularly true of flax manufactures which, although competing

in the U.S. with domestic cotton manufactures, are in high demand at the current level of national income. Of course an expansion in U.S. imports depends strictly on the complete restoration of production in the traditional exporting countries (primarily Europe). In the event of such a restoration in the near future, U.S. imports of flax manufactures would certainly increase. An increase in imports of hemp and ramie manufactures is less probable. It is very difficult to make separate estimates for each category. But as they are mainly flax manufactures, they may all be expected to show increases in the next two years. As a whole, it seems safe to estimate U.S. imports of flax, hemp and ramie manufactures at some \$40 million in 1929 and \$50 million in 1950.

The following table summarizes the previous estimates and compares them with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------------------------------|-------------|-------------|-------------|
| Raw flax and hemp | 2.4 | 3 | 3 |
| Flax, hemp and ramie manufactures | <u>27.6</u> | <u>40</u> | <u>50</u> |
| Total | 30.0 | 43 | 53 |
| Percent increase over 1947 | - | 43% | 77% |

The U.S. duties on raw flax and hemp and on manufactures thereof were greatly reduced at the Geneva Agreement. However, those on manufactured products are still rather high, ranging from 10 to 40 percent ad valorem. In the previous estimates the effects of the Geneva reductions have been taken into account. Of course, another substantial reduction of duties could stimulate further the imports of flax manufactures, raising them say by 50%, or approximately \$25 million.

Meat products

The last subgroup of commodities to be dealt with in detail is

meat products. U.S. imports amounted to 58 million pounds valued at \$23 million in 1947 compared with 203 million pounds valued at \$41 million in 1929. The following table indicates the quantities and values of these imports in 1947 and 1929:

| Commodity | 1947 | | 1929 | |
|-----------------------------|----------------|------------|----------------|------------|
| | million pounds | million \$ | million pounds | million \$ |
| Fresh or frozen meats | 3 | 1.1 | 57 | 7.3 |
| Prepared or preserved meats | 55 | 22.2 | 146 | 33.6 |
| Total | 58 | 23.3 | 203 | 40.9 |

As U.S. meat production since the war has fallen short of domestic demand, there seems little doubt that the low level of imports in 1947 was due to the difficulty of increasing purchases abroad. These difficulties arose for the following reasons: (a) imports of fresh or frozen beef and veal from South American countries and Mexico are barred by the sanitary embargo; (b) exports from Canada to the U.S. were restricted until a few months ago in order to export more to the U.K.; (c) imports from Australia and New Zealand (mainly beef) are limited by the high cost of transport, which would be lowered only if there were a large U.S. market; (d) the general shortage of supply abroad (particularly in South American countries). As (b) is no longer in force and (c) and (d) are currently more favorable than in 1947, it seems reasonable to expect a large increase in U.S. imports of meat products in the near future, at least until meat output in the U.S. is able to satisfy domestic demand.

As long as the sanitary embargo on the imports of Latin American fresh or frozen beef and veal is not modified or removed, which seems likely to be the case at least in the near future, U.S. imports of fresh

and frozen meats cannot increase much, although an appreciable increase may occur in imports of birds and poultry from Canada, as indicated by the trade returns for the first six months of 1948. Assuming a levelling off of the most recent trend through 1950, U.S. imports of fresh and frozen meats may be estimated at \$8 million both in 1949 and 1950.

The situation is rather different in the case of prepared and preserved meats which are not subject to the sanitary embargo. These come primarily from South American countries such as Argentina, Brazil and Uruguay, in the case of canned beef and other prepared meat products; from South America, Australia and New Zealand in the case of sausage casings. Owing to the fact that U.S. meat output in 1949 is expected to be not greater than in 1947, and therefore meat supplies will again fall short of demand, an expansion in the U.S. imports of canned meat products is very likely, although there is probably a certain disinclination on the part of U.S. consumers to increase greatly their purchases of canned products. Returns for the first six months of 1948 show, in fact, a sharply increasing trend. Assuming a continuation of this trend during 1949 U.S. imports of prepared meat products may be estimated at some \$40 million. In 1950, taking account of a probable increase in the U.S. meat output after 1949, imports may drop somewhat, say to \$35 million. Adding some \$15 million for the imports of sausage casings in both 1949 and 1950, the total probable value of prepared and preserved meats imported into the U.S. will be around \$55 million in 1949 and \$50 million in 1950.

The following table summarizes the previous estimates for 1949 and 1950 and

compares them with the actual figures for 1947 (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> |
|-----------------------------|-------------|-------------|-------------|
| Fresh or frozen meats | 1.1 | 8 | 8 |
| Prepared or preserved meats | <u>22.2</u> | <u>55</u> | <u>50</u> |
| Total | 23.3 | 63 | 58 |
| Percent increase over 1947 | - | 170% | 149% |

Of course, a strong obstacle to U.S. imports in this subgroup is represented by the sanitary embargo. However, it seems that the provisions of the embargo are justified by the foot-and-mouth disease (aftosa) existing in Latin American countries which affects large numbers of cattle in those countries (e.g. 7 million head in Mexico). Any discussion of a removal or modification of the sanitary embargo seems, therefore, out of the question, at least for the time being. It is clear that in these circumstances a reduction in duties on fresh and frozen meats (which are, moreover, specific and very low) would be to a large extent ineffective. The duties are higher on prepared meat products (e.g. canned beef is subject to a duty of 20% ad valorem) but it does not seem that a reduction would greatly stimulate imports. Sausage casing imports are duty-free. On the whole, it seems that a substantial reduction in duties would increase imports of meat products by some 10% or approximately \$6 million.

Conclusions

The probable values of U.S. imports of the commodities included in Group III (10 subgroups) in 1949 and 1950 are assembled in the following summary table, in which the estimates for the next two years are compared with the actual figures for 1947:

| Subgroups | Millions of dollars | | | % increase in 1950 over 1947 | % of total increase from 1947 to 1950 |
|--------------------------------|---------------------|------|------|---------------------------------|---|
| | 1947 | 1949 | 1950 | | |
| Sugar and related prod. | 445 | 454 | 459 | 3 | 4.0 |
| Unmanufactured wool | 225 | 330 | 351 | 56 | 35.9 |
| Beverages | 70 | 93 | 106 | 51 | 10.2 |
| Unmanufactured cotton | 56 | 55 | 55 | - | - |
| Clocks & watches | 55 | 60 | 60 | 9 | 1.4 |
| Leather & leather mfg. | 30 | 43 | 52 | 72 | 6.2 |
| Wool manufactures | 35 | 63 | 81 | 134 | 13.1 |
| Cotton manufactures | 26 | 55 | 71 | 172 | 12.8 |
| Flax, hemp & ramie and mfg. | 30 | 43 | 53 | 77 | 6.5 |
| Meat products | 23 | 63 | 58 | 149 | 9.9 |
| Total | 995 | 1259 | 1346 | 35 | 100. |

The table shows the largest percent increases over 1947 in the categories of textile manufactures and meat products, where the absolute increases are also large; but the largest absolute increase is in the category of raw wool.

From the analysis it emerges that the expansion in U.S. imports in Group III depends in many cases, such as in all textile manufactures, and in raw wool, upon production abroad.

The analysis shows that, generally speaking, no important results can be expected from any further reduction in duties after the concessions already made at the Geneva Agreement. On the whole, it appears that, with a further substantial reduction of duties, U.S. imports in Group III might rise to \$1,470 million in 1949 and to \$1,550 million in 1950. The net increase due to tariff reductions, estimated at more than \$200 million, is almost entirely due to the possible increase in the imports of textile manufactures, raw wool, beverages and leather manufactures. The following table distinguishes the probable U.S. imports of commodities in Group III in 1949 and 1950 in the event of no reduction of duties from the probable amount in the event of a substantial tariff reduction (million

dollars):

| | 1947 | 1949 | 1950 | <u>% increase in 1950 over 1947</u> |
|--|------|------|------|---|
| 10 subgroups with no reduction of duties | 995 | 1259 | 1346 | 35% |
| 10 subgroups with substantial reduction of duties | 995 | 1470 | 1550 | 56% |
| Increase due to reduction of duties | - | 211 | 214 | 21% |

The table shows that in Group III a substantial reduction of U.S. duties would stimulate U.S. imports more than in the previous two Groups. But the benefits of a change in tariff policy must not be overestimated. Major obstacles to imports in this Group are the other U.S. restrictions, the absolute quotas (sugar and raw cotton) and the sanitary embargo (meat products). And, as noted, a removal or a modification of these restrictions is, for the time being, out of the question.

SUMMARY OF SECTION IV.

Section IV deals with those U.S. imports that have not been considered in detail in the previous sections. They have been assembled in large subgroups as follows:

(1) animals and animal products, (2) vegetable products, (3) textile products, (4) wood and manufactures, (5) non-metallic minerals, (6) metals and manufactures, (7) machinery and vehicles, (8) chemicals and related products, (9) miscellaneous products.

The analysis, which has been carried out primarily on very conservative projections through 1950 of the most recent trends, shows that these imports will probably amount to \$1,062 million in 1949 and \$1,125 million in 1950 compared with \$765 million in 1947.

The largest per cent increases in 1950 over 1947 will probably occur in imports of machinery, textile products and animal products. The largest absolute increases from 1947 to 1950 will be likely in imports of machinery, vegetable products, textile products and animals. These four groups represent together 78% of the estimated total net increase (excluding miscellaneous products) from 1947 to 1950.

The largest share of the benefit would accrue to European countries and Canada.

Further substantial reductions in U.S. duties might stimulate these imports somewhat. It has been estimated very tentatively that in such circumstances U.S. imports would amount to \$1,135 million in 1949 and \$1,200 million in 1950, the net increase due to tariff reductions being about \$75 million.

SECTION IV.

This section is devoted to a brief analysis of the U.S. imports, which have not been considered in detail in the previous sections. They amounted in 1947 to \$766 million or 13% of the total imports.

As no detailed analysis will be carried out for these U.S. imports, the first object of this section is to find a simple way of assembling the different imports in large categories so that for each of them some sort of working generalisation can be adopted.

The best and simplest method of tabulating fairly homogenous categories of imports seems to be the statistical classification of the U.S. import trade itself. The various subgroups of imports have been so assembled therefore in the following table, where values in 1947, in million dollars, are compared with those in 1929. No comparison in quantitative terms, of course, has been possible. Needless to say, none of the categories includes products previously examined in detail.

| | <u>1947</u> | <u>1929</u> |
|--|--------------|--------------|
| Animals and animal products, edible and inedible | 95.0 | 109.0 |
| Vegetable products, edible and inedible | 143.7 | 111.8 |
| Textile products | 60.3 | 69.2 |
| Wood and manufactures | 53.4 | 41.6 |
| Non-metallic minerals | 86.8 | 83.0 |
| Metals and manufactures | 53.9 | 65.2 |
| Machinery and vehicles | 67.5 | 42.2 |
| Chemicals and related products | 68.8 | 71.8 |
| Miscellaneous | <u>136.1</u> | <u>203.6</u> |
| Total | <u>765.5</u> | <u>797.4</u> |

The category of animals and animal products, edible and inedible, includes a large number of items such as cattle and other live animals,

dairy products (mainly cheese and butter), inedible animal and fish oils and greases (mainly whale oil), etc. They come primarily from many countries in the Western Hemisphere, mainly Canada, and from Scandinavian countries. In view of the current high U.S. demand for all these products and the relative shortage of domestic supply, it seems reasonable to expect that in general these imports will increase considerably in the next two years, although in several cases they will be held down by U.S. import duties (e.g. cheese and whale oil) or other U.S. restrictions, (e.g. tariff-quota on butter and sanitary embargo on cattle from Latin America). U.S. trade returns for the first six months of 1948 show, in fact, a sharply increasing trend in this field. Assuming very conservatively a levelling off of this trend through 1950, U.S. imports of animals and animal products may be estimated at \$130 million in 1949 and \$135 million in 1950 as compared to \$95 million in 1947. A substantial reduction in duties in this category could raise the value of imports by some 10% or approximately \$13 million.

In the category of vegetable products, edible and inedible, an increase in U.S. imports above the 1947 level is also to be expected. This category includes a large variety of commodities such as grains, fodders, spices (mainly pepper and vanilla beans), various drugs and herbs, vegetable dyeing and tanning materials (mainly quebracho), nursery and greenhouse stock, etc. An increase in U.S. imports seems very likely in grains, fodders, spices (which include black pepper, mainly imported from India, and listed by the Munitions Board as a strategic material), and in vegetable dyeing and tanning materials

(quebracho, mainly from Argentina, is again a strategic material); an increase is less likely in the other groups. On the whole the value of the category will be probably appreciably above 1947, say at some \$190 million in 1949, and \$200 million in 1950 compared with \$144 million in 1947. In this category no real problem of tariff policy arises as many of the commodities included therein (such as most spices, drugs, and herbs, vegetable dyeing and tanning materials), enter the U.S. duty free and the others are generally subject to very low duties. It must be remembered, however, that there are restrictions of other kinds: for instance, this is the case for wheat, the import of which is limited by an absolute quota. Hard spring wheat would be imported in large quantities from Canada should the quota be removed.

The remaining textile products are not numerous. They consist of cotton and wool semimanufactures, hair and manufactures, synthetic fibers and manufactures, and miscellaneous textile products. These products originate in many foreign countries but primarily in Latin American and European countries. U.S. trade returns for the first six months of 1948 indicate an increasing trend in these U.S. imports, which are more dependent upon a complete restoration of production abroad than those in the previous two categories. A very conservative projection of the most recent trend through 1950 would give some \$100 million in 1949 and \$110 million in 1950. In this category, moreover, U.S. duties seem to have more influence upon the volume of the imports than in others. Thus, for instance, it is very likely that a reduction in duties on imports of synthetic fibres manufactures would increase materially the value of U.S. imports. On the whole it is estimated

that a substantial tariff reduction would raise the value of imports in 1949 and 1950 by some \$25 million.

As in the preceding category, wood and manufactures contains only a few items left over from the previous sections. They consist of unmanufactured wood, wood manufactures and cork and manufactures. Unmanufactured wood comes mainly from Canada and tropical countries, wood manufactures from Europe and the Far East, cork and manufactures again from Europe. U.S. demand for all these products is undoubtedly high at the current level of national income, but supply abroad is in some cases scarce. Assuming an increased supply in the traditional exporting countries in the near future, the U.S. imports would certainly increase. The value of these imports may be safely estimated at some \$70 million in 1949 and \$80 million in 1950. No real problem of tariff policy emerges in this category with the possible exception of wood manufactures, particularly furniture. A substantial reduction in U.S. duties on foreign furniture could increase appreciably the volume of imports. In general, the values for the whole category might be raised, in such circumstances, by some \$5 million.

Imports of non-metallic minerals, include coal and related fuels, stone, lime, cements, etc., glass, clay and products and miscellaneous minerals and manufactures (such as asbestos and mica). Undoubtedly, no increase will take place in the imports of coal and stone, lime, cement, etc. But some increase is likely in the import of glass and clay products (mainly fine pottery) with the restoration of production in the traditional exporting countries (primarily Europe) and in the imports of miscellaneous minerals. Since, moreover, some of these minerals are

listed by the Munitions Board as strategic materials (e.g. asbestos and mica), it is very probable that the increase in the last group will be considerable, assuming availability of supply abroad. On the whole, U.S. imports in this category may be estimated conservatively at some \$105 million in 1949 and \$110 million in 1950. Reductions in the tariff on glass and clay products might raise these totals by some \$5 million.

No appreciable increase is to be expected in U.S. imports in the next category, metals and manufactures. They include iron ore and various steel manufactures, and precious metals. The most recent trend shows an increase in the imports of steel mill products, but it is difficult to say to what extent this can be projected into the future. Some increase may occur in the imports of iron ore, because the U.S. is currently compelled to utilize more low-grade ores as reserves of high-grade ore are rapidly being exhausted. These imports may come from Labrador, Canada, Venezuela and Brazil. For the time being, however, any prediction about the trend of U.S. imports of iron ore in the near future would be purely conjectural. It is estimated on the whole that U.S. imports of metals and manufactures will run at around \$70 million both in 1949 and 1950. With regard to the U.S. tariff regime, imports of iron ore and unmanufactured precious metals are duty free: the others are subject to various duties, which are in some cases fairly high (e.g. on most steel advanced manufactures), and in a few of them extremely high (e.g. jewellery). It does not seem, however, that a reduction in duty would affect appreciably the volume of imports. The net benefit of such a reduction might be estimated at around \$3-4 million.

In the category of machinery and vehicles a substantial increase above the 1947 level seems possible. These imports consist of various kinds of machinery (electrical machinery and apparatus, engines, turbines, agricultural machinery and implements, etc.) and vehicles (automobiles and parts, etc.), imported mainly from European countries and Canada. U.S. mass production methods aided by continuous research and development give American industry a very high competitive power which has always kept imports to a minimum so that a priori it would seem reasonable to expect no substantial increase in imports. However, such an increase is likely with the restoration of production in Europe (especially United Kingdom and Germany) which used to supply chiefly special machinery not required in large quantity in the U.S. The U.S. trade returns for the first six months of 1948 show an increase over the same period in 1947 of more than 100%. Assuming conservatively a further slight increase both in 1949 and 1950, the values for these years of the U.S. imports of machinery and vehicles may be approximately \$150 and \$160 million as compared with \$67 million in 1947. The increase is expected, however, to occur in the imports of machinery, whereas imports of vehicles will probably fall. All these imports (with the exception of agricultural machinery and implements, shoe machinery, linotypes, typewriters, and a few other items) are subject to rather high ad valorem duties. It seems, however, that a substantial reduction in duties would have little effect on consumption and production (for the domestic market) of machinery and only a moderate effect on the volume of imports. It may be estimated that such a reduction would raise U.S. imports by some 5% or approximately \$10 million.

The category of chemicals and related products, which includes a very large variety of commodities (coal-tar products, medicinal and pharmaceutical preparations, industrial chemicals, etc.), has shown recently a stationary, if not falling, trend in imports. It is difficult to say whether or not this will be temporary. It is assumed in the following estimates that the value of these imports will be in 1949 and 1950 equal to 1947, say \$70 million.

The probable values of the U.S. imports of miscellaneous products in 1949 and 1950 have been calculated on a proportional basis. The same ratio to total imports has been used for 1949 and 1950 as obtained in 1947. The values for 1949 and 1950 turn out to be \$177 and \$190 million.

The following table summarizes the tentative results reached in this section and compares them with the actual figures for 1947.

| <u>Subgroup</u> | <u>Million Dollars</u> | | | <u>Per cent in-</u> | <u>Per cent of</u> |
|-----------------------------|------------------------|-------------|-------------|---|---|
| | <u>1947</u> | <u>1949</u> | <u>1950</u> | <u>crease in</u> <u>1950 over 1947</u> | <u>total in-</u> <u>crease from</u> <u>1947 to 1950</u> |
| Animals and animal products | 95 | 130 | 135 | 42 | 11.1 |
| Vegetable products | 144 | 190 | 200 | 39 | 15.6 |
| Textile products | 60 | 100 | 110 | 83 | 13.9 |
| Wood and manufactures | 53 | 70 | 80 | 51 | 7.5 |
| Non-metallic minerals | 87 | 105 | 110 | 26 | 6.4 |
| Metals and manufactures | 54 | 70 | 70 | 29 | 4.4 |
| Machinery and vehicles | 67 | 150 | 160 | 139 | 25.8 |
| Chemicals | 69 | 70 | 70 | 1 | .3 |
| Miscellaneous | 136 | 177 | 190 | 40 | 15.0 |
| Total | 765 | 1,062 | 1,125 | 47 | 100. |

The table shows the largest per cent increases over 1947 in the categories of machinery and textile products, and the largest absolute increases in these categories and in vegetable products.

It is interesting to note that for these imports the total per cent increase over 1947 is greater than that expected in Group I and III and slightly less than that of Group II. The principal reason seems to be that they include largely manufactured products, imports of which are bound to increase appreciably with the restoration of production in the traditional exporting countries, mainly European. In this connection, it must be noted also that in Group III, excluding food-stuffs and raw materials, the per cent increase in 1950 over 1947 would be 100%.

The effect of a substantial tariff reduction has not been closely studied. An increase of approximately \$60 million has been calculated in the previous pages, which, however, can be safely rounded to \$70-75 million to take into account tariff reductions in those categories, such as chemicals and miscellaneous products, for which single estimates seem highly conjectural.

The following table distinguishes the probable value of U.S. imports in this section, in 1949 and 1950, in the case of no reduction of duties from the probable value in the case of a substantial tariff reduction (million dollars):

| | <u>1947</u> | <u>1949</u> | <u>1950</u> | <u>Per cent increase in 1950 over 1947</u> |
|---|-------------|-------------|-------------|--|
| 9 Categories with no reduction of duty | 765 | 1,062 | 1,125 | 47% |
| 9 Categories with substantial reduction of duty | 765 | 1,135 | 1,200 | 57% |
| Increase due to reduction of duty | - | 73 | 75 | 10% |

It must be recognized that in this group of imports the effects of a further reduction in U.S. duties would not on the whole stimulate U.S. purchases abroad appreciably.

SUMMARY OF SECTION V.

This section summarises the results of the previous analysis.

U. S. imports in 1949 and 1950 have been estimated at \$7,466 and \$8,027 million, respectively, compared with \$5,739 million in 1947, and \$6,898 million in 1948 (annual rate based on the trade returns for the first nine months).

A line, when fitted to the data (actual and estimated) for the period 1947-50, indicates an upward trend increasing at a diminishing rate and levelling off at about \$9-9.5 billion in 1952-53.

Further substantial reductions in U. S. duties (say, around 50%) would raise U. S. imports by some \$400 million, but such an increase might be offset by the probable drop in U. S. imports after 1953 upon the completion of the stockpiling program.

SECTION V.

The following table summarises the results of the analysis of the previous four sections. It compares the probable U. S. imports in 1949 and 1950 with the actual figures for 1947, and the annual rate for 1948 based on the trade returns of the first 9 months:

| Groups | Million dollars | | | | Percent increase in 1950 over 1947 | Percent of total increase from 1947 to 1950 |
|---------------|-----------------|-------|-------|-------|------------------------------------|---|
| | 1947 | 1948 | 1949 | 1950 | | |
| Group I | 2,360 | 2,821 | 2,973 | 3,141 | 33 | 34.1 |
| Group II | 1,617 | 1,893 | 2,172 | 4,415 | 49 | 34.9 |
| Group III | 995 | 1,145 | 1,259 | 1,346 | 35 | 15.3 |
| Other Imports | 766 | 1,039 | 1,062 | 1,125 | 47 | 15.7 |
| Total | 5,738 | 6,898 | 7,466 | 8,027 | 40 | 100.0 |

The table shows that the percent increase in 1950 over 1947 for all U. S. imports will probably be 40%. The total increase will probably be greatest in Groups I and II.

The estimated global figures for 1949 and 1950 compare with an annual rate for 1948 (based on the U. S. trade returns for the first nine months) of \$6,898 million. This figure indicates an increase over 1947 of 20% compared with increases of 8.2% in 1949 over the annual rate for 1948 and 7.5% in 1950 over the estimated figure for 1949.

The main results of the analysis will now be described according to the usual distribution by major economic classes.

Food

The U. S. demand for food has increased in the last few years because of increased population, higher national income and higher standards of living, but the United States has also increased its own food production substantially so that it is not only self-sufficient in grain, most

vegetables, meat and fats, but is even exporting substantial quantities of food products. U. S. food imports consist mainly of tropical products such as coffee, cocoa, tea, bananas, many types of nuts and vegetable oils, etc., and cane sugar. However, imports of fish and products, beverages and meat products are also significant.

In recent years U. S. food imports were handicapped by inadequate supplies abroad, primarily of cocoa, bananas and edible vegetable oils. It is to be expected that most of these supplies will remain inadequate during the next two years.

From the analysis it appears that an appreciable expansion will occur primarily in the imports of coffee, cocoa (on the assumption of some diversion of supplies from other markets towards the United States), fish products, beverages (mainly whisky), and meat products (mainly prepared or preserved products). Imports of cane sugar will probably decrease assuming a continuation of the absolute-quota system at the 1948 level. Also the tariff-quota on butter (established in the Geneva Agreement together with a substantial reduction in the import duty) and the sanitary embargo on cattle and fresh meats from Latin America can be regarded as import obstacles. No appreciable increase seems to be expected in these and other food imports.

Raw materials

The enormously expanded U. S. production requires an increased quantity of all kinds of raw materials. Here too the United States has succeeded in either expanding production of domestic raw materials or in using them more economically. Figures for the expansion of coal and oil production, iron ore, bauxite, chrome ore and various other minerals and even the production of lumber are very striking. During recent years, moreover, various technical changes have taken place which might

affect imports of raw materials, such as the synthetic production of rubber, nylon and other fibres, plastics and a greatly expanded use of light metals (aluminium and magnesium). As a result, imports of natural rubber and silk may not recover permanently their prewar volume, while the increased use of plastics and light metals may reduce the need for other non-ferrous metals.

The greatest change occurred in crude petroleum where the U. S. became an importing country. Imports of some minerals may be sustained by the gradual exhaustion of local deposits. Moreover, most minerals are now regarded by the Munitions Board as strategic materials to be stockpiled. The impact of purchases for the stockpile will certainly be strong in the next two years.

U. S. imports of raw materials (including also semi-manufactured products), consist mainly of non-ferrous metals and ferro-alloys, rubber, paper base stocks, oilseed and inedible vegetable oils, petroleum, raw wool, undressed furs, precious stones, tobacco, hides and skins, etc. Fertilizers, sawmill products and special vegetable fibres are also significant.

Imports of raw materials in recent years have not kept pace with domestic need because of lack of supplies, particularly acute in the case of some minerals, rubber, inedible vegetable oils and hides and skins. It is to be expected that at least some of these shortages will be less acute in the next two years. An appreciable increase in U. S. imports of raw materials is thus very likely.

It appears that a considerable expansion will occur in the imports of non-ferrous metals and ferro-alloys (mainly copper, tin and lead), crude petroleum, hides and skins, raw wool and paper base stocks (mainly chemical wood pulp) with smaller increases in imports of

undressed furs, softwood lumber and rubber. No appreciable increase is to be expected in imports of oilseeds and vegetable oils, fertilizers and tobacco. The absolute quota on some types of raw cotton is a serious obstacle.

Finished manufactures

The high level of national income and increased industrial production automatically raised the U. S. demand for many manufactured goods. However, U. S. industrial production reached new high levels, and during and since the war developed many new products previously imported. As examples, the expansion of the chemical industry might be quoted, glass, china, leather, textiles, hats, and even furniture. This new expansion and especially the various improvements might make it difficult for European industry to regain its previous markets in the United States. It seems more and more that imports of manufactured goods will be possible only in those fields in which foreign products have special advantages over U. S. products, mostly those which require a large amount of labour.

It appears that, with the gradual rehabilitation of production abroad (mainly Europe), an appreciable expansion is to be expected in U. S. imports of such finished manufactures as textile products (primarily wool, cotton and flax manufacturers), machinery in general, burlap and standard newsprint paper.

As previously mentioned, the estimated value of the U. S. imports in 1950 is \$8,027 million compared with \$5,739 million in 1947, the net increase being \$2,288 million. The share of each subgroup is indicated in the following table:

| <u>Commodity</u> | <u>Millions of Dollars</u> | | <u>Percent of total increase from 1947 to 1950</u> |
|--|----------------------------|--------------|--|
| <u>Principal subgroups</u> | <u>1947</u> | <u>1950</u> | <u>84.3</u> |
| Coffee, cocoa and tea | 782.9 | 928 | 6.3 |
| Non-ferrous metals and ferro-alloys | 515.1 | 895 | 16.6 |
| Sugar and related products | 445.5 | 459 | 0.6 |
| Paper and manufactures | 363.3 | 439 | 3.3 |
| Rubber and manufactures | 325.7 | 377 | 2.2 |
| Paper base stocks | 293.6 | 378 | 3.7 |
| Oilseeds and vegetable oils | 265.3 | 292 | 1.2 |
| Petroleum and products | 260.5 | 525 | 11.6 |
| Unmanufactured wool | 225.4 | 351 | 5.5 |
| Fruits and nuts | 141.0 | 171 | 1.3 |
| Jute and manufactures | 136.7 | 205 | 3.0 |
| Furs and manufactures | 127.0 | 206 | 3.5 |
| Precious stones | 124.9 | 163 | 1.7 |
| Semi-manufactured wood | 121.1 | 192 | 3.1 |
| Tobacco and manufactures | 94.1 | 102 | 0.3 |
| Hides and skins | 89.6 | 220 | 5.7 |
| Fish and products | 84.5 | 123 | 1.7 |
| Vegetable fibres other than cotton, etc. | 82.1 | 114 | 1.4 |
| Beverages | 70.1 | 106 | 1.6 |
| Unmanufactured cotton | 55.6 | 55 | - |
| Clocks and watches | 54.7 | 60 | 0.2 |
| Vegetables and products | 53.6 | 64 | 0.5 |
| Fertilizers | 43.4 | 69 | 1.1 |
| Naval stores, gums and resins | 43.3 | 49 | 0.2 |
| Silk and manufactures | 29.7 | 44 | 0.6 |
| Leather and manufactures | 30.3 | 52 | 0.9 |
| Wool manufactures | 34.6 | 81 | 2.0 |
| Cotton manufactures | 26.1 | 71 | 2.0 |
| Flax, hemp and ramie and manufactures | 30.1 | 53 | 1.0 |
| Meat products | 23.3 | 58 | 1.5 |
| <u>Other subgroups</u> | <u>765.0</u> | <u>1,125</u> | <u>15.7</u> |
| Animals and animal products | 95 | 135 | 1.7 |
| Vegetable products | 144 | 200 | 2.4 |
| Textile products | 60 | 110 | 2.2 |
| Wood and manufactures | 53 | 80 | 1.2 |
| Non-metallic minerals | 87 | 110 | 1.0 |
| Metals and manufactures | 54 | 70 | 0.7 |
| Machinery and vehicles | 67 | 160 | 4.1 |
| Chemicals | 69 | 70 | - |
| Miscellaneous | 136 | 190 | 2.4 |
| Total | <u>5,739</u> | <u>8,027</u> | <u>100.-</u> |

The table shows that the largest share of the estimated net increase from 1947 to 1950 will probably be covered by the following commodities or groups of commodities:

Non-ferrous metals and ferro-alloys, mainly tin, copper, lead and zinc.
 Crude petroleum.
 Coffee and cocoa.
 Hides and skins.
 Raw wool.
 Machinery in general.
 Paper base stocks, mainly chemical wood pulp.
 Undressed furs.
 Standard newsprint paper.
 Semi-manufactured wood, mainly softwood lumber.
 Burlap.

Together these imports represent about 65% of the total estimated net increase from 1947 to 1950.

Many countries will benefit from the expected increase in U. S. imports, but the largest share of the benefit will go in particular to the following countries: United Kingdom and her colonial dependencies; some Latin American countries such as Venezuela, Brazil and Chile; Canada, Scandinavian countries; Netherlands Indies; India, and Australia.

From the analysis it appears that further U. S. tariff reductions would increase U. S. imports by some \$400 million. Tariff reductions would be most effective in the following products: textile manufactures in general, raw wool, beverages, leather manufactures, machinery, silver or black fox furs, tomato products, canned fish and cheese. The following table illustrates the effect of these reductions (million dollars):

| Groups | 1949 | | 1950 | |
|---------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | With no reduction of tariff | With reduction of tariff | With no reduction of tariff | With reduction of tariff |
| Group I | 2,973 | 3,050 | 3,141 | 3,230 |
| Group II | 2,172 | 2,180 | 2,415 | 2,425 |
| Group III | 1,259 | 1,470 | 1,346 | 1,550 |
| Other imports | 1,062 | 1,135 | 1,125 | 1,200 |
| Total | 7,466 | 7,835 | 8,027 | 8,405 |

| Groups | 1949 | | 1950 | |
|--------------------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | With no reduction of tariff | With reduction of tariff | With no reduction of tariff | With reduction of tariff |
| Net increase due to tariff reduction | | 369 | | 378 |

As a further reduction in U. S. duties would increase U. S. imports by only \$400 million, it must be admitted that the Geneva Agreement left little in the way of tariff concessions. Yet the possible additional increase should not be neglected in current circumstances.

When a line is fitted to the data (actual and estimated) for the period 1947-50 on the assumption of no further reduction in duties, it indicates an upward trend increasing at a diminishing rate which seems to show a levelling off of U. S. imports at some \$9-9.5 billion in 1952-53. However, it may be that after 1953, supposing the U. S. stockpiling program to be completed, the value of imports will drop by some \$400 million. After 1953 a figure of \$9 billion seems the most probable level of the U. S. imports.

Assuming further substantial reductions in duties this figure would be around \$9.5 billion.

A final question remains to be answered. In the introduction it was suggested that the discrepancies shown in the table of the percentages of the values of three subgroups and six subgroups of imports to the total U. S. imports, might become much less significant in two or three years time. On the basis of the estimated figures for 1950 it appears that the structure of the U. S. import trade tends to approach the structure of 1929 as a result of the gradual elimination of the distortions caused by the war. However, the comparisons between 1950 and 1929 still show wide discrepancies, which really indicate not only

changes in relative prices but also important structural changes in the U. S. import trade: petroleum is the most outstanding example of this type of change.

Our estimates differ somewhat from the current ones, which predict that U. S. imports can reach a \$10 billion level at current prices by 1952, the present terminal date for the Foreign Assistance Program. In our opinion, the gap between our estimates, which, in general, are rather conservative, and others, amounting to some \$500-1000 million, may be covered only if foreign exporters, mainly European, pursue a policy intended to increase their exports of finished manufactures to the U. S. Such a policy would require a thorough market study in the U. S., a market organisation, a real export drive, etc.

In such circumstances, should a level of \$10 billion be achieved in U. S. imports by 1952-53, it can be said with safety that this factor would do more than any other single one in reducing the network of import and exchange control restrictions, the bilateral trading agreements, and other barriers to world trade that so concern us today. Then, one should be able to look ahead beyond 1952 to a freer flow of world trade on a multilateral base and to gradually rising world trade levels.