

## REPEALING SECTION 202 (e) OF THE SUGAR ACT OF 1948

OCTOBER 6 (legislative day, SEPTEMBER 3), 1949.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

### REPORT

(To accompany S. 501)

The Committee on Finance, to whom was referred the bill (S. 501) repealing section 202 (e) of the Sugar Act of 1948, having considered the same, report favorably thereon without amendment, and recommend that the bill do pass.

#### GENERAL EXPLANATION

Section 202 (e) gives authorization to the Secretary of Agriculture to reduce the amount of sugar which might be allocated to an importing nation under the Sugar Act if the Secretary of State should find that that nation denies fair and equitable treatment to the nationals of the United States, its commerce, navigation, or industry.

This section has been widely interpreted in other countries as a threat of economic sanctions by the United States should it be dissatisfied with any action by a sugar-exporting country with respect to United States interests of any kind. This section was originally approved by the Congress upon the recommendation of the Department of State. It has been interpreted as being inconsistent with the conviction and policy of the United States that relations with other countries should be conducted on a basis of friendly negotiation and mutual agreement. Repeal of this section would be a reaffirmation by the Congress of this fundamental United States policy.

Upon the recommendation of the Departments of State, Commerce, and Agriculture your committee agrees that this section should not be included in the Sugar Act of 1948 but does not abandon its conviction that the Government of the United States should seek by friendly negotiation and mutual agreement with other countries to secure fair and equitable treatment to the nationals of the United States, its commerce, navigation, or industry.

The views of the Departments of State, Commerce, Interior, and Agriculture are expressed in the following communications received by your committee.

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DEPARTMENT OF STATE,  
Washington 25, February 11, 1949.

The Honorable WALTER F. GEORGE,  
Chairman, Committee on Finance, United States Senate.

MY DEAR SENATOR GEORGE: Reference is again made to your letter of January 19, 1949, requesting the State Department's comments on S. 501, a bill repealing section 202 (e) of the Sugar Act of 1948.

In view of the fact that the intent of this section of the act has been widely misunderstood and that circumstances under which the use of this section might be considered desirable now appear remote, the Department perceives no objection to its repeal.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours.

CHARLES E. BOHLEN,  
Counselor  
(For the Secretary of State).

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THE SECRETARY OF COMMERCE,  
Washington 25, March 30, 1949.

Hon. WALTER F. GEORGE,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: This letter is in further reply to your communication of January 21, 1949, requesting the Department's comments concerning S. 501, a bill repealing section 202 (e) of the Sugar Act of 1948.

Section 202 (e) of the Sugar Act of 1948 provides for the imposition of an economic penalty against any foreign country which denies "fair and equitable treatment to the nationals of the United States, its commerce, navigation, or industry," the penalty to be in the form of a reduction in the amount of sugar the United States would import from the offending nation. Since the significance of the section is primarily a matter of international prestige, the invocation of the section would, in all probability, have greater effect on United States international political relationships than on this nation's internal sugar economy.

With world sugar supplies normally in surplus, the United States is a coveted market for sugar-producing countries. The Sugar Acts of 1937 and 1948 established quota arrangements for areas sharing in the United States market for sugar. The character of the sugar trade is such that Cuba is the major sugar producer for the United States and the nation most concerned with this section. The annual tonnage of sugar from Cuba which may be marketed under the act of 1948 is expected to average higher than under the act of 1937, with this increase always conditional upon what may be characterized as Cuba's good behavior. In view of section 202 (2).

From a commercial standpoint, this Department is of the opinion that section 202 (e) has no effect on the marketing of sugar and its repeal would have little effect on our sugar trade. The section has never been invoked and the sugar industry has little interest in this section. With regard to whether such a means of compelling producer nations to afford our commerce fair treatment is necessary, it is the opinion of this Department that in the event of a flagrant discrimination by a foreign nation against United States commerce, the problem could be better solved by congressional action with regard to the particular discrimination by the particular country, or, where the discriminating nation is one with which the United States has a reciprocal trade treaty, the United States could utilize the protection provided by the enforcement provision of the particular treaty. It might further be pointed out that the section in question is particularly offensive in that it is, in practice, a continuing economic threat directed primarily at one nation. Since the repeal of the subject section would appear to be primarily in the interest of international good will and since the existence of section 202 (e) is of very doubtful importance to American commerce this Department has no objection to its repeal by the enactment of S. 501.

I have been advised by the Bureau of the Budget that there is no objection to the submission of this report to the committee for its consideration.

Sincerely yours,

CHARLES SAWYER,  
Secretary of Commerce

DEPARTMENT OF THE INTERIOR,  
Washington 25. D. C., March 1, 1949.

Hon. WALTER F. GEORGE,  
*Chairman, Committee on Finance, United States Senate.*

MY DEAR SENATOR GEORGE: This is in reply to your request for this Department's views on S. 501, a bill repealing section 202 (e) of the Sugar Act of 1948.

Section 202 (e) of the Sugar Act of 1948 provides that if the Secretary of State finds that any foreign country denies fair and equitable treatment to the nationals of the United States, its commerce, navigation, or industry, and so notifies the Secretary of Agriculture, the Secretary of Agriculture shall have authority to withhold or withdraw any increase in the share of the domestic consumption requirements provided for such country by the Sugar Act of 1948 as compared with the share allowed under section 202 (b) of the Sugar Act of 1937.

Because the subject matter of this legislation does not come within the scope of this Department's activities, and appears to be of primary interest to the Departments of State and Agriculture, this Department expresses no opinion on this bill.

Sincerely yours.

OSCAR L. CHAPMAN,  
*Under Secretary of the Interior.*

DEPARTMENT OF AGRICULTURE,  
Washington, February 28, 1949.

Hon. WALTER F. GEORGE,  
*Chairman, Committee on Finance, United States Senate.*

DEAR SENATOR GEORGE: This is in reply to your request of January 19, 1949, for a report on S. 501, a bill to repeal section 202 (e) of the Sugar Act of 1948.

Section 202 (e) of the Sugar Act provides that if the Secretary of State finds that any foreign country denies fair and equitable treatment to the nationals of the United States, its commerce, navigation, or industry and so notifies the Secretary of Agriculture, the Secretary of Agriculture shall have the authority to withhold or withdraw any increase in the share of the domestic consumption requirements provided for such country by the Sugar Act of 1948, as compared with the share that country would be allowed under section 202 (b) of the Sugar Act of 1937.

Section 202 (e) of the Sugar Act of 1948 also provides that any amount of sugar so withheld or withdrawn from such foreign country shall be prorated to domestic sugar-producing areas on the basis of existing quotas for such areas. It provides further that any portion of such amount of sugar which cannot be supplied by domestic areas may be prorated to foreign countries other than a country which the Secretary of State finds has denied fair and equitable treatment to the nationals of the United States.

Since the Department has responsibility under the quota system to make available adequate supplies of sugar for consumption in continental United States, section 202 (e) is of concern to the Department only insofar as it affects that responsibility. Section 202 (e) is nonmandatory in nature and probably would not be invoked in any event if such action would jeopardize the sugar supply. The repeal of this section, on the other hand, would not affect our responsibility in administering the quota system. Accordingly, we have no objection to the proposed legislation.

The Bureau of the Budget advises that, from the standpoint of the program of the President, there is no objection to the submission of this report.

Sincerely yours,

CHARLES F. BRANNAN, *Secretary.*

