

the particular items proposed for duty reduction in each case. This difficulty was avoided under the 1934 legislation by giving the President considerable power to undertake reciprocal reductions covering a broad range of items. Since 1930 the Congress has not passed a tariff act, but instead granted the President the authority on successive occasions to continue to reduce (and to raise) the general level of duties.

The trade agreements concluded between 1934 and 1945 were bilateral in nature. Thirty-one agreements were negotiated between these years. The technique employed was that the two parties concentrated upon reducing duties on those items for which each tended to be the principal supplier for the other. The mutual tariff reductions agreed upon were then generalized to all traders with both parties. This approach had both advantages and disadvantages. The main drawback was that, by extending the duty cuts to all countries, nonparticipants were able to increase their exports to the two countries without also opening up their economies to greater imports. In view of the existence of widespread unemployment in most countries during this period coupled with the notion of reciprocal concessions contained in the legislation, efforts to avoid this "free ride" aspect of bilateral negotiations were made by confining the cuts between two countries to a small number of items in which each was the other's main supplier. Items for which there was no single overwhelming supplier or countries who were not major suppliers of any item tended to be neglected. Even between two countries, where the principal-supplier trade was highly unbalanced, it was impossible to reduce one party's tariffs the same percentage as the other's and still achieve an acceptable balance of concessions for each. On the other hand, the bilateral technique with its concentration upon principal supplier items permitted a movement toward freer trade without requiring the consent of all major trading nations. Clearly during the thirties it would have been impossible to proceed on any other than the step-by-step basis actually adopted.

*The Period 1945-1961.* At the end of World War II there was a widespread desire to deal on a cooperative, multilateral basis with economic problems that had important international repercussions. Consequently, the opportunity arose for undertaking tariff negotiations not on a country-by-country basis over time but on a multilateral basis at a given time. The arrangement in which this opportunity was seized and made workable was the General Agreement on Tariffs and Trade. In 1947, 22 nations completed a multilateral tariff cutting exercise that resulted in concessions on nearly two-thirds of total world trade. The United States negotiated under the additional 50 percent cutting power that Congress had granted the President in 1945.

Besides establishing an organization through which periodic multilateral tariff negotiations designed to reduce duty levels could be undertaken, the GATT set forth a code of commercial policy. The most-favored-nations principle is the cornerstone of the GATT. The first article of the Agreement specifies in detail that each nation shall grant nondiscriminatory treatment to the products of all other contracting nations with regard to import and export duties and subsidiary charges, rules, and formalities in connection with importation and exportation, and internal taxes and other internal regulations. A second basic principle is the general prohibition of quantitative restrictions as a protective device. Except under special circumstances, only customs duties can be used for this purpose.