

GENERAL AGREEMENT  
ON TARIFFS AND  
TRADE

ACCORD GENERAL SUR  
LES TARIFS DOUANIERS  
ET LE COMMERCE

RESTRICTED  
LIMITED B  
GATT/CP.3/1/Add.4/Rev 1  
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ORIGINAL: ENGLISH

CONTRACTING PARTIES

Third Session

NON-DISCRIMINATORY MEASURES NOTIFIED BY CONTRACTING  
PARTIES UNDER PARAGRAPH 11 OF ARTICLE XVIII OF  
THE GENERAL AGREEMENT

ADDENDUM

Measure notified by the Governments of Cuba  
(Revised Statement)

The Government of Cuba submitted on 28 February, 1949, a statement giving particulars in accordance with Annex D to GATT/CP.2/38/Rev.1. in support of the measure relating to sisal (henequen) in force in Cuba. This statement was circulated as GATT/CP.3/1/Add.4. Certain insufficiencies were, however, found in the statement during discussions at the third session of the Contracting Parties and the Cuban delegation has submitted the following revised statement.

- (a) Precise description of the measure including the range and type of goods to which it relates and the method of operation.

The measure was imposed by Presidential Decree No. 1693 of 23 June 1939, published in the Official Gazette of 18 July 1939, pages 1187 and 1188. A copy of this Decree is attached.

It contains a clear statement of the procedure adopted for its implementation.

Although paragraph 4 of the decree appears to embody a discriminatory provision in favour of the United States, there is no discrimination in fact. The provision was made in accordance with the terms of

a treaty between the United States and Cuba which has been suspended upon the application of the General Agreement. More-over, the United States has not been a producer of the products in question, and therefore could not benefit from the formal discriminatory provision. The Government of Cuba is, moreover, prepared to issue another decree to eliminate this provision in order to make the measure not only non-discriminatory in fact, but also in form.

- (b) Precise description of the range and type of goods produced by the industry in respect of whose development the measure has been maintained.

There is an industry in Cuba producing henequen and sisal twine, cordage and certain other products. However, what the measure in question relates to is not that industry but the branch of agriculture producing henequen and sisal fibres. There is an intricate relation between the two fibres which necessitates the mentioning of both fibres in the decree without distinction between henequen and sisal.

Until very recently "Sisal" was considered in botany simply as a Henequen variety, *Agave rigida* Sisaliana variety. To-day Henequen is "*Agave Fourcroydes*"; Sisal is "*Agave Sisaliana*". Hence the same family and genre.

Apart from the slight differences from a scientific point of view, in the hard fibre market Henequen is known as "Cuban Sisal", or "Mexican Sisal", according to its origin.

Besides in the hard fibre trade the name Sisal is applied to sisal properly speaking, and to the Henequen fibres classified as first quality fibres, and Henequen to the second grade fibres.

In the "World Fibre Survey" published by the Food and Agriculture Organization of the United Nations in 1947, the above statements are confirmed in the note at the bottom of page 139, as follows:

"These fibres are known in world trade under various names. Abaca, for example, is commonly known as "Manila hemp", Henequen is frequently referred to as Mexican or Cuban sisal, depending on its source".

The importation of henequen (or sisal) fibres is governed by a quota system.

(c) Statistics of quantities and values over a period of years showing:

1. - Production: Sown area and production of fibre.

<u>YEAR</u>	<u>AREA</u> (hectares)	<u>PRODUCTION OF FIBRE</u> (in lbs.)
1936	10,100	29,000,000
1937	10,500	33,000,000
1938	11,800	32,000,000
1939	12,400	33,000,000
1940	13,300	38,000,000
1941	14,400	27,000,000
1942	15,800	27,000,000
1943	16,400	26,000,000
1944	16,400	28,000,000
1945	16,000	29,000,000
1946	15,400	30,500,000
1947	15,400	33,000,000
1948	15,500	35,000,000 (estimated)

The record production in 1940 was due to the fact that large additional areas of new plantation began yielding in that year, and that in 1940 an abnormally large proportion of the shoots was harvested, thus causing a decline in production in the following year.

2. - Imports.

Item 129-A of the Cuban Customs Tariff, "Abaca, pita and other hard fibres, raw or combed" covers henequen and sisal fibres. In actual fact, none of the latter has been imported during recent years.

3. - Exports: Exports of raw henequen fibre:

<u>YEAR</u>	<u>QUANTITY</u> (in lbs)	<u>VALUE</u> (in dollars)
1936	12,800,000	688,000
1937	23,000,000	1,269,000
1938	18,000,000	661,000
1939	23,000,000	739,000
1940	27,000,000	1,020,000
1941	15,000,000	631,000
1942	9,000,000	626,000
1943	13,223,000	1,167,000
1944	2,881,000	261,000
1945	63,000	5,000
1946	67,435	14,442
1947	4,315,393	1,454,732
1948	-----	-----

The decrease in exports of the fibre during the war was due to purchases by the United States Government, which arranged for it to be processed in Cuban factories.

(d) Number and location of enterprises or firms.

1. - Compañía de Jarcia de Matanzas, S.A.: factory at Matanzas and plantations at Matanzas and Jaraguá.

2. - Compañía Cubana de Fibras y Jarcias, S.A., two stripping plants and plantations at Cárdenas.

3. - International Harvester Company. Plantations at Cárdenas.

4. - Heishey Corporation, Central Office at Havana.

5. - Mr. C. Carranza; plantations at Mariel and Nuevitas.

6. - Mr. A. Carbonell: plantations at Mariel.

7. - Mr. Enrique Larrauri: plantations at Limonar.

(e) Numbers employed.

Approximately 3,000 workers are at present engaged in henequen and sisal production and stripping. The henequen (or sisal) rope-making industry employs some 600 additional workers.

(f) Total working population of Cuba by principal occupations.

The 1943 census of the Cuban population gives the total number of gainfully employed persons over the age of 13 as 1,520,851, out of

an employable population of 2,246,358 over that age. Workers were classified by occupations as follows:

Agriculture, stockbreeding and fisheries.....	630,356
Mining.....	5,507
Building.....	25,878
Machine manufacture and industries.....	187,645
Transport and communications.....	33,922
Trade.....	146,572
Banking and finance.....	2,312
Domestic and personal services.....	73,963
Entertainment and similar services.....	5,315
Professional services.....	31,739
Government Service.....	60,763
Miscellaneous services, unclassified industries and trades.....	316,879
	<hr/>
	1,520,851
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The most recent data relating exclusively to paid agricultural workers and taken from the National Agricultural Census of 1946 give the number of this class of workers as 477,333, of whom 53,696 work throughout the year, while 423,690 work for an average period of 123 days per year only.

(g) Average level of wages paid to employees.

The average level of wages paid to henequen workers in Cuba is \$ 5 for 8 hours' labour.

(h) Capital investment.

The capital invested in henequen productions and stripping, amounts 8 million pesos; in addition, 3 to 4 million pesos have been invested in plants for processing the fibres.

(i) Profits or losses.

An enquiry was carried out in 1942 by the Ministries of Agriculture and of Labour into the production of henequen and its costs during the period 1937-1941, covering the main plantations of these fibres in Cuba: it shows that during that period the annual return on the capital

invested was 0.8% in the case of the three most important undertakings. At present the position of henequen producers in Cuba can be considered much more critical, because of the various wage increases which have been decreed since the date of the enquiry.

(j) Cost of imported product ex duty at place of entry into country; costs of transport and distribution of imported product from place of entry to principal market or markets and selling price of domestic product in the principal markets.

As regards the first part of the question, it is not possible to give any information since no henequen or sisal fibres have been imported for several years. As regards the second part, it has not yet been possible to prepare the data.

(k) History of tariff and other protection enjoyed by the industry including existing duty, if any, period for which protective measures have been in force and the effect which they have on the establishment or development of the industry.

There is no tariff protection. Henequen and sisal fibres may be imported into Cuba duty free under licence.

The production of Henequen in Cuba began to develop, without artificial means, before the first world war. Due to proper climatic conditions in the country and to the availability of large areas properly suited for the cultivation of this fibre (which were inadequate for other economical cultivation), the country's domestic production of Henequen began to increase progressively. However, since its imposition in June 1939, the quota system has been a decisive factor in the development of the Henequen production in Cuba, as proven by the increase in the areas under cultivation amounting to more than 50% as against the area cultivated during the three-year period prior to the date at which this measure was put into effect.

Technicians in the Department of Agriculture recommended recently that it would help to develop further and expand the manufacture of Henequen, if the same were to be mixed with a certain proportion of Sisal. The necessary experiments were successfully carried out and, therefore, a programme was put into practice to develop the production of Sisal. This programme is going ahead and Cuba will soon be in a position to compete more favourably in the world market, thus being in a better condition to develop further the production of Henequen,

- (1) Reasons for the selection of the measure proposed to be maintained in preference to other measures permitted by the GATT such as tariff protection or subsidy payments.

Under the Cuban constitution any change in tariff would necessitate legislative action which is likely to involve prolonged proceedings and to give rise to other complications. In view of the fact that one of the objectives of the Cuban Government is to control the proportions of sisal and henequen produced and used in domestic cordage manufactures, a tariff has in the early stages of this development, not appeared to be a sufficiently flexible instrument for this purpose.

- (m) Data concerning the future development of the industry including, for example, expected levels of production and costs and the possibility of its becoming independent of the measure proposed to be maintained.

Research work is being carried both in the agricultural and manufacturing fields and favourable results are expected which would also help to develop even further the production of Henequen and Sisal.

While awaiting for the areas already planted with Sisal, as well as for the ones which are contemplated, to be in a condition to produce the fibre which the industry requires, it is essential to maintain the measure adopted, limiting imports, which, if they were to take place, would endanger the development of this agricultural enterprise.

It is true that a world fibre shortage existed at the end of the war. The "World Fibre Survey" (August 1947) published by the Food and Agricultural Organization of the United Nations, states (page. 146):

"Indeed, importing countries in general are experiencing acute fibre shortages and are attempting to cover their cordage needs as best as they can by the importation of finished products. The binder twine outlook is especially serious. Most of the important consuming countries have expressed concern as to their ability to meet requirements, etc....."

Present indications, however, are that this shortage is not only being liquidated but that, over the near future, an actual world surplus of hard fibres may develop. In the absence of control by Cuba this surplus might seriously endanger the efforts of Cuba to carry out an orderly development of its sisal and henequen production during the next few years.

On the other hand, the long term prospects for a prosperous and competitive hard fibre industry in Cuba appear to be favourable.

It is evident that the long term fibre requirements are very extensive and that the development of fibre production throughout the world, including Cuba, will undoubtedly reach much higher levels.

With reference to future cost of production, it is not possible to determine this inasmuch as Cuba's policy on salaries and wages is intimately related to that of the sugar industry and, therefore, salaries and wages affecting fibre production will definitively have to be adjusted to the circumstances governing sugar production.

Although the figures covering the area under cultivation are not yet available for the year 1949, it has been known that this has increased in comparison with preceding years.



Cuban producers of Henequen and Sisal cordage manufactured in the five year period 1944-1948 an average of 31,100,000 pounds per year. However, taking into consideration improved market conditions and increased demand, production during the next five years will reach 40,000,000 pounds average production per annum. It is hoped that there will be 20,000 hectares of land under cultivation of Henequen and Sisal. In order to attain this increase in production new plantations are being developed replacing those whose yield has decreased due to the length of time in which they have been in production. Also, new plantations are being developed in the western end of the island, Pinar del Rio province, where new plantations were started in the year 1939, and actually there are more than 2,000 hectares planted and further plantings are being developed.

Plans to expand production and to expand the processing industry to use increased production. Actual possibilities of increasing the output of processed Sisal and Henequen, and at the same time of diversifying the use of the fibers for domestic consumption and export, are the basic factors of the Cuban agricultural and industrial development of Henequen and Sisal.

Cuban factories for the processing of these fibers are being adapted to increase their production and to manufacture new products, which have been developed very recently and which have found a ready market. Diversification of the use of the fibers had been contemplated before the last world war, but due to the abnormal conditions which prevailed in war years all these projects were abandoned in order to supply the products which were more essential to the allies under the circumstances.

It is also of interest to mention that research is being carried out to improve the condition of the processed fibre. Preliminary tests are

very encouraging and it is hoped that final results will afford the country a wide use of the processed fibre due to an improvement in the tension and other characteristics of the Henequen and Sisal twine.

On the other hand, Cuba expects to increase substantially its Henequen and Sisal exports through tariff and commercial agreements for which negotiations are taking place.

Period for which protection is required. In order to offer sufficient incentive to the investment of capital necessary for such an agricultural development, it is believed that 10 years is the period during which the industry will require substantial protection and that during the first part of the period, the use of a quantitative restriction would be essential to induce investment and the development of the production of sisal and henequen.

COPY

DECREE No. 1693

Whereas: It is of great importance to put into practice, after careful study, such measures as tend to foster or develop any domestic industries contributing to agricultural prosperity, such as the industrial processing of the fibre known as henequén or sisal, which should be the subject of special attention, at the same time bearing in mind domestic consumption requirements.

Whereas: In this country there clearly exists an over-production of henequén or sisal fibre which cannot be completely absorbed by the processing industries owing to natural restrictions in exports of rope and other articles.

Whereas: The competition in this country from henequén or sisal fibres, originating in other countries which employ cheap labour, is extremely harmful to the stability of Cuban economy.

Whereas: Those concerned in the above-mentioned branches of the national economy are urging the Government to adopt domestic measures of protection.

Whereas: It is advisable to apply restrictive measures guaranteeing the consumption of the domestic output of henequén or sisal as a means of protecting the interests of agricultural and industrial workers.

Whereas: In accordance with Article 11 of Decree-Law 806 of 1936, published in the OFFICIAL GAZETTE of 13 April of that year, the President of the Republic is empowered to fix annual import quotas for such articles, harvested or produced in Cuba as require protection, taking care, in every case, to see that countries that have concluded commercial treaties on a reciprocal basis with the Republic are accorded privileged treatment.

Therefore: In virtue of the powers with which I am by law invested, having heard the opinion of the Secretary for Agriculture and acting on the proposal of the Secretary for Finance, after consultation with the Technical Commission on Tariffs,

I HEREBY RESOLVE:

1. An annual import quota shall be established on the fibre known indifferently by the name of henequén or sisal, included in Item 129-A of the Customs Tariff, equivalent to the quantity imported into Cuba in the calendar year of 1936 according to the official statistics of the Finance Department.

2. For the purposes of the annual quota established in the preceding article shall begin on the 1st January and end on the 31st December of each year.

3. Each producer country shall have the right to an individual annual quota equal to its export of henequén or sisal fibre to Cuba during the calendar year of 1936, according to the official statistics of the Secretary for Finance of the Republic of Cuba.

4. The quotas fixed in the preceding articles shall not apply to the United States of North America, which, in virtue of the Treaty of Reciprocity concluded with the said nation, shall be entitled to export the said product to Cuba quota-free.

5. The importer must obtain a permit from the General Directorate of Customs before the goods are shipped from the country of origin. Without the said permit issued by the General Directorate of Customs, none of the Customs Offices of the Republic shall authorize the clearance for consumption of the henequén or sisal fibre subject to quota. The above-mentioned import permits shall cease to be valid three months after the date of issue.

6. A "Register of Import Permits for Henequén or Sisal under Quota" shall be kept at the General Directorate of Customs in which will be entered every consignment the importation of which has been authorized, the name of the importer, country of origin, date of authorization, its serial number, expiry date of permit, date of arrival of the goods in Cuba, date on which they were cleared through the Customs for consumption, name of consumer and balance of quota remaining to each country after the grant of each permit; these balances shall include, as the case may be, the quantities representing permits not yet utilized, relinquished or having lapsed through expiry of the above-mentioned time limit.

7. Should supplies be urgently needed for the home markets the President of the Republic may, after consultation with the Secretaries for Finance, Agriculture and Trade temporarily suspend the provisions of this Decree, the goods imported without compliance with the said provisions being in every case set off against the respective quota. After consulting the Secretaries mentioned above, the President may likewise increase the quotas in similar circumstances or whenever a rise in the price of home produced henequén or sisal fibre renders such a measure necessary in the interests of the consumer.

8. This Decree shall come into force on the date of its publication in the OFFICIAL GAZETTE of the Republic, but its provisions shall not apply to henequén or sisal fibre held in the Customs of the Republic or already shipped in the countries of origin, with Consular documents visaed prior to the date of promulgation of this Decree, for the implementation of which the Secretaries for Finance, Agriculture and Trade shall be responsible each in so far as he is concerned.

Given at the Palace of the Presidency, Havana, on the Twenty-third day of the month of June of the year One thousand Nine hundred and Thirty nine.

FEDERICO LAREDO,  
President

Joaquin Ochotorena,  
Secretary for Finance.