

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Working Party 9 on
U.S. Waiver (AAA)

WAIVER GRANTED TO THE UNITED STATES IN CONNEXION WITH IMPORT RESTRICTIONS IMPOSED UNDER SECTION 22 OF THE UNITED STATES AGRICULTURAL ADJUSTMENT ACT

Draft Report of the Working Party

1. The Working Party has examined the First Annual Report submitted by the United States Government, under the Decision of 5 March 1955, on the import restrictions in effect under Section 22 of the Agricultural Adjustment Act, on the reasons for the maintenance of these restrictions, and on steps taken with a view to a solution of the problem of agricultural surpluses, and has reviewed the action taken by the United States under the Decision. The Working Party noted that the import restrictions which were in force, at the time the Decision was taken, on oats, barley, almonds and filberts had been removed and that those on peanuts had been suspended for the year 1954-55; it was noted, further, that there had been no intensification of controls over the other commodities - cotton, wheat, dairy products, flaxseed and rye - nor had controls been extended to any additional commodities.
2. Members addressed enquiries to the representative of the United States concerning the allocation of quotas among supplying countries, the use of global quotas, licensing arrangements, the determination of parity prices, the production and consumption of dairy products in the United States, the milk equivalent of imports of dairy products, purchases and stocks of the Commodity Credit Corporation, commercial inventories, etc. Members expressed appreciation of the large amount of information that had been supplied, both in the Report and in the meetings of the Working Party, but remarked that it would be helpful to them, in considering the reasons why the restrictions continue to be applied and the prospects for their relaxation or removal, if the United States Government could furnish additional information on the trends of production, stocks and consumption in the United States and of purchases by the Commodity Credit Corporation. It was also suggested that it would be helpful to have more information on any changes in the production pattern which might appear to be relevant to the use of the waiver. The United States representative stated that his Government would consider the inclusion of this type of information in future annual reports.
3. In its examination of the Report, the Working Party devoted special attention to the sections dealing with cotton, wheat and dairy products. It was noted that the steps taken by the United States Government with a view to eliminating the

cotton surplus had been less effective than expected since, although acreage had been sharply reduced, yields had increased and stocks were now larger than at any time since 1945. It appeared to members of the Working Party that this was an extremely serious situation and that there was little prospect of improvement unless more effective measures were taken.

4. It was noted that wheat supplies in the United States had reached a record high level, equivalent to two years' domestic consumption and exports. Members enquired whether consumption in the United States could be expected to rise if the support price were reduced. The United States representative said that this was not likely as there had been a distinct trend away from the use of wheat products and the per capita consumption had been declining for the past forty years; the United States Government was asking Congress for authority to sell wheat for animal feed in order to reduce the surplus.

5. Concerning dairy products, it was noted that there had been a reduction in the per capita consumption of butter in the United States compared with the pre-war period, and that even a relatively small increase in the consumption per capita would close the gap between present production and consumption. The Working Party considered that a reduction in price might lead to increased consumption, but the United States representative pointed out that the present price was close to the minimum support price required by law and could not be reduced further without new legislation. Some members remarked on the fact that certain kinds of cheese were free from restriction while for others the quotas were still maintained; they suggested that the removal of these restrictions could do little if any harm to the United States dairy industry as these types of cheese were not competing directly with the most important American product and as the potential increase in imports would represent only an insignificant part of the total consumption of all kinds of cheese in the United States. The United States representative explained that the restrictions were maintained in accordance with recommendations of the Tariff Commission which had found that unrestricted imports would interfere with the price support programmes; the controls were imposed to protect the programmes and not the producers and could not be removed except as the result of a new investigation by the Tariff Commission. The United States representative stated that, as required under the Decision, the restrictions would be relaxed as quickly as conditions would permit. Indications were that the dairy situation at present was improved over the situation of a year ago.

6. In concluding their review of the Report, members of the Working Party stressed that many contracting parties were seriously concerned about the maintenance of the United States agricultural restrictions and about the prospects for their removal, particularly in view of the continued existence of very large stocks of some of the products concerned. The United States representative had said that imports of agricultural products under restriction represented only 1 per cent of total United States agricultural imports. In the view of other members of the Working Party this gave no indication of the potential trade or of the effects of the restrictions on agriculture in other

countries. Members noted that progress had been made in the relaxation of restrictions since the Decision had been taken and expressed the hope that further progress would be made in the coming year, especially in connexion with dairy products where thus far no relaxation had been introduced. They enquired whether the United States Government could not tackle more effectively the fundamental causes of the accumulation of surplus stocks.

7. The United States representative assured the Working Party that it was his Government's intention to terminate the restrictions as soon as they were no longer needed to protect the agricultural programmes as required by law and to continue to seek a solution of the problem of surpluses. His Government was mindful of the effects of the restrictions on the trade of other countries and of its responsibilities under the Decision of the CONTRACTING PARTIES. He undertook to convey the views expressed and the requests for additional information to his Government and to bring the report of the Working Party to the attention of the competent authorities.