

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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File

Office Correspondence

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To Chairman Eccles

Subject: Announcement by Commerce Department concerning new policy for allocating export licenses among U.S. exporters

From Mr. Knapp

AK

Attached is the Commerce Department's recent announcement concerning its new policy for allocating export licenses among U.S. exporters, which I referred to in our telephone conversation yesterday morning.

Hitherto the Commerce Department has distributed export licenses among U.S. exporting firms on the basis of their participation in the export trade in prewar years (with, however, some allowance for newcomers, especially veterans).

The Commerce Department has now, somewhat belatedly, come to the conclusion that "it is appropriate to encourage wider competition in the export trade", and its new policy will be to allocate export licenses with a view to minimizing "demand on scarce dollar exchange". In other words, the Commerce Department, in consultation with the government of the importing nation, will try to allocate export licenses to exporters offering goods at the lowest prices. It is hoped thereby to put an end to the "export profiteering" which was encouraged by the former system.

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OIT--70

For immediate release
December 30, 1947

A new export license policy, effective January 2, 1948, was announced today by the Department of Commerce through its Office of International Trade.

Under the new procedure, OIT will grant export licenses for most controlled commodities on the basis of the lowest price for comparable merchandise and similar conditions of supply. This will permit wider competition in the export trade and will aid importing nations in conserving scarce dollar exchange. Senate Joint Resolution 167, signed by the President today, authorizes the use of price criteria in the licensing of exports. In the past, export licenses have been issued to exporters largely on the basis of their pre-war historical participation in export trade.

The Department of Commerce, in formulating its new licensing policy, recognized that during the two years since the end of the war, exporters have had ample opportunity to recover their pre-war trading position in the export market. The Department believes it is now appropriate to encourage wider competition in the export trade.

Under the new policy, export licenses will be approved which OIT and the government of the importing nation determine will make the least demand on scarce dollar exchange. Generally, this will mean approval of those licenses which show the lowest export price for comparable merchandise and similar conditions of supply.

In applying the new license formula, OIT will seek to favor maintenance of private trade channels over procurement and exports by foreign government missions in the United States. Unless required by urgent considerations of U. S. foreign and domestic policy, most of the export trade in controlled commodities will be conducted between private exporters in the United States and private importers abroad. In certain special circumstances, an importing government will be permitted to designate a government agency as the consignee.

Importing governments will be invited to recommend to OIT approval of those export license applications which will represent the least drain on their dollar resources. Such recommendations will be considered as a major factor in the approval of license applications. If the authorized representative of the importing government makes no recommendation, export license applications will be considered for approval by OIT on the basis of competitive export prices. For many commodities the end use abroad will remain the principle criterion in licensing. However, when license applications for these commodities exceed the available quota, approved applications will be distributed among applicants in accordance with the competitive criteria.

Exporters will be required to submit with their applications evidence of accepted firm orders for merchandise. This information must include specifications for commodities and the total price which an exporter will receive for the shipment. Where the normal trade practice in a commodity precludes the establishment of a firm export price at the time of acceptance of the export order, applications must contain a statement of the manner in which the price will be determined.

Although it is the policy of the Government to favor the restoration of international trade through private channels, foreign purchasing missions now established here may continue limited procurement activities. However, the missions will be required to demonstrate to the satisfaction of OIT the competitive nature of their procurement. The necessity for procurement by foreign purchasing missions will be subject to continuous review.

For the first quarter of 1948, the new export license policy will be applied to a selected list of those commodities now under export control, including all food and agricultural supply commodities, all chemicals and drugs except streptomycin, all steel products, coal and coke, and certain wood products. (For complete listings of the selected commodities controlled under the new price criteria policy, refer to Current Export Bulletin No. 431.)

All pending export license applications for the selected controlled commodities listed above will be returned, if necessary, to the applicants for resubmission along with the required information on price and acceptance of a firm order. In order to obtain consideration for first quarter quotas, all export license applications for the listed commodities, including re-submissions, should be filed on or before January 23, 1948.