THE EFFECT OF RECIPROCAL TRADE AGREEMENTS UPON
THE PULP AND PAPER INDUSTRY OF THE UNITED STATES

by

John C. Plankinton

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Bachelor of science
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Approved:

Professor of Forestry
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THE EFFECT OF RECIPROCAL TRADE AGREEMENTS UPON THE PULP AND PAPER INDUSTRY OF THE UNITED STATES

INTRODUCTION

This paper will be an attempt to throw some light upon the effect that reciprocal trade agreements have had on the pulp and paper industry of the United States.

This problem is an important one as it deals with the welfare of one of the major industries of this country, and the only major industry in the Pacific Northwest which has, through the recent depression expanded in this territory. The size and scope of this industry may be easily shown.

The United States reached a new all time high in paper production and consumption in the year 1937, when it produced 12,600,000 tons of all grades of paper and consumed 15,798,362 tons of all grades. Translating these into figures easier to grasp, a per capita consumption in 1937, of 243 pounds is obtained. As Fortune puts it, you use over twice as much paper as you do meat; this article gives the division of the per capita consumption for 1936, (then only 226 pounds), as follows: The drug and department stores sent you 83 pounds of paperboards; you bought or were given 28 pounds of wrapping paper; you bought 57 pounds of news-

paper; you received and threw away 8 1/2 pounds of fine paper, letters, advertisements, etc.; and you burdened yourself with 21 pounds of book paper.

Looking at the same picture from the side of labor, it is found that the paper industry of the United States employed directly in its mills in 1936, 150,000 workers\(^1\), paying them an average wage of 61 cents an hour. It has been estimated that there are employed indirectly, partially or in a full time capacity, some 500,000 men supplying the needs of this industry, including the 2 tons of wood, 1 ton of coal or its equivalent, and 1 1/3 tons of chemicals and manufactured products that go into making a ton of paper\(^2\).

This represents a sizable portion of the labor of this country.

In the Pacific Northwest, the importance of the industry, and hence the importance of any condition affecting so major an industry looms much larger. Paper mills of Washington show for the year 1937, a payroll of $12,607,622, an increase of 111.47 per cent over 1927, and 60.7 per cent over 1929. Lumbering in that state over the same period showed a decrease of 29.36 per cent and 32.23 per cent as compared with 1927 and 1929 respectively; the total payroll


\(^2\) ibid.
for lumbering for 1937 in Washington was $58,947,801; and for all hazardous industries, $286,480,081. This may give the reader some idea of the relative importance of the pulp and paper industry in this section of the country. It might be added that the per hourly wage in pulp and paper mills in the Pacific Northwest is the highest in the world, 79.7 cents, the average for the rest of the United States being 61 cents; with average hourly wages in foreign countries ranging from 6.4 cents in Japan to 29.5 cents in Sweden and to 30.5 cents in Germany. From the above and many other available statistics, it is easily seen that pulp and paper, and the conditions affecting production, sale, and consumption of its goods are of great importance.

It can be further shown that the peculiar economic structure of this industry greatly magnifies the effect of outside factors influencing the various phases of the industry. This is the top heavy amount of capital necessary to finance the industry. An estimate of $40,000 per ton of daily capacity has been cited as the average capital necessary for a self-


2. ibid., p. 58.

contained newsprint mill. Thus a 750 ton mill producing newsprint would need $30,000,000 in capital investment, exclusive of forest resources. As newsprint is one of the cheaper grades to manufacture, and there are 12,600,000 tons of paper produced annually in the United States, it can be estimated that $1,750,000,000 are invested in paper mills alone, with considerable additional investment in forest resources.

This brief picture of the industry as a whole can be closed by saying that it is one of the major industries of this country, and especially of the Northwest, and that its heavy capitalization per dollar of output makes it extremely sensitive to outside influences.

It will be in order now to look a little into the history behind the reciprocal trade agreements, and to outline the progress since the agreements became incorporated into the law.

Reciprocal trade agreements are by no means new. As far back as 1854, this country entered into pure reciprocity agreements with Canada. The agreement drawn up in that year admitted duty-free into this country grain, flour, animals, meat, cotton goods, wool, fruit, fish, stone, dairy products, ore, coal, lumber, and timber. This agreement was terminated in 1866.

Next in 1875, an agreement with Hawaii was consumated; this remained in force until it was outruled by the Tariff
Act of 1900. In 1891, South America, the British Empire, Germany, and one or two other countries were allowed to import into this country duty free coffee, tea, hides, sugar, molasses, and one or two other items. This agreement terminated in 1894. Under the Act of 1897, the so-called argol agreements were made with France, Portugal, Italy, Germany, Switzerland, and others. In 1906 a second series of agreements under this same act were drawn up; both sets were terminated by the Tariff Act of 1909, the Payne Aldrich Act.

Newsprint, wood pulp, and pulp wood found their place on the free list in an agreement with Canada which was completed in 1911. These two items have remained on this list ever since. Much pressure was brought to bear by newspapers, in gaining free admittance of the cheaper Canadian pulp and newsprint. Certain practices of price fixing by American mills just prior to these agreements gave the press good ammunition with which to stir public opinion.

Much other legislation and contemplation took place in reference to reciprocity between this agreement and the present, but the status of newsprint and pulp have remained unchanged throughout the period. Many other grades of paper, other than newsprint, were in subsequent legislation given protection under continually rising tariff barriers.

In 1934, however, a different picture presented itself. The Trade Agreements Act of that year became law. The policy of the reciprocal trade agreements program as we know it
today grew out of the tariff realities which faced this country following the unsatisfactory issue of the ill-fated World Economic Conference in London in the summer of 1933.

In the face of the situation presenting itself at that conference—with England advocating an imperialistic policy of the British Empire against the world, European nations stressing nationalistic isolationist planning schemes rather than tariff revisions, and the United States with perhaps similar ideas—general tariff reduction, as advocated in 1932, in the Democratic party platform, might have been just another "noble experiment." There is no visible reason why unilateral reductions by the United States would benefit in any way this country's position, especially in the face of continually rising restrictions abroad. Also two thorns remained in the way of unilateral tariff reduction by the United States; namely sections 337 and 338 of the 1930 Tariff Act. This pointed toward the greater wisdom of reciprocal trade agreements, by which reductions in tariffs in foreign countries would come simultaneously with American tariff reduction.

From the fallen London Conference, America turned to the Montevideo conference in December, 1933, the Seventh International Conference of American States. Here resolutions

1. Section 337 declares unfair practices in import trade unlawful, and provides for sanctions against importers in the United States; while Section 338 provides the measures to be taken against foreign countries in retaliation for discriminatory actions against the United States.
were passed which paved the way to reciprocal trade agreements. The nations pledged: (1) bilateral reciprocity treaties, (2) abolition of import and export prohibitions, quotas, and other trade restrictions, (3) including in all agreements the most-favored-nation clause, and (4) encouraging multilateral agreements. It was further resolved that the various nations undertake these steps as soon as possible, and the United States undertook to carry out its pledge in this respect by passage of the Reciprocal Trade Agreements Act in June, 1934. Under this law trade agreements have been made with some twenty nations, and others are under consideration. Under thes Act and the agreements which have grown out of it there has been much written into agreements that has had a direct or indirect effect upon the pulp and paper industry.

Consideration will now be given to specific effects that these reciprocal agreements have had upon the industry.
CHAPTER I
EFFECTS OF AGREEMENTS BEFORE 1934

No agreements before that of 1911 had any appreciable effect upon the industry which, before the beginning of the twentieth century, had not as yet reached any degree of maturity. During the 11 years until the first agreement that affected it, however, the industry and American consumption reached appreciable figures. At that time, the volumes of pulp and newsprint produced and consumed in this country might be cited. These two commodities, along with pulp wood, are the ones that were written into the agreement of that year. The figures for wood pulp in 1911, were as follows:

- Wood pulp consumption: 2,900,000 tons, (approx.)
- Wood pulp production: 2,400,000 tons, (" )
- Volume of imports: 500,000 tons

Following these figures through the years it can be seen that much of the tonnage in pulp has been supplied by foreign producers. This is shown graphically on Plate I. It might be further shown that through the years with a constant growth in American production and consumption that the percentage supplied by foreign producers has remained quite constant through even sever drops and upswings in the market.
US CONSUMPTION OF WOOD PULP (ALL GRADES)

U.S. PRODUCTION OF WOOD PULP

PLATE I
<table>
<thead>
<tr>
<th>Year</th>
<th>American Production</th>
<th>American Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1911</td>
<td>83%</td>
<td>100%</td>
</tr>
<tr>
<td>1917-High pre-war year</td>
<td>84.5%</td>
<td>143%</td>
</tr>
<tr>
<td>1921-Low post-war year</td>
<td>80%</td>
<td>122%</td>
</tr>
<tr>
<td>1926</td>
<td>72%</td>
<td>210%</td>
</tr>
<tr>
<td>1929-High pre-depression year</td>
<td>72%</td>
<td>230%</td>
</tr>
<tr>
<td>1932-Low post-depression year</td>
<td>74%</td>
<td>175%</td>
</tr>
<tr>
<td>1934</td>
<td>72%</td>
<td>206%</td>
</tr>
<tr>
<td>1937-All time high</td>
<td>76%</td>
<td>300%</td>
</tr>
</tbody>
</table>

The pulp not produced in this country, as indicated by the above figures is about one-fourth Canadian pulp, one-half Swedish pulp, with most of the rest supplied by Finland, Germany, and Norway. This indicates that productive capacities throughout the world have grown alike, and that idle capacities during depression periods have probably been the same here and abroad. All of the figures shown include all pulp produced and consumed. If we look at the picture from another angle, that of pulp produced for sale in this country as against all pulp bought in the American market, we see a different situation. This does not take in all mills that make and consume their own pulp in remanufacture into paper or other products as do the above figures. Here in 1937, we have a picture of American producers supplying only 20.68 per cent of the pulp bought in the American pulp market. The total passing through this market for the year, 1937, was 3,005,929 tons, or about one third of the total consumption. This pulp market has grown considerably through pulp and paper mills running out of wood but continuing their paper production by buying their pulp. The picture is not
quite as bad as indicated by the above figures, however, since American producers have also exported considerable pulp.

It can be said in conclusion that the American pulp market has been supplied largely with foreign pulp, and that the growth in pulp consumption in this country has been accompanied by an equal growth in pulp importation.

Turning from figures on wood pulp to those on newsprint, we see a much greater inroad into American production. As can be seen on Plate II, American production today is much lower than that of 1913, which consumption is at an all time high. Here the competition of foreign newsprint has actually caused the abandonment of many American newsprint mills, or their conversion to other grades. The only newsprint mills operating at full capacity in this country today are those supplying newspapers close to the mills as Hawley Pulp and Paper in Oregon City, and the Journal Newspaper in Portland, and a few mills whose capacity is great enough to reduce their per ton costs to a figure low enough to allow them to compete with Canadian and other foreign newsprint. In 1913, the United States newsprint production was approximately 1,300,000 tons; since then it has only varied to a high of 129 per cent of the 1913 production in 1926, and to a low of 70 per cent of the 1913 production in 1935; in 1937 this had risen a little to 946,000 tons.

The consumption in this country over the same period has,
PLATE II

U.S. NEWSPRINT CONSUMPTION

U.S. NEWSPRINT PRODUCTION

GROWING VOLUME OF IMPORTS
on the other hand, risen almost continually since the first agreements with the exception of a drop during the recent depression. In 1913, this consumption was 1,500,000 tons; today this stands at over 4,300,000 tons—an increase of almost 300 per cent.

Another way of looking at the same thing is from the standpoint of per cent of American newsprint consumption supplied by various countries.

<table>
<thead>
<tr>
<th>%'s of Total U. S. Consumption</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In 1915:</td>
<td></td>
</tr>
<tr>
<td>Newsprint produced in U. S.</td>
<td>76.3%</td>
</tr>
<tr>
<td>Imported from Canada</td>
<td>23.6%</td>
</tr>
<tr>
<td>In 1925:</td>
<td></td>
</tr>
<tr>
<td>Newsprint produced in U. S.</td>
<td>51.0%</td>
</tr>
<tr>
<td>Imported from Canada</td>
<td>66.2%</td>
</tr>
<tr>
<td>Imported from Europe</td>
<td>4.5%</td>
</tr>
<tr>
<td>In 1936:</td>
<td></td>
</tr>
<tr>
<td>Newsprint produced in U. S.</td>
<td>24.7%</td>
</tr>
<tr>
<td>Imported from Canada</td>
<td>66.2%</td>
</tr>
<tr>
<td>Imported from Europe</td>
<td>6.6%</td>
</tr>
<tr>
<td>In 1937:</td>
<td></td>
</tr>
<tr>
<td>Newsprint produced in U. S.</td>
<td>22.0%</td>
</tr>
<tr>
<td>Imported from Canada</td>
<td>68.2%</td>
</tr>
<tr>
<td>Imported from Europe</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

From the above it can be clearly seen that much of the domestic market is being supplied by foreign newsprint and principally by Canadian newsprint. It is hard to say what the future trend in these percentages will be. Newsprint consumption will always vary greatly with cyclic changes in
business. It is thought by some though that American production will grow to some extent with the manufacture of newsprint from Southern pine as is being started in the South today. Mr. R. S. Kellogg, Secretary of the Newsprint Service Bureau states that, "There are some indications that United States newsprint is stabilizing at somewhat less than a million tons per day." ¹

Whether or not this large and still increasing importation of newsprint is desirable is another question. As was briefly mentioned, much of the mill capacity that was formerly used in producing newsprint has been converted to other grades. This might at first glance seem to be a good feature inasmuch as newsprint is a grade very low in value, and almost any other grade is more profitable to the mill. There are, however, certain complications which offset this apparent advantage. In producing newsprint, 80 per cent of the pulp used is groundwood which requires special grinding equipment. When paper machines and other mill equipment are converted to other grades of paper, this grinding equipment can no longer be used and must be replaced with cooking equipment for the chemical pulping of wood. This means that in this country there are many of the old groundwood mills in idleness; there are very few grades other than newsprint

which can utilize groundwood. Among the few are paperboards, cheap toilet and other tissues, and low grade printing papers. All of these fill limited demands and can by no means absorb the pulp that could be produced with the grinding equipment now idle in this country. An example of this idle grinding equipment can be seen at the Crown Willamette Mill at Camas. Here there is a groundwood mill with a 200 ton per day capacity which runs only two to four of its ten grinders one or two days a week.

Another point which might bear mentioning in connection with the importation of such large quantities of pulp and newsprint is the preservation of our own forests at the expense of Canadian forests. It has given such large corporations as Crown Zellerbach opportunities to more conservatively use their forest resources, and as a result the forests of that and other large pulp producing corporations are practically on a sustained yield basis. With the development of profitable newsprint manufacture from Southern pines, which may be grown on a short rotational sustained yield program, this country may gain back much of its domestic market, especially when Canada has cut off most of her now readily accessible pulpwood.

Besides importing pulp and newsprint from Canada under the Agreement of 1911, pulpwood has also been admitted free since that time. In 1937, a total of 8,700,000 cords of pulpwood was consumed in this country; of this total, 1,523,000 cords were imported from Canada. This represents between
one-fifth and one-sixth of the total consumption. Figures for this importation since the 1911 agreement are not available; but since 1930, the importation of pulpwood has ranged from as high as one-fifth, and as low as one-seventh of the total consumption.

Here again it might be a desirable feature to import this wood and preserve our own natural resources, especially when Canada is willing and able to deliver the wood cheaper than we ourselves can cut it. Had all of the pulp that has been used in this country as pulp or as paper been cut from our own forests; the resources of pulpwood might be nearly depleted throughout the country. Through this importation, however, there are still vast resources of wood left, especially in the Southern and Northwestern states. In Western Oregon and Washington alone, there are today 38,821,332,000 cubic feet of pulpwood, (not including Douglas fir), available for cutting; this is equal to 378 million cords or over 50 years supply at the present rate of cutting, not allowing for growth. With the programs being installed by many of the large companies in the section and the regrowth of cut over Douglas fir lands to hemlock and white fir, this section of the country is virtually assured of a pulpwood supply almost for perpetuity.

In conclusion it might be said that the reciprocal treatment of pulp, newsprint, and pulpwood, admitting them tariff-free has not to any extent hurt the American industry if con-
sidered in the long run. American pulp and paper has con-
tinued to grow; and as a result of buying much of these
above mentioned items from foreign producers, the industry
today is much better off from the standpoint of its forest
resources. Of course, were these products barred from en-
try into this country by high tariff barriers, the industry
at home would have had to expand more rapidly in the pro-
duction of lower grades of paper, more men would have been
employed in the industry, and to certain sections of the
country this might have been beneficial.
CHAPTER II
THE EFFECT OF THE RECIPROCAL AGREEMENTS SINCE 1934

The effect of the recent agreements is not nearly as easy to point out as were the affects of agreements mentioned above. Since these recent agreements were written into the law under the Reciprocal Trade Agreements Act of 1934, the pulp and paper industry has grown continuously to reach in 1937, (the last year for which complete statistics are published), a new high. Under the face of such continuously rising production in all departments of the industry except the production of newsprint, any adverse effects are hard to see.

Much has been written by men in the industry condemning the agreements as harming their business. These men are all prejudice, however, and what they say has to be taken with a grain of salt.

When the present administration announced its program for reciprocal trade agreements, it admitted that duties on some commodities must be reduced and imports stimulated in order that there might be an increase in exports of other commodities. In other words, some industries were, according to paper men, chosen for sacrifice in order that others might prosper.

They, (the paper men), argue further that the U. S. tariffs were not high before the trade agreements were ne-
gotiated. It is their premise that the trade agreements were negotiated because United States was a high tariff nation, and the leader in the erection of tariff walls, of which the State Department talks so mournfully. Paper men say this premise is a fallacy. The United States is far down the list of tariff barrier nations, according to figures disclosed by the United States Tariff Commission for 1933, the year before the trade agreement law went into effect. With the tariff reductions effected by the trade agreement law, the United States in 1936, had fallen to at least eleventh place.

Whether or not a nation is a high tariff nation is determined by computing the percentage of total customs receipts to total imports. Duty free imports into the United States constitute well over 60 per cent of all imported goods, and it happens that duty-free newsprint and pulp combined constitute the largest item in value of all duty-free imports, coffee being second on the list.

The fallacy of the claim that the United States is the chief high duty nation is shown by the following list of fifteen principal importing nations, showing the average per cent of duty levied on imports, the figures being those of the Tariff Commission for 1933:
NUMERICAL ORDER  |  NATION       | AVERAGE AD VALOREM DUTY COLLECTION
1              | Australia    | 30.9          
2              | India        | 30.5          
3              | Argentina    | 28.7          
4              | Italy        | 25.9          
5              | United Kingdom | 25.0      
6              | Germany      | 24.8          
7              | New Zealand  | 21.9          
8              | South Africa | 20.3          
9              | United States | 19.8        
10             | China        | 19.3          
11             | Canada       | 19.0          
12             | France       | 15.5          
13             | Sweden       | 10.8          
14             | Belgium      | 10.3          
15             | Japan        | 6.0           

The charge that the United States is the chief protectionist country is "foreign propaganda accepted by American free trade advocates." This is shown by the fact that Great Britain, the world's outstanding so-called free trade country, collects an average duty of 25 per cent on all imports as compared with the 19.8 per cent collected by the United States.

A further illuminating comparison of tariffs in "free trade" Britain and "protectionist" United States is that of the rates on dutiable merchandise. In 1929, the last year for which British statistics are available, the average rate of British duty on dutiable merchandise was 65 per cent as compared with the American average of 40.1 per cent. This was before the "iniquitous" Smoot Hawley bill was passed, which increased the average rate of duty on im-
ports about 1.6 per cent.

RESULTS OF THE 1934 TRADE AGREEMENTS

Coming to the direct results of the recent reciprocal trade agreements on the American paper industry, there are given on separate plates, detailed summaries of statistics for 1936, and in some cases, 1937, for both countries which ship paper to us and those with which we have consequential export trade.

Citing some effects of these agreements upon exports first, we may look at Cuba. The reciprocal trade agreement with Cuba, with the exception of that with Canada, granted the only substantial export concessions received by the American paper industry. Under the agreement, Cuba reduced its duty rate on three paper items, comprising 20 per cent of our paper export trade to that republic, with the following results, Table I, on Plate III.

Turning from the effect upon Cuban imports of American paper to Canadian trade, we find that Canadian duties on paper are generally higher than those imposed by the United States on comparable grades. The trade agreement slightly reduced Canadian duties on a wide variety of papers. Government statistics so far published do not give details of grades of paper imported from and exported to
Canada. Consolidated statistics are found in Table II on Plate III.

In addition to the above, however, Canada exported to the United States duty free standard newsprint to a value of well over $100,000,000 in 1937, an increase of over $30,000,000 as compared with 1934, and an increase of 800,000 tons over the previous banner year, 1929.

While trade agreements with countries other than the two mentioned above have reduced foreign tariffs on American papers, the exports have been so small that they are not compiled separately.

Turning from the effect that these agreements have had upon exports of paper from this country to their effect upon imports, we might cite certain grades whose imports into this country have been changed through changing the status of duties upon those grades.

Wrapping paper is one of these grades. The Swedish agreement reduced the rate of duty on wrapping paper from 30 per cent to 25 per cent, effective August 5, 1935; and the Finnish agreement made a further reduction in the rate on kraft wrapping paper to 20 per cent, effective November 1, 1936, (it is understood that all countries benefited from these reductions under the most-favored-nation clause). Statistical presentation of imports before and after the reductions in duty follow in Table III, Plate IV.
PLATE III

EFFECT OF RECIPROCITY ON U. S. PAPER EXPORTS

### TABLE I

**CUBA**

<table>
<thead>
<tr>
<th>Year, Ending</th>
<th>Pre-Agreement Value of US Paper Exports on which Cuba Reduced Duty Rates</th>
<th>Post-Agreement Year, Ending Value</th>
<th>Increase in 1935 - '36 over 1933 - '34</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug. 31, 1934</td>
<td>$315,000</td>
<td>$698,000</td>
<td>$383,000</td>
</tr>
</tbody>
</table>

### TABLE II

**CANADA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Imports of Dutiable Paper from Canada</th>
<th>Value of Exports of all Paper to Canada</th>
<th>Increase in '37 over '34</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>$1,201,000</td>
<td>$9,622,000</td>
<td>$131,764*</td>
</tr>
<tr>
<td>1934</td>
<td>$587,000</td>
<td>$3,405,000</td>
<td></td>
</tr>
<tr>
<td>1937</td>
<td>$1,392,381</td>
<td>$3,273,236</td>
<td></td>
</tr>
</tbody>
</table>

* decrease
It is interesting to note that in 1936, the imports of not less than 13,500 tons of Machine Glazed Kraft, made on special machines, were equivalent to 27 per cent of the American production of 51,000 tons in that year. With about $100,000,000 in new capital pledged for expansion of the American paper industry in the last few months of that year, not one dollar has gone into the machine glazed kraft field, where the foreign paper can be delivered at less than the American cost of production.

The Swedish Agreement also reduced the duty on processed paper boards from 30 per cent to $14.50 per ton, not to exceed 30 per cent, and not to be less than 15 per cent. The Canadian agreement reduced the rate on unprocessed pulpboard for use in the manufacture of wallboard from 10 per cent to 5 per cent, and on such boards when processed, from 30 per cent to 15 per cent. The rate on all unprocessed board was bound at 10 per cent. The change in imports, comparing 1934 with 1937 is shown by the following table, Table IV, Plate V.

The duty on cigarette paper was reduced under the French Agreement, effective July 1, 1936. The reduction was, under that agreement, from 60 per cent to 45 per cent. In the last six months of 1936, the increase in imports was about $250,000, over the previous year. This increase was equivalent to half the entire American production in the first six months of that year under the old duty rate.
## PLATE IV

**EFFECT OF RECIPROCITY ON U.S. PAPER IMPORTS**

### TABLE III

#### MACHINE GLAZED KRAFT WRAPPING

<table>
<thead>
<tr>
<th></th>
<th>1934</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tons</td>
<td>Value</td>
<td>Tons</td>
</tr>
<tr>
<td>From Sweden</td>
<td>2,190</td>
<td>$185,209</td>
<td>9,000</td>
</tr>
<tr>
<td>From Finland</td>
<td>1,842</td>
<td>112,673</td>
<td>4,800**</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>4,032</td>
</tr>
</tbody>
</table>

*The unit value in 1936 was $20 per ton lower than in 1934.

**Finland was able to ship throughout 1935 and ten months of 1936 at the reduced duty rate granted Sweden before it made reciprocal concessions to the United States.

#### MACHINE FINISHED KRAFT WRAPPING

<table>
<thead>
<tr>
<th></th>
<th>1934</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tons</td>
<td>Value</td>
<td>Tons</td>
</tr>
<tr>
<td>From Sweden</td>
<td></td>
<td>6,850</td>
<td>4,095</td>
</tr>
<tr>
<td>From Finland</td>
<td></td>
<td>3,600</td>
<td>3,132</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>10,450</td>
</tr>
</tbody>
</table>

#### OTHER WRAPPING PAPER

<table>
<thead>
<tr>
<th></th>
<th>1934</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Countries</td>
<td>861,329</td>
<td>1,229,383</td>
<td>1,478,160</td>
</tr>
</tbody>
</table>

*While the quantity increased 50 per cent, the value increased less than 20 per cent. As in the case of kraft wrapping, the value was lower after the Treasury Department overruled a complaint of Dumping.*
Various decreases in duty were made on other papers, and are listed below in Table V, Plate V. The reduction in duty on vegetable parchment in the Belgian agreement from three cents per pound and 15 per cent to two cents per pound and 10 per cent was of especial advantage to Germany, Italy, and Great Britain who have made no reciprocal agreements with this country in which paper plays a part. That the increase was not greater is due to the reduction in price of the American product to cost, even though that price was two cents per pound above the delivered cost of the foreign product, such price reduction being made through the abandonment of previously planned plant improvement and wage increase.

Summarizing the general foreign trade situation, it is becoming increasingly evident that the present high wage levels and consequent high prices for American paper are serving both to decrease our export trade and increase the import competition.

Probably the program of the present administration is sound in principle in trying to stimulate trade by reciprocal trade agreements. This stimulation has been evident through the four years that the agreements have been effective; however this has certainly been at the expense of certain industries and producers whose products have been put on the lists of imports treated under the agreements. Paper is one of these industries. It might be cited though,
TABLE IV

<table>
<thead>
<tr>
<th>PAPERBOARD IMPORTS</th>
<th>FROM CANADA</th>
<th>FROM OTHER COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1934</td>
<td>1937</td>
</tr>
<tr>
<td>Processed Paperboard</td>
<td>$6,054</td>
<td>$31,324</td>
</tr>
<tr>
<td>Pulpboard Processed for Wallboard</td>
<td>-------</td>
<td>3,118</td>
</tr>
<tr>
<td>Pulpboard Unprocessed for Wallboard</td>
<td>317,627</td>
<td>488,893</td>
</tr>
<tr>
<td>All Other Paperboard</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>503,976</td>
<td>1,198,205</td>
</tr>
<tr>
<td></td>
<td>$323,681</td>
<td>$523,335</td>
</tr>
</tbody>
</table>

TOTAL PAPERBOARD IMPORTS, ALL BOARDS, ALL COUNTRIES

<table>
<thead>
<tr>
<th></th>
<th>1934</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$827,657</td>
<td>$1,721,540</td>
</tr>
</tbody>
</table>

TABLE V

<table>
<thead>
<tr>
<th>Grade</th>
<th>Trade Agreement with</th>
<th>1934</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensitized Photo Paper</td>
<td>Belgium</td>
<td>$310,186</td>
<td>$360,328</td>
</tr>
<tr>
<td>Vegetable Parchment</td>
<td>Belgium</td>
<td>26,619</td>
<td>61,129</td>
</tr>
<tr>
<td>Papeterie</td>
<td>France</td>
<td>23,633</td>
<td>81,294</td>
</tr>
</tbody>
</table>
that through these four years, paper in this country has had an unprecedented growth. Plant capacities are at new highs, and the growth seems to be still going on. The only thing is that shifts are being made from the production of grades that appear on the list of goods treated under trade agreements. What the outcome will be is hard to say. It is certainly questionable whether the American paper mills can continue to pay the high wages they do today under continual competition from foreign paper. American producers have been driven out of the newsprint game, and the writer wonders if the same situation may develop in other grades as they are put on a duty-free import basis through reciprocal treatment.
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