NORWAY
PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND NORWAY

611.5781/75

Memorandum by the Secretary of State

[WASHINGTON,] January 25, 1934.

The Minister of Norway called primarily to pay his respects and extend congratulations on the successful meeting at Montevideo. He stated that he thought its stimulating effects would be helpful in Europe.

The Minister again reminded me of his former suggestion that his Government would like to negotiate a commercial treaty with the United States Government. He said he had discussed the matter with Assistant Secretary Sayre who at present was engrossed in like negotiations with other countries. I assured the Minister that my Government was equally desirous of negotiating with his Government and that as soon as our present negotiations were sufficiently advanced, we would take up another list of nations or such negotiations, and that I hoped we could include his government. I made no definite commitment, however, and added that I would discuss the matter with Mr. Sayre.

C[ORDELL] H[ULL]

711.58/11

The Minister in Norway (Philip) to the Secretary of State

No. 455          Oslo, April 25, 1934.

Sir: I have the honor to refer to a joint report submitted to the Department by its chief diplomatic representatives at Copenhagen, Stockholm, Helsingfors and Oslo, dated March 21, 1934, and which embodied certain joint recommendations for the improvement of trade and other relations between the United States and Scandinavia.

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2 Wilhelm T. Munthe de Morgenstierne.
3 i.e., Seventh International Conference of American States, December 3–26, 1933; see Foreign Relations, 1933, vol. IV, pp. 1 ff.
4 Not printed.

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I regret to have been unable to confer personally with my colleagues at the time of their meeting in Stockholm but I have been very glad of the opportunity to associate myself with them in the general recommendations which were the outcome of their discussions, a draft of which was kindly forwarded to me in advance by our Minister to Sweden.

In returning the signed report to Mr. Steinhardt I signified my desire to submit a few comments regarding certain features of it which I thought might be of possible interest as reflecting an impression derived from a purely Norwegian experience of some three and a half years.

The informal comments which have presented themselves to me as relevant to certain of the paragraphs of the joint report are as follows:

Paragraph (1).

I have not found the press reports in Norway as studiedly anti-American as seems to have been the case in the other countries of Scandinavia.

I quite agree with my colleagues in attributing the frequently unfavorable tone of such news to the fact that the press here draws the bulk of its American news from the European capitals. In the case of Norway the chief source is London.

At the same time, it is to be supposed that the chief disadvantage of this lies in the fact that these foreign press releases are not made at random but that they are very cleverly and systematically controlled with a view to their propagandist values. If this supposition be granted an arrangement by which an indiscriminate flow of direct press news from the United States could be made available to the press of Scandinavia would not in all probability alter the existing situation to any great extent. It would seem to me, therefore, that a careful supervision of press releases in the United States, with special attention to their usefulness abroad, as well as their interest, would be a necessary adjunct to any arrangement such as is recommended in the joint report.

Paragraph (3).

With regard to the subject of general American trade opportunities in Scandinavia, I am inclined to believe that the failure of American exporters to show greater advances is due more to the exigencies of European governments in the matter of trade balances than to the shortcomings of American sales methods.

A Scandinavian nation (I am speaking especially of Norway) must sell its products or starve. Other and nearer markets than that of the United States afford regular and more or less secure outlets for these products. The governments of the foreign consumers make it
a point, by treaty or otherwise, to insist upon a reciprocal exchange of commodities. Great pressure is at times brought to bear in this connection, under threat of tariff retaliations, etc.

This, in my opinion, constitutes the chief obstacle at present to increased sales in Scandinavia of American products, many of which are well and very favorably known here. I think these conditions are likely to remain unchanged until the completion of new commercial agreements.

At the same time, I realize that there is much room for improvement in the sales methods of our exporters—to include special knowledge of the regulations governing the activities of American salesmen, import restrictions, quotas, etc., in Scandinavia, which is necessary to enable them to best supply the requirements of the consumers here. But, generally speaking, the problem of increased sales is as closely linked to that of increased purchases in Scandinavia as in any region in the world today.

Paragraph (6).

The history of Northern Europe is that of Scandinavia. Viewed in this light, it is not strange that the prestige of certain nations which have for centuries dominated historical events there is more objective and constant than is that of the United States. Moreover, the trend of European opinion regarding our country has been more critical than tolerant of recent years. This has had its effect here.

In Scandinavia there has, I think, taken place quite a revulsion of sentiment toward the United States, both subsequent to the enactment of our stringent immigration laws and, particularly since the era of economic depression through which we have been passing. Accustomed to regard the United States as the land of plenty which offered unparalleled opportunities to their surplus population, the Scandinavian states were first shocked by the closing of the door which led to the promised land. Ultimately, in a manner, they have been incensed by the astonishing inability on the part of the United States to afford conditions for uninterrupted prosperity to their nationals already established there!

Strange as this may seem, it is my belief that this superficial lack of understanding of and sympathy with our processes of readjustment, our enormous problems and our immediate aims, enhanced, of course, by the above-mentioned propagandist activities of other nations, has contributed most largely to a temporarily diminished American prestige in Scandinavia. I qualify the latter statement by the use of the word “temporarily,” for I am under the impression that throughout Scandinavia there exists a very real and deep undercurrent of admiration, respect and friendliness for our country and the fundamental ideals which inspire our people.
The situation which must now be coped with has arisen as an after-
math of the World War. It is the result of the "sauve qui peut" spirit among the nations—a period of warped judgments, of im-
pending economic chaos, of trade bartering under menace of tariff
barriers.

These conditions have transcended the sphere of the mere propa-
gandist. National prestige, in the generally accepted sense, seems
to me to have become divested of its finest attributes for the time being.
It has been lost sight of in a wave of nationalism and in the momen-
tary struggle for existence. That this will change I have no doubt,
nor that a return to normalcy will bring to the surface again the
valuable sentiment of confidence in and admiration for the United
States which exists in Scandinavia.

As far as Norway is concerned, the conservative business elements
look to England as the arbiter of their economic welfare. They main-
tain a loyalty for the pound sterling which they are unlikely to aban-
don. But the importance of the United States is well comprehended
here and the enormous efforts which are now being made in our coun-
try, although imperfectly understood, are followed with a very keen
interest.

I emphatically agree with my colleagues in recommending meas-
ures which will enhance collectively the position of the signatories of
the Oslo Convention * as a field for the development of our export trade
policies.

All consideration possible should be accorded to this important bloc
of nations with the definite purpose of demonstrating our desire to
encourage commercial and cultural relations with them.

The occasional courtesy visit to Scandinavia of one of our most mod-
ern naval units would be of valuable assistance in this direction. How-
ever, I am of the opinion that such visits need not be of regular
occurrence or of the most formal character.

In Norway there exists a very live interest in our modern literature,
and any arrangements which might eventually provide for addresses
here during the winter and spring months by popular American au-
thors would be highly appreciated and of great benefit in promoting
cultural relations between the two countries.

In conclusion, I beg to add, confidentially, a word in regard to our
future trade relations with these smaller nations. I feel that, irre-
spective of future trade agreements to be concluded, it would be of
real value if our Government were in a position to accord occasional
and special trade advantages. Such gestures would be of use both in

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* Convention of Economic Rapprochement Between the Economic Union of
  Belgium and Luxemburg, Denmark, Norway, the Netherlands and Sweden, signed
the creation of good will and, if granted subject to withdrawal, as safeguards against possible discriminations affecting our own trade with those countries.

Copies of these remarks have been submitted to my colleagues at Copenhagen, Stockholm and Helsingfors.

Respectfully yours,

Hoffman Philip

Memorandum by the Assistant Secretary of State (Sayre)

[WASHINGTON,] April 28, 1934.

Mr. Offerdahl called on behalf of the Minister who is at present confined in bed with a cold. He came to inform the Department that he had just received a cable from his Government to the effect that it considered the proposed language of the Connally Amendment to the pending Revenue Bill, imposing a processing tax upon various oils, including whale oil, as a violation of Article VIII of the Treaty between Norway and the United States. I informed him that the State Department had taken every step to secure the incorporation in the pending bill of language to protect treaty rights but that the final phrasing of the act depends, of course, upon Congress. I told him that the State Department will not cease to make every effort to protect treaty rights.

F[ancis] B. S[ayre]

Memorandum by the Assistant Secretary of State (Sayre)

[WASHINGTON,] June 21, 1934.

The Norwegian Minister called to see me this morning to ask whether there was a likelihood of the United States opening up tariff bargaining negotiations with his Government during the summer months. I informed the Minister that our first task was to build up an organization and make the necessary preliminary studies before we could enter into active negotiations, and that therefore there seemed very little likelihood of our being prepared to commence negotiations with his Government during the coming summer.

Mr. Morgenstierne next brought up the question concerning the imposition of a tax on whale oil under Section 602 of the Revenue Act of 1934. The Minister informed me that the effect of the tax

*Leonhard Offerdahl, First Secretary of the Norwegian Legation.
would be a total cessation of imports of whale oil into the United States and that, even if the President, under the tariff bargaining bill, should reduce the whale oil duty by fifty per cent, it would still be prohibitive. He asked whether anything could be done. I informed him that the State Department had sought to prevent the imposition of the tax but had not been able to prevent the legislation and that, inasmuch as Congress has now adjourned and since Congress has exclusive power with regard to the matter, I could see nothing that could be done. Mr. Morgenstierne asked whether it would be possible to get the President to recommend reconsideration of this matter by the Congressional Committee which he asked to reconsider the tax on coconunt oil in connection with the Philippines. I told Mr. Morgenstierne that I did not see how this could be done. Mr. Morgenstierne said that he was under instructions from his Government to inquire whether it would be possible to secure any relief because if Norway is prevented from importing whale oil into the United States it will thereby be correspondingly prevented from buying American goods with the proceeds ordinarily received from its sale of whale oil. I suggested that he write me a note setting forth these matters to which we could send a formal reply.

F[Francis] B. S[ayre]

611.5731/79

The Norwegian Minister (Morgenstierne) to the Assistant Secretary of State (Sayre)

WASHINGTON, June 30, 1934.

My Dear Mr. Sayre: I beg to refer to our conversation the 21st instant regarding the new tax on whale oil. As you will remember I promised to send you a written communication concerning the point of view of my Government in the matter. Owing to absence from Washington I have not had an opportunity until today to send you this communication.

As you will recall I took the liberty the other day to call attention to the fact that the new tax of 3 cents per pound on whale oil is imposed under Title IV, section 602 of the Revenue Act of 1934, and that said Title IV is headed “Excise Taxes”. The section concerning whale oil is added to section 601, “Manufacturers’ Excise Taxes” of the Revenue Act of 1932, under which certain taxes are imposed “unless treaty provisions of the United States otherwise provide.” My Government feel that the fact that this tax is imposed under the heading “Excise Taxes”, makes it fair to interpret it as an excise tax in fact, regardless of what is otherwise stipulated in said section.

And my Government further feel that in the case of this tax not being levied on whale oil of American origin, the levying of such tax on Norwegian whale oil would not be in accordance with Article VIII of the Treaty of June 5, 1928 between Norway and the United States stipulating that “The nationals, goods, products, wares, and merchandise of each High Contracting Party within the territories of the other shall receive the same treatment as nationals, goods, products, wares, and merchandise of the country with regard to internal taxes” etc.

I understood you to emphasize that in spite of this tax being imposed under the heading “Excise taxes” it was in the opinion of the authorities of the United States nevertheless an “importation tax”, in view of the fact that it is stipulated in said Section 602 of the Revenue Act of 1934 that “The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles” etc.

While my Government cannot accede to this interpretation of the nature of said new tax on whale oil, it cannot help feeling that even if the tax might be defined as an “importation tax”, its eventual imposition on Norwegian whale oil would hardly be in accordance with the spirit of said Treaty of Friendship, Commerce, and Consular Rights between Norway and the United States.

You will recall that the balance of trade between our two countries is generally and normally in favor of the United States. In view of this and in view of the fact that it has been the sincere hope of my Government that our present efforts should be in the direction of reducing the barriers to trade between our countries, you will undoubtedly appreciate that the imposition of this new tax was a keen disappointment to my Government. As I took the liberty to point out to you, this tax of 8 cents per pound being imposed in addition to the present tariff duty of 6 cents per gallon (approximately 0.8 cents per pound) is absolutely prohibitive as far as Norwegian whale oil is concerned. Whale oil, one of the most important items in our mutual balance of trade has by this measure been virtually excluded from the United States. What this means, from a Norwegian point of view, is amply shown by the figures which I casually referred to during our conversation and which I now beg to confirm in the enclosed memorandum* showing the amount and value of Norwegian whale oil imported to this country and also the Norwegian and American statistics pertaining to our mutual trade relations. It will be seen that in 1931 whale oil represented more than 60 per cent of the value of goods which, according to American statistics, were imported

* Not printed.
from Norway. Permit me in this connection further to refer to the memorandum of August 22, 1933 20 which on said date was handed to the Department of State by the Norwegian Chargé d’Affaires Mr. Offerdahl.

That the effect of this new, prohibitive tax will be a deplorable one on Norwegian-American trade relations can not be doubted. The closing of the American market to one of our most important articles of export will be keenly felt by that section of our population which is dependent upon the whaling industry and on the export to foreign markets of the products of that industry. Their purchasing power will necessarily be reduced and the effect will undoubtedly be felt with regard to our importation from the United States which is dependent on a high standard of life, being made up by such goods as automobiles, gasoline, tobacco, fruits, etc. Let me mention particularly in this connection that, according to information submitted to me, the Norwegian whaling fleet has been using annually between 300,000 and 400,000 tons of fuel oil, mostly purchased from American firms. These purchases do not appear in the Norwegian import statistics, because the fuel oil is for the most part taken on outside of Norway.

In view of the severity of this new tax it is doubtful whether even a material reduction of the tax would be sufficient to allow Norwegian whale oil to regain its place in the American market. My Government feel therefore that in the interest of the mutual trade relations between our countries efforts should be made to reestablish conditions as they were before the imposition of the tax. My Government are familiar with the steps taken by the President of the United States with a view to inducing the Congress of the United States to reconsider the provision for a 3 cents per pound tax on coconut oil from the Philippine Islands, and it has occurred to my Government whether there might not be substantial reasons, in the interest of both our countries, for appealing to the Congress to take under renewed consideration also the prohibitive tax on what has until recently been one of the most important articles exported by Norwegians to this country.

I was happy to feel during our conversation that I may count on the same sympathetic attitude in this matter on the part of the Department of State which my predecessor always found, and that in this as in other matters pertaining to a free and active interchange of goods and services between Norway and the United States I shall have the privilege of your good will and cooperation.

I remain [etc.]

W. MUNTHE MORGENSTIERNE

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The Secretary of State to the Minister in Norway (Philip)

WASHINGTON, July 19, 1934—6 p.m.

12. We informed the Norwegian Chargé d'Affaires\(^{11}\) yesterday that, if agreeable to the Norwegian Government, we are prepared to enter upon reciprocal tariff negotiations with Norway upon the return to Washington of Mr. Morgenstierne in September. Meanwhile, we requested that the Norwegian Foreign Office complete the necessary studies covering their desiderata. As soon as we have been informed that this course of action is agreeable, we shall set up a Special Committee to prepare for the Norwegian negotiations.

We are anxious to keep this proposal confidential in order that if our points of view turn out to be too far apart to warrant the successful conclusion of an agreement, it may not appear that there has been an actual breakdown in negotiations.

You may, in your discretion, discuss the foregoing confidentially with the Norwegian Foreign Office.

In addition to your reports to date, please report by despatch for the consideration of the Committee referred to in paragraph 1, (a) any recommendations you have concerning the conduct of negotiations, (b) the essential concessions or commitments you feel we should ask for, (c) the concessions or commitments from us to which you feel Norway is going to attach the greatest importance, and (d) any other pertinent information you may have regarding Norwegian trade policy, commercial treaties either concluded or under negotiations with other countries.

HULL

Memorandum by the Acting Chief of the Division of Western European Affairs (Hickerson)

[WASHINGTON,] August 9, 1934.

Yesterday Mr. Offerdahl, the Norwegian Chargé, came in to see me and said that he had just received a telegram from his government inquiring whether the American Government would be disposed to carry on with Norway preliminary negotiations respecting the importation tax on whale oil. He stated that he understood preliminary negotiations to mean negotiations prior to regular negotiations looking to a trade agreement.

I told Mr. Offerdahl that I would make inquiries in the Department and give him an answer as soon as possible. This afternoon, after

\(^{11}\) Leonhard Offerdahl.
consultation with Mr. Culbertson and Mr. Grady. I called Mr. Offerdahl on the telephone and informed him substantially as follows: We are not yet in a position to say whether it is possible or feasible to deal with the three cent per pound tax on whale oil under the authority of the Reciprocity Tariff Act. Should it prove to be possible and feasible to deal with this tax we could make a reduction only in pursuance of a trade agreement; the maximum limit of such a reduction legally possible would be 50 per cent of the excise tax and of the regular import tax.

In the light of these facts we should appreciate receiving an elaboration showing what the Norwegian Government has in mind in using the term "preliminary negotiations".

Mr. Offerdahl said that he would telegraph the substance of this information to his government.

J[ohn] D. H[ickerson]

611.573/41

The Secretary of State to the Minister in Norway (Philip)

No. 259

WASHINGTON, October 10, 1934.

Sir: I enclose a copy of a memorandum of conversation held on October 4, 1934, between Mr. Francis B. Sayre, Assistant Secretary of State, and Mr. Wilhelm Munthe de Morgenstierne, Minister of Norway, in regard to whale oil.

This conversation brings up-to-date the attitudes of the two Governments on the subject referred to on the second page of your despatch No. 592 dated September 18, 1934. It is noted that while in Norway Mr. Morgenstierne had received the impression from reports by the Norwegian Chargé d'Affaires that favorable reception had been accorded here to Mr. Bachke's proposal of more than a year ago that we conclude a preliminary agreement regarding the importation of whale oil. For your information all such overtures have been met with refusal on the very reasonable grounds that we had no authority to conclude such an agreement. At that time the only tax on whale oil was a duty of six cents a gallon, but even this small duty effected a differential in favor of the duty free vegetable oils with which it competed in our markets. By the imposition in the Revenue Act of

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12 Paul T. Culbertson, Assistant Chief of the Division of Western European Affairs.
13 Henry F. Grady, special adviser to the Secretary of State, and Chief of the Tariff Section.
14 Approved June 12, 1934; 48 Stat. 943.
15 Not printed.
16 Halvard H. Bachke, former Norwegian Minister.
1934 of a tax (at the time of importation) of three cents a pound on whale oil, the total tax was increased to approximately twenty-four cents a gallon. But the processing tax of three cents a pound on vegetable oils served to hold the differential at approximately the same level. However, under the Tariff Bargaining Act we may reduce the total tax on Norwegian whale oil by 50 percent to approximately twelve cents, thus reversing the differential. This prospect has been explained to the Norwegian Chargé d'Affaires who seemed to be impressed with its logic and who stated that he would communicate the same to his Government.

For your information, shortly before this development the Chargé d'Affaires had indicated on more than one occasion that his Government probably would not be prepared to enter into negotiations unless some relief for whale oil were in prospect. He desired a statement from us, which could be used in Norway, that the Department would urge Congress to repeal section 602 of the Revenue Act of 1934, which imposes the three cents a pound tax. He hoped that a promise of this nature would have a good effect in Norway. By way of strengthening his case the Chargé d'Affaires informally stated, among other things, the following:

1. That the Norwegian whaling fleet, which ordinarily set out September first, had postponed its departure until December first to await our action. Probably 40,000 Norwegians were dependent upon whaling operations for their livelihood. This does not seem to reconcile with the statements made in your periodic reports dated July 18, 1934, (page 3) and August 16, 1934, (pages 10 and 11).\(^{18}\)

2. The Norwegian whaling fleet purchased directly from American tankers bunker oil valued at approximately $2,600,000 last year. With the loss of the American market for whale oil, this trade would probably go elsewhere.

We would appreciate timely reports from you on any phase of this question which may come to your attention.

Very truly yours,

For the Secretary of State:

FRANCIS B. SAYRE

611.573/42

Memorandum by the Secretary of State

[WASHINGTON,] October 11, 1934.

The Minister of Norway called and brought up the question of the United States tariff on whale oil, stating that his country was much disappointed about it. He said that their sales to the United States amounted to several million dollars annually and the producers of

\(^{18}\) Neither printed.
whale oil were among the important purchasers of American automobiles and other goods. I replied that the State Department had done all in its power to prevent the enactment of this measure and that we would watch every opportunity to secure its modification. He then inquired if it would not be possible under the treaty rights of Norway for my Government in some way to suspend temporarily the operation of the whale oil tariff? I told him I did not know, but that I and my associates would cheerfully investigate this point.

C[ORDELL] H[ULL]

611.5731/87

The Assistant Secretary of State (Sayre) to the Norwegian Minister (Morgenstierne)

[WASHINGTON,] October 11, 1934.

My Dear Mr. Minister: I regret that there has been delay in replying to your letter dated June 30, 1934, in regard to the tax on whale oil. The questions raised in your letter required considerable investigation.

In regard to the question of whether the tax on whale oil, imposed by Section 602 of the Revenue Act of 1934, is an internal tax or an import tax or duty, I quote below excerpts from a recent letter from the Treasury Department indicating that the tax was intended to be and has been adjudged by court decision to be a tax on importation.

"The Department has received your letter of August 14 (Le 611.5731/79), with enclosure of a copy of a note from the Norwegian Minister, in which he suggested that the tax of 3 cents per pound imposed on imported whale oil under section 601 of the Revenue Act of 1932, as amended by section 602 of the Revenue Act of 1934, is an internal tax, rather than an import tax or duty.

"The Minister concludes that, if the tax is an internal one, its imposition on oil imported from Norway, but not on like oil of United States origin, is in violation of Article VIII of the Treaty of Friendship, Commerce and Consular Rights of 1928 between the United States and Norway. You accordingly ask to be advised whether this tax on whale oil is administered and collected as an import tax or duty or as an internal tax.

"Section 602 of the Revenue Act of 1934, providing in part for a tax on the importation of whale oil (except sperm oil), contains an express provision that:

The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles after the date of the enactment of the Revenue Act of 1934."

"Not only does the tax apply only with respect to imports, but subsection (b) of section 601, Revenue Act of 1932, provides that the taxes provided for in that section, to which section 602 of the Revenue Act of 1934 is an amendment, shall be treated for the purposes of all provisions of law relating to the customs revenue, with certain ex-
ceptions not material to your inquiry, as a duty imposed by the Tariff
Act of 1930.\footnote{46 Stat. 590.}  
"That the tax is denominated a tax on importation, rather than a
duty, seems to be immaterial. The American courts in many instances,
several of which are cited in the case of Faber Coe & Gregg (Inc.) v.
United States, 19 C. C. P. A. 8, T. D. 44851, have held that taxes, how-
ever named, if imposed on imports while in customs custody, are cus-
toms duties.

"It follows that this Department holds that the tax on whale oil
in question is a customs duty for the purposes of all provisions of law,
including treaties of the United States, relating to the customs revenue,
except as specifically provided in the statute, and that the said tax is
not in any respect an internal tax."

I am [etc.]  

FRANCIS B. SAYRE

611.573/48

The Minister in Norway (Philip) to the Secretary of State

No. 529  

OSLO, October 17, 1934.  
[Received November 1.]

SIR: I have the honor to acknowledge the receipt of the Depart-
ment's confidential instruction No. 255 of September 25th last,\footnote{Not printed.} with
enclosures, which informed me of a conversation between Assistant
Secretary Sayre and Mr. Irgens of the Norwegian Legation, respect-
ing the relative duties on whale oil and palm oil.

As reported in my despatch No. 522 of September 18th,\footnote{Not printed.} I was given
to understand here by the Norwegian Minister to the United States
that the Department had seemingly indicated its willingness to take
up discussions with a view to effecting a preliminary agreement con-
cerning the import duty on whale oil in the United States, prior to
the opening of general reciprocal tariff negotiations with Norway.

The Department will be aware that whale oil constitutes the most
valuable Norwegian export to our country at present. The commodity
does not figure in the Norwegian official returns of Norwegian-American
trade, for the possible reason that it is transported direct from the
Norwegian floating factories in the antarctic to the United States. I
understand, however, from the statistics of our own Government that
Norwegian whale oil was received in the United States to the values

It would appear that whale oil is most largely consumed in the
United States for the manufacture of soap. One of the largest of
these manufactories, I believe, is operated by the Lever Brothers Com-
pany, a subsidiary of a British syndicate. It may be of some possible
interest in this connection to mention that, apart from the Norwegian whaling operations in the Antarctic, those conducted under the auspices of the British Lever Brothers Company are the most extensive.

It has been suggested to me in a report from our Consulate at Bergen that the Norwegian whaling fleet in the Antarctic purchases a considerable quantity of fuel oil of American origin for their expeditions. The approximate quantity mentioned as being acquired for use during a normal season is 400,000 tons, valued at from $2,000,000 to $4,000,000—depending upon current prices.

In view of the possibility that this fact might be brought forward by the Norwegian representatives in the tariff negotiations, for the purpose of argument, I have discussed it with the American Consul General in Oslo. Mr. Bevan is of the opinion that the tank ships which accompany the Norwegian whaling expeditions take in their cargoes of fuel oil at West Indian ports and that this oil, whether of American or British manufacture, is derived from South American sources and cannot, therefore, be classified as a product of the United States.

In my respectful opinion, such a preliminary agreement as has been suggested concerning our tariff on whale oil only should embrace a proportionate concession to American trade in Norway—say a substantial reduction in the Norwegian tariff on American automobiles, together with a guarantee of unrestricted importation of motor vehicles within the maximum quantity normally required for replacements. The existing restriction placed recently by the Norwegian Government on the importation of automobiles has given rise to the apprehension that a system of quota allotments may be established here. Under such a system, foreign competitors of the United States would acquire a right to a share of this trade which they are unable at present to gain in open competition. This is due to the popular demand in Norway for American automobiles, which in quality and price excel all medium-priced cars of foreign value.

Otherwise, I think our interests would best be served by the inclusion of whale oil, an item to which Norway attaches very great importance, within the scope of the comprehensive negotiations for a reciprocal tariff agreement with that country.

Respectfully yours,

Hoffman Philip

611.5731/102

The Minister in Norway (Philip) to the Secretary of State

No. 532  
Oslo, October 23, 1934.

[Received November 7.]

Sir: I have the honor to advert to the Department's cable instruction No. 12 of July 19, 6 p. m., and to my despatch No. 509 of August 11th
last, concerning the proposed negotiations for a reciprocal tariff with Norway.

I have postponed the completion of this comprehensive report in the hope that it might be possible to procure information of a more definite nature for the use of the Department's special committee than has been available to me.

Generally speaking my efforts in this direction have had a rather negative result. The members of the Norwegian Government who have been approached have been distinctly noncommittal in regard to Norwegian expectations as a result of the pending negotiations. An exception to this reticence may be noted in respect to the exportation of whale oil to the United States. On a number of occasions complaints have been voiced concerning our high duty on this commodity and the important bearing of the American market upon the future of this Norwegian industry.

The general impression I have gained here as to the prospect for a valuable reciprocal tariff adjustment with Norway has not been very satisfactory.

The European scramble for trade concessions by means of tariff bartering, enforced clearings, etc., now seems to have passed its most productive phase and in so far as Scandinavia is concerned, to have entered into that of squeezing out such trade assets and openings as may still remain disengaged.

The balance of trade between Norway and France, for instance, like that with the United States, is in favor of the smaller country. The result of this situation has led to the bartering by Norway of her free purchasing power under threat of exclusion by tariff restrictions from a market upon which it depends. In other words, Western Europe and Scandinavia would appear to be already pretty well tied up in a network of protective tariffs and resulting special trade agreements, which renders it problematical whether any extensive scope exists for the United States to achieve very advantageous tariff adjustments with these small countries in consequence.

Norway has been much engrossed in these European trade activities. Forced clearing agreements have been concluded by Norway of late with Germany, Greece and Turkey. Secret trade agreements have been negotiated with France and Spain. The commercial treaty with Portugal has been amplified by an additional article which guarantees a definite consumption of codfish and shipping advantages to Norway in return for import rights for a specified quantity of heavy wines to Portugal.

In my talks with Foreign Office officials they have alluded to these various international negotiations as having a more or less exclusive

\[22\] Latter not printed.
\[23\] British and Foreign State Papers, vol. cxxxvii, p. 870.
bearing on fish and wines only. And in the majority of instances this probably is the case.

With regard to the forced clearing agreement with Germany, Norway's stock on hand of whale oil, valued approximately at $7,500,000, is said to have been the medium of exchange as against prospective importations of German commodities of equal value.

It has been reported that Norway has, so far, been unable to arrive at an agreement this year with Soviet Russia for the disposal of its dried fish products under a forced clearing arrangement. This fact may have rendered the necessity for providing additional markets an urgent one.

It would seem probable that the agreement with Spain may chiefly involve an exchange of fish and wines, but this has not been made public here.

Similarly, the details of the trade agreement with France are not available. It is known that the French Government, during the past two years, has displayed a very insistent attitude in the matter of increased Norwegian consumption of French products on the ground that the balance of trade between the two countries is much in Norway's favor. I have been told by Norwegian officials that, as a result of this insistence, their Government has agreed to import increased stocks of French Cognac. The Legation, on several occasions during the period mentioned, has been called upon to make representations in regard to the tendency of the Norwegian Government to discriminate against American automobiles and motor trucks in favor of those of French manufacture. These difficulties have arisen in connection with public calls for bids by various governmental departments. The Legation has been reliably informed in certain instances that, in spite of lower bids having been handed in by the representatives of American companies, pressure had been brought to bear upon the departments concerned by the Foreign Office with a view to causing them to award the contracts to a French bidder.

Our Consul General in Oslo appears to be of the opinion that the Norwegian-French trade agreement embodies some special provision for the importation of French motor vehicles (Citroën), and that the existing restriction against the importation of motor vehicles may have been imposed by the Norwegian Government as a means of controlling this trade and of opening the market to motor vehicles from France and Italy without direct competition with those from the United States. Any such arrangement would doubtless be at the expense of the medium-priced American automobile, for which the popular demand is very great here and which under present conditions cannot be equaled as regards price and quality by those of European manufacture.
In connection with the subject of Norway’s trade commitments, I will mention that Japan has made strong representations here regarding the tendency to disregard Japanese imports. Japanese representatives have drawn attention to the trade balance in favor of Norway as indicated by the heavy foreign tonnage carried to Japan in Norwegian steamships. At the same time, the development of paper and rubber manufacturing in this country has elicited comment in that quarter.

Finally, no general consideration of the subject of reciprocal tariff negotiations with Norway can be undertaken without a realization of the strong international trade affiliations existing between that country and Great Britain.

In the course of a short visit to Oslo, Mr. Anthony Eden, Lord Privy Seal of the British Government, is reported to have spoken in the following terms on the 20th instant: “The two countries have many interests in common; their trade with each other has shown a satisfactory development of late. The ties binding the two nations are not merely of an industrial nature. Both peoples have a parliamentary government, both are democratic, both are members of the League of Nations, their Royal families are closely related; all these factors must contribute to maintain a true friendship and understanding. In these days when relations between nations are not so smooth we must be glad to speak of such a deep and serious friendship between two nations as that between Norway and Great Britain.”

Under the circumstances above mentioned it is impossible for me to conjecture what may be the extent of Norway’s liberty of action, or free purchasing power, and what advantages it would be in a position to offer in return for favorable tariff adjustments on our part.

Were it possible for our Government to propose simultaneous reciprocal tariff negotiations with all four of the Scandinavian Governments, this would seem to me a wise departure. By such means we might be in a position to accord to the reciprocal tariff movement a more extensive range than through the negotiation of separate agreements. At the same time, such a step might serve to open the way to a closer understanding and cooperation with the Scandinavian bloc, both as regards a realization of the President’s desires for basic international exchange of commodities and to other questions of international moment.

In reverting to the particular subject of this report, I may state that the popular trend in Norway is essentially nationalistic. The chief aim at present of those directing the commercial policies of this country seems to be to render it self-supporting and independent of outside necessities.
Possessed of an abnormally large merchant fleet, Norway derives extensive benefits, through its private shipping companies, as a carrier of other nations’ goods.

At home, everything possible is being done to supplant foreign products by those of domestic origin. For the rest, Norway is dependent upon foreign markets for the sale of the surplus products of its fisheries, its forests and, to some extent, of its mines.

I would have the Department’s committee, then, envision a stout, nationalistic-minded little country with an equable population of frugal, hard-headed folk, temperamentally ready to make great sacrifices for a matter of conceived principle or injustice, but generally amenable to reason in important questions if approached with tact and intelligent consideration.

In its foreign outlook, I should say that Norway attaches the greatest value to its trade relations with Great Britain. The latter undoubtedly enjoys the greatest prestige here of all the foreign nations. The fact that the Queen of Norway is a sister of the King of Great Britain may contribute to this sentiment but, I should say, to no great extent.

Economically, Great Britain might be described as Norway’s model. The business connections and trade understanding of Norway with that country are more intimate than with any other. One of the primary causes for this international confidence is the fact that Great Britain continues to be a regular customer for an important quantity of the Norwegian annual catch of edible fish.

With this exception, Norway does not seem to cultivate any notable international affiliations.

As an indication of the Norwegian attitude toward the importers of foreign goods, I may mention that under Norwegian law no foreign company is permitted to operate in this country. Foreign travelling salesmen are obliged to procure Norwegian trading permits and are prohibited from selling to the retail trade. Armed with such a permit, which is obtained with considerable difficulty, an American salesman may only visit wholesale houses to receive orders for American goods. Under these conditions American trade in Norway is largely in the hands of Norwegian agents.

Many complaints have reached me also regarding the tendency of the Norwegian authorities to make arbitrary rulings with respect to the unfair re-classification of articles of import which subjects these to heavier duties than necessary. One such case that I recall involved the re-classification of “fox food” (an American preparation used in raising valuable foxes). This preparation was arbitrarily placed in the same category as canned human foods which carry a prohibitive
duty. Thus, the importation of this article was stopped, presumably to the advantage of domestic competitors.

Further handicaps to the foreign importer are due to restrictions which are seemingly imposed not only for the protection of domestic industries but to enable the Norwegian Government to control and apportion the volume of certain imports and to employ them as assets in its tariff negotiations with Foreign governments. The restrictions alluded to include prohibitions, quota allotments, import licenses, etc.

Some of the restrictions which are now in force are the following:

1) Living, fresh or so-called light salted fish, or of shell fish, excepting live shell fish, is prohibited.

2) Pork and lard is subject to prohibitive duties. (Note. Although these products were imported from the United States in large quantities in post war years, Norway now has developed a domestic supply more than sufficient for the country's requirements.)

3) Butter is prohibited.

4) Oregon pine plywood is permitted only under special import license for insufficient quantities annually. (Note. This American product is in very great demand in Norway. It cannot justly be said to compete with Norwegian plywood for special work owing to the superiority of the American wood and the excellence of its manufacture).

5) Motor vehicles and chassis of all kinds are prohibited except under import licenses issued by the Norwegian Department of Commerce. (Note. It is apprehended that this, the most valuable article of import from the United States, may ultimately be subjected to the application of the system of quota allotments to the various exporting countries; and that the average for such quota allotments may be drawn from the import statistics for years unfavorable to the United States. In any event the restriction of this trade, whether by the license or the quota systems, will in effect enable the Norwegian Government to allot to competing nations, in return for reciprocal favors, a portion of this trade which in all probability would be assimilated by the United States did the importation of motor vehicles remain open to unrestricted foreign competition).

6) Rubber footwear is subject to quota allotments based on the average of imports during years not wholly favorable to the United States.

(Note. Several representations were made by the Legation to the Norwegian Government, prior to the final decision by the Commercial Committee of the Storting, with a view to having these quota allotments based upon the average statistics of years more favorable to American rubber footwear imports than those chosen. Under the
conditions now existing, the matter is not one which greatly affects American interests owing to the ability of Japanese, Czechoslovakian and other exporters to undersell those of the United States.

7) Apples and pears is subject to an excessive duty from August 1, to January 31, which has the effect of reducing the imports of American apples to a minimum during the height of the American apple season.

(Note. The duty on apples and pears amounts to Kr. 0.72 per kilogram from August 1, to January 31, and to Kr. 0.86 per kilogram from February 1, to July 31. As the year 1933 was an exceptional one for fruit in Norway, the period during which the high rates were effective was extended to February 18, by special ruling of the Storting. The Consul General in Oslo remarks that the policy of placing the high duty on apples during the fall and early winter discriminates against the United States in favor of Australia and South Africa, where the fruit seasons vary from those of the United States.

8) Flour is controlled by a Norwegian Government Monopoly.

(Note. This trade has been an important one for the United States for the past thirty or forty years. Owing to the development of Norwegian milling plants and other causes it is considerably diminished, but it is still valuable. The principal flour exporting companies, of which there are but two of outstanding foreign reputation in the United States, complain that the monopolistic regulations prevent them from exporting their flour to Norway under their own trade marks, or “mill brands”. This obligation is regarded in the light of a prejudice to their foreign trade interests. I understand that the companies principally affected hesitate to request our Government to negotiate for a restitution of their right to export under their individual trade marks owing to the apprehension that the Norwegian Government would discontinue their dealings with them and transfer their orders to other producers who would agree to supply flour under the mark of the Norwegian monopoly.)

Referring to the instructions embodied in the last paragraph of the Department’s cable No. 12 above-mentioned, I beg to report as follows:

(a) I should judge that the Norwegian representatives for the proposed negotiations will be in possession of very clear instructions as to the trade advantages desired by their Government. Presumably our own Government would not find it difficult to meet these proposals should adequate return be forthcoming.

Just to what extent the Norwegian Government has been left free by its prior trade commitments with other nations to accord such tariff concessions as we may wish, is largely a matter of conjecture.

For this reason it would be of primary importance to obtain from the Norwegians, if possible, a frank statement as to their Government’s position in this regard.
As a preliminary to the proposed negotiations, it would be of special interest to receive full information respecting the recent trade agreement with France, the provisions of which have not been made public.

In connection with the general subject of tariff adjustments, the Consul General in Oslo draws my attention to the great importance of giving full consideration to the competitive strength of American exporters to Norway and of Norwegian exporters to the United States, as compared with that of their competitors in other exporting countries. He states that: "It would be absurd for the American Government to obtain a tariff reduction in Norway on a commodity for the benefit of American exporters when it would enable manufacturers in other countries, under most-favored-nation treaties, to obtain the major benefit therefrom."

Such a situation would arise in respect to an American commodity which, due to the greater cost of freight, or of production, could not favorably compete in this market with a similar article of foreign manufacture. A case in point would be that of rubber footwear, alluded to above.

(b) In approaching the subject of commitments, or concessions, to be requested by us from Norway, I beg to call attention to a factor which has a decided bearing upon the shrinkage of our trade with this country.

As a result of the food shortage in Europe in post war years our exports of wheat, pork and other food products showed unusual gains. For instance, in 1925 and 1926, imports from the United States comprised over 14 per cent of the entire import trade of Norway, whereas in the year 1933, this proportion had dropped to 6.9 per cent.

From the year 1929, to 1933, there was a great overproduction of wheat in the world and the abundance of grain in European markets has enabled Norway since then, to purchase its requirements from Russia, Germany, and even from France at lower prices than could be obtained in the United States. Also, under a Government monopoly established some years ago, Norway has greatly increased the domestic milling of flour which has had the effect of reducing the former large imports of that commodity from the United States.

I may add that one of the results of this monopoly is that it is impossible to obtain really fine flour in Norway today.

With regard to the pork products, Norway has practically ceased to import these, owing to the extraordinary increase in domestic production.

Thus, it will be seen that the very sharp decline in our export trade to Norway must be partially attributed to causes which it could not be expected to adjust by means of a reciprocal tariff agreement.
Another important factor affecting this trade of late years has been the exchange situation.

During the latter part of 1931, the whole of 1932, and the first half of 1933, American manufacturers were unable to compete with those in European countries where the gold standard had been abandoned.

Since the depreciation of our dollar, there has been indicated a corresponding demand for American goods, and it is highly probable that the gross percentage of our trade with Norway during the current year will display very important gains.

The balance of trade between the two countries is now considerably in the favor of Norway.

The following American exports to Norway are admitted free of duty and, therefore, do not call for additional remarks here: Grain, petroleum and petroleum products, raw cotton, welded pipes and copper wire.

Among the most important articles of export from the United States to Norway are the following:


Of all American exports to this country, motor vehicles and accessories constitute the most important group. They are well known to Norwegians and enjoy exceptional popularity in the country. This applies chiefly to medium-priced passenger automobiles and the well known makes of motor trucks.

It does not seem too much to say that, so long as fair and unrestricted competition exists in this market, the American motor vehicle will maintain its supremacy over all others on a basis of quality and price. As an indication that this item of trade was able to maintain its great supremacy in spite of the disadvantages accruing from unfavorable exchange conditions, I may note that the total number of automobiles imported into Norway during the years 1929–1933, inclusive, was 23,843. Of this total 20,601, or 86.4 per cent were of American manufacture.

Similarly, during the first seven months of 1934, American cars showed an average of 84 per cent of the total number imported.

Should this trade remain unrestricted it is more than probable that the percentage of American automobiles imported into Norway will attain, during the current year, the figure of 90 per cent (or even higher) of the total of importations.

The Department has been informed that the Norwegian Government suddenly prohibited the importation of motor vehicles, as from September 5, 1934, except by special import license. Up to the date of this report these licenses have been granted freely.
This step has occasioned much comment here. In some quarters it has been attributed to tactical motives on the part of the Government in view of the prospective tariff negotiations in Washington. But the more general feeling among the importers is one of apprehension that it is but the forerunner of other restrictive measures. The quota principle is what is most feared, especially as there seems to be a general impression that allotments under this system would be based upon averages drawn from statistics for the years 1932, or 1933. These years would be unfavorable to the American automobile in that the gold dollar prices then existing were responsible for a falling off of sales.

A further disadvantage to American automobile manufacturers in the application of the quota principle has been mentioned to me by the European representative of one of these companies. He said, in effect, that whereas the current importations indicate that the share of this trade now in the hands of all non-American manufacturers averages approximately 10 per cent to 15 per cent of the total number imported, under the quota system, he estimates that the foreign competitors would be accorded the right to import approximately 80 per cent, or more—the increase being at the expense of the American exporter.

An interesting feature of the American imports of motor vehicles is that a large proportion of these are shipped into Norway from other countries than the United States. During the first half of 1934, for example, 822 American automobiles were shipped to this country from American assembling plants in Denmark, as compared with 575 direct shipments from the United States. There were also during this period 73 motor cars imported from an American assembling plant in Germany. The Consul General in Oslo remarks, in regard to the possible enforcement of the quota principle, that it will be interesting to know what attitude the Norwegian Government will take in connection with the importation of American automobiles from Denmark, England and Germany. He adds that during the year 1933, there were approximately 1800 second hand American cars imported from Great Britain and, approximately, 300 from Germany, as against direct shipments of only 175 from the United States. Should the Norwegian Government use these statistics as a basis for arriving at quotas, Denmark and Great Britain probably would be allotted larger quotas than the United States.

The Consul General has stated also that he is in receipt of persistent reports to the effect that the French and Italian Legations in Oslo are bringing strong pressure to bear on the Norwegian Government with a view to the allotment of large quotas to the manufacturers of motor vehicles in the respective countries.
The existing duties on passenger automobiles, trucks, motors, automobile accessories and equipment are very high. The internal luxury tax on high-priced passenger automobiles is excessive.

Norwegian officials have stated to me that their Government's chief aim in imposing these high rates is to limit both popular extravagance and the number of motor vehicles—those now in use being more than the narrow roads of the country can accommodate.

It appears to be the consensus of opinion among the leading representatives of American automobile companies in Oslo that a 50 per cent reduction in the existing duties on passenger automobiles, trucks, motors, automobile accessories and equipment would be most advantageous to exporters and consumers alike. I understand that American manufacturers would derive the greatest benefits from such a tariff reduction, although the French Citroën Company and the Swedish Volvo Company also would gain considerable advantages therefrom.

The local dealers who have conferred with our Consul General are of the opinion that the increase in imports of passenger cars would not exceed 25 per cent, as a result of the above tariff reduction, but that there would be a much greater increase in the imports of accessories, due to the relatively large number of second-hand American passenger cars which were imported during the years when the dollar was quoted at from Kroner 5 to Kroner 6. I believe that the importation of second-hand cars is now largely discontinued.

I have been given officially to understand that the Norwegian Government is determined to check the present inclination on the part of the people to invest heavily in passenger automobiles.

At the same time I have been assured that the Government has no intention of discriminating against American motor vehicles, or of obstructing importations which do not exceed a reasonable quantity to be determined by an estimate of annual requirements for replacement purposes based on the total number of cars now employed in Norway.

I would suggest, then, that the Department's committee endeavor to arrange (1) for a reduction of approximately 50 per cent in the Norwegian duties on passenger automobiles and trucks, and a comparatively smaller reduction on motors, automobile accessories and equipment; (2) for the removal of all restrictions upon such importations and the assurance of fair and open competition among foreign manufacturers; and (3), in the event that the Norwegian Government should decide, nevertheless, to subject this trade to the principle of quota allotments based on the average of importations from the various interested countries, that positive guarantee be obtained from it that such averages will be calculated from statistics compiled from the returns of importations of motor vehicles by their trade names and
countries of origin, and not merely as importations from the country in which is situated the port of direct shipment to Norway.

**Apples and Pears.**

The Norwegian duty on apples and pears amounts to Kr.0.72 per kilogram from August 1, to January 31, and Kr.0.36 per kilogram from February 1, to July 31. (Note. In 1933, when there was a record crop of fruit in Norway, the high duty period was prolonged by the Storting to February 18, for the protection of the domestic fruit.

The climate of Norway is not adapted to the extensive cultivation of apples and pears. A good crop of apples is rarely produced oftener than once in five years in this country.

This excessive duty has the effect of reducing the importation of American apples to a minimum during the height of the season in the United States. At the same time it affords a distinct advantage to apples produced in Australia and South Africa where the seasons are the opposite to those of the United States.

The fruit from the antipodes has begun to appear in the Norwegian market during the early part of March direct from the orchards, whereas the American apples must be held in storage several months before sale.

It may be of interest here to note that the duty on apples in Denmark amounts to but Kr.0.05 per kilogram and in Sweden to Kr.0.20 per kilogram during the Swedish apple season, and to Kr.0.10 during the rest of the year.

In 1933, American apple exporters controlled but 50 percent of the Norwegian foreign market, whereas in the previous three years they averaged slightly over 65 per cent of the total of importations.

In his report to me the Consul General in Oslo remarks upon the great contrast to the high duty on apples and pears as compared with the nominal duty of Kr.0.02 per kilogram on citrus fruit.

The Norwegian citrus fruit market is largely controlled by exporters in Palestine and in Spain. Only a small quantity of California and Florida grape fruit and oranges is imported, after the Jaffa and Spanish crops are exhausted.

The Consul General is of the opinion that the Norwegian fruit growing industry would not be greatly affected by a drastic reduction in the existing duties, although as a result of this protection they now obtain excessive prices for indifferent fruit. The result is that the Norwegian public now consumes about three times as many Jaffa and Spanish oranges as would be the case if American apples were available. The present exorbitant rate of Kr.0.72 renders it possible for only the wealthier classes here to purchase American apples, which are regarded as a luxury in Norway.
In consideration of the above, I strongly recommend the making of every effort to bring about a reduction of at least 50% in the existing Norwegian duty on apples and pears.

**Canned Fruits.**

With regard to this commodity the Consul General in Oslo reports as follows: “A duty of Kr.1.08 per kilogram is collected on canned fruits and vegetables. The exports of canned fruits from the United States have declined steadily during the past decade on account of these exorbitant duties, which amount to considerably more than the actual cost of the goods themselves. It is believed that if these duties could be reduced to 50 per cent of the present rates, the imports from the United States could be greatly increased. At the present time 75 per cent of the canned goods imported in Norway are shipped from the United States.”

**Office Equipment.**

It would seem that the Norwegian duty of 18% ad valorem is higher than necessary in this category. Should a reduction be effected, the importation of American typewriters, adding machines, steel furniture and filing equipment would benefit to a very considerable extent. There is no competition with Norwegian products here. American manufacturers have controlled approximately 65 per cent of the Norwegian market for office equipment during the past four years and, owing to the recognized superiority of the American products, European manufacturers have been unable to offer very serious competition.

**Oregon Pine Plywood.**

As mentioned above, the Norwegian Government has prohibited the importation of this American product. The probable reason back of this prohibition is the desire to protect the interest of Norwegian manufacturers.

Some two years ago this Legation ascertained that import licenses had been granted by the Government to Norwegian importers of Finnish and German plywood. At the same time applications for such licenses to import Oregon plywood had been refused. As a result of the Legation’s representations licenses have been granted for small quantities only of the American product. The Legation has been reliably informed that owing to the quality of the wood (which does not seem to be obtainable in Norway), the great superiority of the manufacturing process, and its reasonable price, Oregon plywood is in very great demand here, as elsewhere in Europe, for certain finer classes of building work. Very large quantities of Norwegian plywood are consumed here for ordinary work and, I believe, that the importation of the American product would not interfere to any great degree with this domestic trade.
I am under the impression that an agreement which would cause the Norwegian Government to rescind its prohibition and which would assure the unrestricted importation of Oregon pine veneer into this country would prove of very considerable advantage to American exporters of this product, and to the Norwegian importers as well.

Cotton Garments.

I am informed that the existing Norwegian duty on cotton (unstarched) shirts, cotton overalls, cotton gloves (for workers' and machinists' use), etc., is an unreasonable one. It appears that these cheap articles have been unfairly classified under the Norwegian tariff.

I would therefore recommend that an effort be made to have the duty on these articles lowered, in the belief that such action would materially increase the trade here of the manufacturers of such cotton articles in the United States.

(c) As I have indicated above, the chief interests of Norway in its export trade with the United States are derived from its fisheries, its forests and, to a lesser degree, its mines.

From the scanty information obtainable here respecting the tariff concessions from the United States to which Norway would attach importance, I should judge that a reduction in the duty on whale oil would in all probability receive foremost consideration.

Every effort is likely to be made by Norway to obtain the consent of our Government to the admission of this product free of duty and taxes. To this end the following suggestions probably will be advanced and be supported by the manufacturers of soap in the United States. Attention probably will be called to the fact that should the present high duty on whale oil be maintained by the United States other markets for this product will be sought among the European margarine and soap factories. On account of the consequently depreciated prices for whale oil, these factories would find it more advantageous than other oils and fats—thus largely replacing the American cotton seed oil, lard, edible tallow, etc., which are now depended upon.

To avoid such a contingency, and at the same time to permit the entry of whale oil into the United States free of duty and taxes, it may be suggested by the Norwegian representatives that the oil be denatured under the supervision of the United States Customs authorities—thus eliminating it from competition with edible oils produced in the United States and at the same time placing it on a parity with other oils (palm oil, palm kernel oil, etc.) introduced into the United States for the manufacture of soap. Palm oil enters the United States free of duty and palm kernel oil, after being denatured for technical uses, is also entered without duty. As a further argument in support of their request, it is possible that the Norwegian representatives at
the reciprocal tariff negotiations would cite the alleged purchases of American fuel oil by the Norwegian whaling fleets.

The bulk of the whale oil is delivered in continental Europe, in England, and in the United States. Whereas, in Europe, most of the whale oil is used as raw material for margarine, and a portion as raw material for the manufacture of soap, in the United States its use is practically devoted to the latter purpose. In the United States it is first refined, and the refined product employed to supplement other supplies of fats and oils in the process of soap manufacture.

The most important consumer of whale oil abroad, in the past, has been the British firm "Unilever", which has used the oil in its factories in England, on the continent and in Norway.

The only buyer of any importance in the United States is understood to have been the Procter and Gamble Company.

The above suggestions as to the probable Norwegian attitude in the matter of whale oil have been drawn from a report by our Consul in Bergen. I have been confidentially informed that the Consul has been advised by the representative of Procter and Gamble Company in Bergen respecting the whale oil situation.

This report also states that the Norwegian whaling industry takes the position that the new tax imposed upon whale oil by the Revenue Act of May, 1934, violates Article 8 of the Treaty of June 5, 1928, between the United States and Norway.

Sardines.

The Norwegian sardine canning industry, inclusive of packing employees and fishermen, supports, perhaps, a larger number of families than does any other one industry in the country. This constitutes one of the chief items of export to the United States. As the United States provides the largest market for this product, it is probable that an effort will be made to have the duty on it lowered. I understand that Norwegian canners and exporters of sardines feel that an eventual reduction in our duty of at least 50% would greatly improve their chances to regain the ground lost in recent years by Norwegian sardines in the American market.

Stockfish.

I am informed that the importers of round, or Italian, and split stockfish are very desirous of obtaining a reduction in the duty now in force in the United States. This it is thought would offset the gradual decline in the American demand in recent years.

It is said that Bergen exporters are planning a campaign of advertising propaganda in the United States in favor of increased consumption of stockfish and that they will ultimately endeavor to oblige the Norwegian Government to assist them in their demand for a reduction of duty.
The Consul in Bergen suggests that this item may probably have a certain bargaining value in the prospective trade negotiations. In this connection, his report explains that the market for stockfish in the United States is largely dependent upon the Italian and Norwegian immigrant classes, which are decreasing rapidly. Moreover, the report suggests that American interests are not likely to fear any harmful competition in this category.

(d) I have alluded in the first pages of this despatch to Norway’s trade policy as indicated by its recent trade engagements with other countries. Rumors of additional forced clearing agreements have reached me. Certainly the renewal of such an arrangement as this with Soviet Russia has been under consideration and would be welcomed here. Under the circumstances, it is difficult to surmise the extent of free purchasing power remaining at the disposal of this Government for reciprocal concession in the negotiation of a satisfactory agreement as to mutual tariff adjustments with the United States.

Moreover, there seems reason to assume that the Norwegian departments of Treasury and Commerce are imbued with ultra-nationalistic motives in foreign trade questions, and that, where departures are made from this policy, they are ordinarily the outcome of outside pressure—economic or commercial. I do not mean to imply by this that Norway is amenable to high-handed methods, for I can cite no example of a people at once more characteristically independent and stubborn than are the Norwegians. In fact, to judge from opinions expressed by several of my European colleagues, Norway has the reputation in Europe of being an exceptionally difficult country with which to negotiate reciprocal agreements on tariff and similar questions.

It will be realized, however, that, in the vortex of European international existence, a young and small nation, in order to maintain complete independence, must not only drive hard bargains but also be in a position to reciprocate past favors or even goodwill on the part of powerful neighbors.

It is my conception that the powerful neighbors in the case are never backward in claiming recognition for assistance rendered in the past and that this usually implies demands for trade openings in the market of the smaller nation. Norway, in my opinion, is to a certain extent in such a position. It is obliged to dispose of its surplus products, which in the main are not greatly required in the United States, and is obliged also to conserve its international relations by certain trade concessions under threats of tariff exclusion. Frequent protests are made to me here by officials, from the Prime Minister down, against the vicious practice of raising tariff barriers in Europe and the desire of Norway for free trade or its equivalents. But the situation being as it is, Norway obviously must do the best it can under the circumstances.
Our Government is without any special assets, of which I am aware, in this game of trade inducements—even should it wish to exert pressure of this kind. It will be necessary therefore to approach the negotiations for a reciprocal tariff with complete frankness on both sides. One knows that the Norwegian Government particularly desires an open American market for whale oil free of duty and taxes, a reduction of our duties on sardines and possibly other commodities. It remains for Norway to state just what concessions to American trade it is able to make in order to achieve these ends.

I beg to state in conclusion that the published report of Norway's trade situation for the month of September, 1934, indicates a marked increase of imports over exports. This increase is announced as being eleven and a quarter million Kroner, or a gain in imports over exports of eight and a half million Kroner from the corresponding month of September, 1933.

In the preparation of the above comments, I have relied extensively upon reports made to me by our Consul General in Oslo and the Consul at Bergen. Copies of the reports in question will be transmitted to the Department should they be required.

Respectfully yours,

Hoffman Philip

611.373/57

Memorandum by the Secretary of State

[WASHINGTON,] December 21, 1934.

The Minister of Norway called and made special inquiry about the plan or program of this Government relative to reducing the import burdens on whale oil from Norway. I replied that I myself and my associates were earnestly striving to make progress in that direction; naturally, that the United States, like most countries, had been in the grip of the most extreme economic isolation sentiment imaginable; that it had for some time been impossible to liberalize our commercial policy to the most minute extent; that now we were undertaking to do so to the extent that we could educate and organize public sentiment to support us; that we had in mind the possibility of a 50% reduction in the present rates on whale oil and also other relief that might be feasible as soon as public sentiment, as stated, would tolerate or support such step or steps.

I invited the Minister to keep in touch with myself, Dr. Sayre and Mr. Grady, from month to month, and stated that we would frankly keep him advised as to developments, including the extent to which we might go forward with this matter within a given period of time.

The Minister handed me a note on the clearing agreement between his country and Germany. He stated that his country was obliged
to buy enough additional goods from Germany above what it had been buying, regardless of whether it needed or wanted them, to make possible the payment of debt service and merchandise balances, including that on account of sales of whale oil. The note on that subject is attached hereto.\textsuperscript{24} C[ORDELL] H[ULL]

\textit{The Norwegian Legation to the Department of State}

It is daily becoming more evident that the exclusion of Norwegian whale oil from the American market is having very unfortunate effects. As a direct result of the prohibitive importation tax on whale oil passed in May this year\textsuperscript{25} Norwegian-American trade is being diverted into other channels.

Instead of Norwegian whale oil, a well-established article on the American market, there is being imported into the United States unprecedented quantities of tallow from other foreign countries.

At the same time Norway, the American market being closed to her, has been forced to find an outlet for the whale oil in new markets. During the last few months we have sold to Germany whale oil for more than 30 million kroner and products of whale oil (solidified oil) for further 8–10 million kroner. In addition to this, large quantities of whale oil has been exported to Germany in direct exchange for German goods.

In connection with the above mentioned export of whale oil and products to a total value of almost 40 million kroner, a clearing agreement has been concluded with Germany according to which the payment for the whale oil shall be made gradually through said clearing. The balance is at present 4 million kroner in Norway's favor, and it is being examined how additional Norwegian orders can be placed in Germany to liquidate this favorable balance. This is the only possible way for Norway to obtain payment as German currency is not available, due to exchange restrictions.

If no change is made with regard to the exclusion of Norwegian whale oil from the American market, there is much reason to fear that this situation will continue and even develop still further during the coming season: Norway will be compelled to sell her whale oil to Germany, and in exchange to increase, abnormally and artificially her purchases of German goods. It is unavoidable that in this way Norway, much against her natural inclination, will be driven by circumstances to substitute to a large extent German goods for those she has been accustomed to buy from the United States.

[WASHINGTON,] December 21, 1934.

\textsuperscript{24} \textit{Infra.}

\textsuperscript{25} 48 Stat. 762.
The Secretary of State to the Norwegian Minister (Morgenstierne)

WASHINGTON, January 3, 1935.

Sir: As I informed you on the occasion of our recent conversation, I have conveyed to the Treasury Department the substance of your letter dated October 25, 1934, which was in further reference to the question of the tax on whale oil imposed under Title IV, Section 602, of the Revenue Act of 1934.

Supplementing its letter dated August 31, 1934, the Treasury Department has recently addressed a further letter to the Department on this subject, from which I quote the pertinent portion:

"The Minister refers to excerpts from the letter of this Department, addressed to you on August 31, 1934, which you quoted to him, and sets forth new contentions in support of his representations that the tax in question should be construed to be an internal tax and accordingly not applicable to Norwegian whale oil in view of Article VIII of the Treaty of 1928 between the United States and Norway.

"The first contention of the Minister is that the provisions of section 602 of the Revenue Act of 1934 that "The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles after the date of the enactment of the Revenue Act of 1934," does not restrict the application of the tax to importations, but merely stipulates a time after which the tax shall apply on the imported articles. His second contention is that the titles of Title IV and of section 601 of the Revenue Act of 1932 establish the nature of the tax in question as an internal tax rather than a customs duty.

"The parts of section 601 of the Revenue Act of 1932, as amended, which are material to the first contention of the Norwegian Minister, are as follows:

"Sec. 601. Excise Tax on Certain Articles.

(a) In addition to any other tax or duty imposed by law, there shall be imposed a tax as provided in subsection (c) on every article imported into the United States unless treaty provisions of the United States otherwise provide.

(b) The tax imposed under subsection (a) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that—

(3) such tax shall not be imposed upon any article [imported] prior to the date on which this title takes effect;

(c) There is hereby imposed upon the following articles sold in the United States by the manufacturer or producer, or imported into the United States, a tax at the rates hereinafter set forth, to be paid by the manufacturer, producer, or importer:

(8) Whale oil (except sperm oil), fish oil (except cod oil, cod-liver oil, and halibut-liver oil), marine animal oil, and any combination or mixture

26 Not printed.
27 See communication of October 11 to the Norwegian Minister, p. 653.
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containing a substantial quantity of any one or more of such oils, 3 cents per pound. The tax on the articles described in this paragraph shall apply only with respect to the importation of such articles after the date of the enactment of the Revenue Act of 1934, and shall not be subject to the provisions of subsection (b) (4) of this section (prohibiting drawback) or section 629 (relating to expiration of taxes).

"It is not necessary, for the purpose of disposing of the Minister's contention, to discuss whether these quoted provisions of law impose an excise tax upon whale oil which has not been imported into the United States, as the Minister seems to believe. They unquestionably impose upon imported whale oil, unless treaty provisions of the United States otherwise provide, a tax which 'shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that the tax on whale oil shall not be imposed upon any article imported prior to the enactment of the Revenue Act of 1934.'

"In accordance with section 601 (b) of the Revenue Act of 1932 and the provisions of the Tariff Act of 1930, the tax on imported whale oil is imposed while the oil is in customs custody. Therefore, following the plain language of the statute, this Department adheres to the opinion it expressed in its letter to you of August 31, that the tax on the whale oil in question is a customs duty for the purposes of all provisions of law, including treaties of the United States, relating to the customs revenue, except as provided in the statute, and that the said tax is not in any respect an internal tax.

"It is well established in our law that the titles of a statute can not control or vary the plain and unambiguous meaning of the body of the statute (Cornell v. Coyne, 192 U. S. 418, 430; United States v. Movayas et al., 42 Fed. (2) 743, 744). Moreover, in the case of Faber, Coe & Gregg (Inc.) v. United States, 19 C. C. P. A. 8, T. D. 44851, cited in the Department's letter of August 31, the United States Court of Customs and Patent Appeals held that taxes imposed on imports while in customs custody, regardless of how they might be designated by the Congress, were customs duties. These considerations, as well as those mentioned with reference to the first contention, appear to dispose of the Minister's second contention."

Accept [etc.] For the Secretary of State:  
Francis B. Sayre