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GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
EIGHTH SESSION

SUMMARY RECORD OF THE TWELFTH MEETING

Held at the Palais des Nations, Geneva
on Monday, 5 October 1953, at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subjects discussed:

1. Status of protocols
2. United States Import Restrictions on Filberts
3. United States Duty on Dried Figs
4. United States Export Subsidy on Sultanas
5. United States Export Subsidies on Oranges and Almonds
6. Chairman at next Meeting

1. Status of Protocols (L/101, L/139, G/41/Rev.2 and Add.1)

Mr. RODRIGUEZ (Uruguay) thanked the CONTRACTING PARTIES for the opportunity afforded him to address them. In accordance with constitutional procedure in Uruguay, Parliament was in process of passing a Bill which would permit the Government to sign the Annecy and Torquay Protocols. The Senate had approved the General Agreement without opposition, and the Government hoped that final approval by the House of Representatives, which had the same constitutional procedure as the Senate, would follow speedily without opposition and by the date stipulated. If, however, ratification should be delayed beyond the expected date, it would certainly take place by the end of the year. The delay might seem long, but the subject was a novel and technical one with which public opinion was not familiar. The outcome was, however, assured, and his country would be gratified to take its place amongst the CONTRACTING PARTIES with the full intention of contributing to the common endeavour.

The CHAIRMAN expressed the hope that Uruguay would attend the Ninth Session as a contracting party.

Mr. ROMERO (The Philippines) referred to document L/139 and said his Government were drafting a new Tariff Act to take the place of the existing one which was now forty years old; also the first steps were being taken towards a revision of the existing trade agreement with the United States Government who were giving the project sympathetic consideration. The Government preferred to await the outcome of those negotiations and to become a contracting party at a later stage and on more stable and permanent terms. He wished to add that although the Philippines were not a contracting party, the Government were trying to shape their policies according to the principles of the General Agreement.

The CHAIRMAN said the CONTRACTING PARTIES would be glad to see the Government of the Philippines represented at the Ninth Session.

Mr. ENDERL (Austria) said his Government expected to be in a position in the very near future to sign the First and Second Protocols of Rectifications and Modifications.

The CHAIRMAN asked the other delegations, whose Governments had not yet signed the Second Protocol of Rectifications and Modifications, to ascertain their Government's intentions and to report to the CONTRACTING PARTIES later in the Session.

2. United States Import Restrictions on Filberts (G/46/Add.3, L/116 and Corr.1)

Mr. BROWN (United States) recalled that the restrictions on imports of shelled filberts were imposed under Section 22 of the Agricultural Adjustment Act. In accordance with the provisions of that law, the United States Tariff Commission had kept the situation under review and he was now glad to report that it had recommended to the President that the measure be withdrawn after 30 September 1953. The President having approved that recommendation, the restrictions were no longer in effect.

Mr. ISIK (Turkey) expressed the gratification of his delegation that a solution had been found even before examination by the CONTRACTING PARTIES, and thanked the United States Government for the understanding they had shown. Import restrictions on filberts had caused alarm because they bore upon a product which provided a livelihood for a whole area of his country and was a traditional Turkish export item. Not only did the repeal of the measure restore freedom of importation into United States territory, but it heralded a desire on the part of the United States Government to contribute to the expansion of world trade.

Mr. NOTARANGELI (Italy) joined with the delegate for Turkey in expressing the thanks of his Government to the delegate for the United States. Italian exports of filberts were not large, but the product was important to their economy. His Government would be grateful for the decision taken by the United States.

The CHAIRMAN expressed the satisfaction of the CONTRACTING PARTIES for the settlement of the question.

3. United States Duty on Dried Figs (L/140, L/145, L/147)

Mr. PAPATHONIS (Greece), referring to his Government's report (L/145), stated that no satisfactory solution had been reached after twelve months' negotiations. He hoped that the negotiations to follow would prove successful and bring a just solution.

Mr. ISIK (Turkey) recalled that in accordance with an undertaking given by the United States representative at the Seventh Session, the United States Tariff Commission had re-examined the situation. That action by the United States Government testified to their desire to reach a just solution and the Turkish Government had been gratified thereat. However, the final decision of the Tariff Commission had been a disappointment. He could not believe that exports of Turkish dried figs could be a threat to the domestic production of the United States at the rates bound at Torquay. He considered that the repeal of the measure affecting the import of filberts was a hopeful sign that the United States might eventually revoke their measure on dried figs. He recalled the remarks of the Danish delegate in another context that such restrictive measures had a tendency adversely to affect the interests of the United States themselves. He also referred to the United States representative's remarks on the interrelationship of United States foreign and domestic economic policy with respect to the volume of international trade. He trusted that the United States, in revising their policy, would succeed in safeguarding the national interests while pursuing a trade programme which would not affect the interests of other countries. The Turkish delegation would not press for consideration by the CONTRACTING PARTIES of the substance of the question, but thought that they should reaffirm the recommendations made at the Seventh Session.

Mr. BROWN (United States) said the report by his Government pursuant to the Resolution of 8 November 1952 was contained in document L/140. Discussion had taken place with the Greek, Turkish and Italian Governments on the subject and he wished to express his Government's appreciation for the attitude of those governments during the discussions. The President had directed the Tariff Commission to keep the matter under review in order that the measures might be withdrawn as soon as circumstances permitted.

Mr. NOTARANGELI (Italy) thanked the United States delegate for his statement in connection with the talks initiated between the Italian and the United States Governments, and hoped a solution of the problem would be found in the near future.

The CHAIRMAN proposed that the CONTRACTING PARTIES should adopt a Resolution on this matter along the lines of the text adopted at the Seventh Session and retain the item on the agenda for the Ninth Session. A draft Resolution would be submitted for approval at a subsequent meeting.

This was agreed.

4. United States Export Subsidy on Sultanas (L/146 and Add.1, L/148)

Mr. PAPATZONIS (Greece) stated that his Government's views were contained in document L/146. The slight reduction of the United States subsidy fixed for the year 1952/53, had been unsatisfactory and he hoped that steps would be taken with a view to the complete abolition of the subsidy. He affirmed that Greek exports of sultanas had suffered real injury: the subsidy had affected world prices, and also the volume of Greek exports of sultanas which were of vital interest to his country.

Mr. ISIK (Turkey) said that his Government, as indicated in their report (L/148), had had to resort to a policy of subsidization for sultanas and several other products.

Mr. WARWICK SMITH (Australia) agreed with the Greek and Turkish delegates that United States export subsidies on sultanas depressed world prices and reacted adversely on exports of other countries. But felt it would be regrettable if a chain reaction should be established - if a series of measures should be taken by the various governments which would be contrary to the spirit of the General Agreement.

Mr. BROWN (United States) appreciated the spirit in which the previous remarks had been made and in which the discussions, which were at present in progress, were being conducted by the representatives of Greece and Turkey. He gave a few explanations as to the basic reasons why it had been necessary to introduce the subsidies on raisins, details of which were contained in the report to the CONTRACTING PARTIES in 1951 submitted in accordance with Article XVI of the General Agreement (GATT/CP/114). Normally, United States raisins were competitive with those of other countries and the exporters had developed satisfactory markets in other countries on a purely competitive basis. However, the shortage of dollars in many established foreign markets had paralyzed, for the time being, the normal trade for United States raisins, and supplies had accumulated which would ordinarily have found a ready outlet abroad. In the years 1947 to 1949, the exports to European markets had dwindled to purely nominal quantities, and to a number of countries had ceased entirely; these countries could not afford the dollars to pay for them. The United States raisin exporters had valued those markets and were anxious to recapture them and to resume exports when normal times returned. Therefore, special arrangements had been made to facilitate the continued exports of raisins to those markets which had been won on a competitive basis. The subsidy payments had not been intended, to increase the acreage for production of raisins in the United States, nor had they had that effect. In fact, the acreage had declined and production had not increased above the prewar average. Since 1947, exports had been at an average annual rate of about 8 per cent higher than the average rates in the five prewar years. That average seemed normally in line with the general expansion of demand in recent years and belied any intention on the part of the United States to use the subsidy as an instrument for supplanting other countries in their traditional markets. Moreover, the subsidy payments had been steadily declining, having been reduced by almost one-third in the preceding three years - from $2.95 per 100 lbs. in 1951/1952,

to $2 per 100 lbs in 1953/54. It was the hope of the United States Government that the encouraging trends in the balance-of-payment situation would continue and that United States raisins would again be able to compete on those markets on their merits.

Mr. PAPATZONIS (Greece) proposed that the item remain on the Agenda and that the United States report to the Contracting Parties at the next session.

Mr. BROWN (United States) replied that according to the normal procedure under Article XVI of the Agreement, his Government would submit a progress report on the matter.

Mr. ISIK (Turkey) felt that the intersessional period would give time to determine whether the item should be placed on the agenda of the Ninth Session or not.

The CHAIRMAN noted that the United States would keep the contracting parties informed of developments through its periodical reports under Article XVI.

5. United States Export Subsidies on Oranges and Almonds (L/122)

Mr. NOTARANGELI (Italy) spoke of the difficulties encountered by the Italian Government as a result of United States subsidies on oranges and almonds. With regard to oranges, the initial position (years 1948/1949) was difficult to assess, but as to the current period, due to end on 30 September 1953, more adequate data were unavailable. The United States and Italian delegations had had talks recently; certain suggestions had been made for a possible provisional solution and they were now awaiting the response of the United States Government.

With regard to almonds, the measures were not precisely subsidies, but they did result in an incentive to exports. The consequence was that Italian exports of almonds to Switzerland had fallen within the past year by 1,000 tons, or one-third of the normal exports to Switzerland. He wished to draw the attention of the United States delegate to that fact and expressed the hope that a solution might be found.

Referring to the statement of the United States delegate relating the United States sultana subsidies to import restrictions in other countries, he suggested that such an attitude might be dangerous. In fact, they had just learned that the Turkish Government had decided to subsidise exports of almonds, chestnuts, citrus fruits, wines and olives. The funds for these subsidies would be provided by additional import charges amouting from 25 to 75 per cent of the value of the imported products. The decree had appeared in the Turkish Official Gazette, of 3 September 1953. He wished to call attention to this example of the reactions which could easily be started by measures which disturbed natural patterns of trade. He hoped that each contracting party would bear in mind the dangers of competitive action in limiting imports and stimulating exports.

Dr. BOTHA (Union of South Africa) recalled that Article XVI of the General Agreement did not prohibit the subsidization of exports. However, certain contracting parties, notably the United Kingdom and Canada, had already indicated that if the Agreement were reviewed, they would like to re-examine the existing provisions with a view to seeing whether or not agreement could be reached on formulating more specific provisions to cover export subsidies. There would doubtless be ample opportunity to debate the question of tightening up Article XVI when the appropriate time came. He would confine himself, at present, to indicating the extent to which the marketing of South African oranges in Western Europe was impeded by the United States subsidies on exports of oranges, although his Government had not formally taken up the matter with the Government of the United States. Difficulties were being encountered principally in Belgium, France, Germany, the Netherlands and Switzerland. According to his information, the United States, during 1952, had exported some 1,640,000 cases of oranges to those five countries, compared with an aggregate of some 611,000 cases of oranges marketed by South Africa in those countries during the previous year. In other words, South Africa's exports comprised 37 per cent of United States exports to the same markets. It should be noted however that the export of oranges at subsidized prices by the United States, between December and September of each year, made it practically impossible for South Africa to sell any oranges for shipment before the end of August to the five countries mentioned. The South African citrus season normally lasted from about the beginning of April to the end of October. In 1952, South Africa was able to sell only 38,000 cases of oranges to Belgium and Switzerland for shipment up to the end of August and none at all to France, Germany and the Netherlands before the end of August. In 1953, it had been noted that the heaviest demand from continental importers had been for South African citrus fruits from September onwards. It was known that many of them had been importing United States oranges continuously, no doubt at subsidized prices. To illustrate that South African oranges would be fully competitive with unsubsidized United States oranges, he quoted from an official publication of the United States Department of Agriculture, dated 9 January 1953, according to which the continuation of the United States as an important source of supply would depend upon the price at which fruit could be offered. Should the price of United States' oranges be in excess of $2.50 per box, f.o.b. United States ports, exports to the Netherlands would, according to this source, decrease and those of South Africa would increase. Presumably, the f.o.b. price of United States oranges for the current season had been reduced by means of a Government subsidy to approximately $2.00 per case, and it was therefore understandable that Italian and South African exporters found it difficult to compete with United States oranges on continental markets. He felt that the conditions under which 93 per cent of South Africa's total exports of oranges to Belgium, France, Germany, the Netherlands and Switzerland, had to be shipped and marketed within a very short time after the end of August, before United States subsidized oranges appeared in December, amounted to unfair competition. It also meant that South Africa's sales of valencia oranges to the continent were disproportionate to her sales of navels. He therefore felt that the CONTRACTING PARTIES should be informed in due course of the outcome of any discussions taking place between Italy and the United States after the conclusion of the Eighth Session.

Mr. SANDERS (United Kingdom) considered that the item raised issues of principle and recalled that the United Kingdom delegation had strongly supported the provisions in Article 26 of the Havana Charter. The provisions of Article XVI of the General Agreement were much weaker than those of Article 26 of the Charter, and when a general review of the Agreement was held, the United Kingdom would certainly press for stronger provisions in regard to subsidies. Certain dependent Overseas Territories of the United Kingdom, especially Cyprus, had a considerable interest in the market for oranges and the United Kingdom would wish to be informed of any negotiations with the United States under Article XVI.

Mr. MACHADO (Brazil), although representing a country which exported oranges, preferred to consider the question from the angle of the General Agreement and the manner in which Article XVI was applied. He cited Article XXIX of the General Agreement in relation to the Havana Charter and felt that the question of subsidies should be reviewed. Some of those subsidies were nationally justifiable, agriculture requiring a higher level of support than industry. The important point, however, was a determination of the level of subsidies. He recalled the relationship between balance-of-payments and subsidies, but did not feel it was a sound principle to subsidize producers so that they might be able to sell their products, since consumers were not subsidized to enable them to buy in dollars.

At present, Brazil was facing a difficult situation because of inflation, all her products being higher in price than on the international markets. Subsidies would therefore be necessary in order to bring them to the world market level so that they could compete with United States or Italian products. The criterion was that subsidies should only be extended to enable producers to compete with other countries, but not to supplant them. Subsidies should not permit exporters to go below the international level. In the case of raw materials there were means of controlling world prices, but with other products there were no such means and bilateral negotiation was the only alternative, whereas the General Agreement was a multilateral instrument. A review of the General Agreement was necessary to enable it to cope with such situations.

Mr. ISBISTER (Canada) observed that when the Havana Charter was drafted the Canadian delegation had favoured strong provisions in relation to export subsidies and the establishment of recognised principles in that field. His Government continued to view the ab ence of those provisions with considerable regret. If national agricultural policies led to the building up of surpluses beyond the economic level and these were then passed into the channels of world trade by the mechanism of subsidies, such policies, multiplied many times, might have serious consequences. In the preceding year, the Canadian delegation had already stated that, when the time came, the relevant provisions would have to be reviewed. In the absence of adequate provisions, the obligations to consult should be taken seriously. He was glad to hear from previous speakers that this had been so.

Mr. BROWN (United States) said that the discussion which had taken place showed the importance of the question and they were indebted to the representative of Italy for raising it. The danger of possible chain reactions which followed

certain policies had been well brought out and the greatest care must be taken, if they wanted to avoid the disruption of international trade.

The situation with regard to oranges was similar to that of raisins: the restrictions applied against United States exports had caused the application of measures to open other markets to replace those which had been closed by import restrictions. As in the case of raisins, the subsidies were not designed to increase domestic production or to seize new markets. In the past three years the subsidies on exports had been reduced and despite the enormous increase in production exports had increased only slightly. On the other hand, sales to European markets of Italian, North African and Spanish oranges had increased sharply. The suggestions by the Italian delegation with a view to finding a satisfactory solution had been forwarded to Washington and the response was awaited. The United States delegation were taking this obligation to consult with due seriousness. The question of South African oranges had come up on that day for the first time and he would be glad to discuss the problem further with the South African delegate.

With regard to the situation of almonds, the history and method involved were slightly different. There was no subsidy, the sale of almonds was governed by a marketing programme which limited the amounts which could be sold through domestic channels. Producers were free to dispose of surplus as they chose, either for exportation or for processing into oil. At present eighty-five per cent of the crop were eligible for marketing through domestic channels. The situation with regard to the fall in Italian exports to Switzerland might be explained by dollar restrictions in other markets, Switzerland being one of the few countries which could afford the dollars. The Italian delegation had urged that the United States review their policy in this field; he could assure them that this matter would be included in the review of United States foreign economic policy.

Mr. PAPATZONIS (Greece) said his country was not a great exporter, but that it had a production of oranges and of almonds proportionate to its area. He therefore wished to express his interest in and his support for the Italian initiative. He was alarmed by the extent of the subsidy and by its repercussions on other countries.

Mr. NOTARANGELI (Italy) thanked the United States delegate for his statement and was glad that the CONTRACTING PARTIES had given this fundamental matter a first examination.

The CHAIRMAN, summing up the general discussion, said that the United States Government were prepared to continue consultations with the governments concerned and would report undet Article XVI and that the principle of export subsidies should be discussed within the review of the General Agreement.

6. Chairman at next Meeting

In view of his intended absence from Geneva the chairman proposed that Mr. Aziz Ahmad (Pakistan) should take the chair at the meeting on the following day in lieu of Mr. Husain, the Vice-Chairman, who was detained in Rome. Mr. Brown (United States) supported this proposal.

This was agreed.

The meeting rose at 1 p.m.