

RESTRICTED

LIMITED C

GATT/CP.2/W.12
8 September 1948

ENGLISH
Original: SPANISH

GENERAL AGREEMENT ON TARIFFS AND TRADE
Contracting Parties
Second Session

REQUEST BY THE GOVERNMENT OF CUBA TO THE CONTRACTING
PARTIES, UNDER ARTICLE XXIII OF GATT, FOR CONSIDERATION
OF THE SITUATION FACING CUBA IN REGARD TO CERTAIN ITEMS
IN SCHEDULE IX (CUBA)

The Cuban Delegation to the Second Session of the Contracting Parties to the General Agreement on Tariffs and Trade, in accordance with the right conferred by Article XXIII, paragraphs 1(c) & 2 of the General Agreement, submits for consideration by the Contracting Parties the situation facing the Republic of Cuba in regard to its economic development by reason of serious difficulties which have arisen regarding the production and importation of cotton and rayon braids, ribbons and galloons, nylon stockings, and tyres and inner tubes for motor vehicles and lorries; requesting that the Contracting Parties authorise the Cuban Government to take such measures as are proposed in the present memorandum.

The Government of Cuba has for some years been giving consideration to the necessity of fostering the economic development of the country, with the object of obviating or minimising the effects of the economic crises suffered by Cuba simultaneously with the sugar crises; and numerous measures have been adopted with this end in view. In 1940 this economic principle took the form of a constitutional doctrine, which lays down the obligation that the bases of agriculture and industry in Cuba should be broadened, and that every effort be made to bring about a proper standard of living for the Cuban people.

In accordance with this principle, the Cuban Government has promoted the industrialization of the country, and provided facilities for the establishment of any industry considered as a source of employment worthy of encouragement.

The same principle was kept constantly in mind by the Cuban delegation in the discussions on the drafting of GATT, and of the Havana Charter; and generally speaking the principle received proper consideration in the tariff negotiations which took place in 1947 at Geneva, except in regard to ribbons, nylon stockings, and tyres and inner-tubes for motor vehicles and lorries.

The present situation is so acute that unless it is remedied immediately, the industries in question will be faced with unemployment, with a consequent lowering of the standards of living of the Cuban people - a situation absolutely contrary to the aims of GATT as expressly recognized by the Contracting Parties in the Preamble to the Agreement.

The situation is as follows:

BRAIDS, GALLOONS AND RIBBONS

In 1939 an industry was established in Cuba for the manufacture of braids, galloons and ribbons. The duties on these articles under items 127 - A & B, and 142 - A & B of the Cuban Customs Tariff were very low; nevertheless, the advent of the war enabled an industry of this kind to be established.

Towards the end of the war, and with the resumption of imports from all countries, it became clear that the protection afforded by the Cuban Tariff was extremely slight. Moreover the increasing costs which began to be felt as a result of the inflationary movement brought about by the World War diminished still further the relative value of what was a specific duty tariff; hence the Government of Cuba on 21 July 1944 enacted Decree 2155, making the importation of the articles covered by Items 127 A & B and 142 A & B subject to a quota system. Had this not been done, imports would have ousted the Cuban industry once for all and caused it to disappear.

In order to give an idea of the disproportionate increase in costs, it is sufficient to point out that while the average worker in this industry used to receive an average wage of 6 pesos a week, the average weekly wage which is now being paid, and which has been paid since before 1944, is 30 pesos.

Half a million dollars were invested in the establishment of the industry in question, while the annual wage bill is not less than \$250,000 and the industry provides a livelihood for more than two hundred and fifty workers.

The Government of Cuba would have preferred not to resort to the quota system when this regime was instituted; it would have preferred to make a very substantial increase in the duties concerned, bringing them into line with those prevailing in almost every other country and especially in the United States of America.

The Cuban Government intended not to negotiate in regard to the products in question, but to omit them from Schedule IX of GATT, since those items have never been included in tariff negotiations conducted by Cuba; and on the assumption that they were excluded from the negotiations, the delegation of Cuba intimated to the future Contracting Parties on 9 October 1947 its intention to maintain the quota system as it stood at 1 September 1947 (see Document E/PC/T/190 - Restricted).

Unfortunately, in a revision of Schedule IX (Cuba) a few days before the signing of GATT on 30 October 1947, the "error" occurred whereby Items 127A, 142-E and 142-F of the Cuban Tariff, the first referring to cotton trimmings and ribbons, the others to trinnings, ribbons, etc, of rayon and other similar synthetic fibres, were included in the said Schedule, and given tariff rates in no instance higher - taking into account the necessary adjustments - than four per cent ad valorem.

With a view to rectifying this "error", the delegation of Cuba submitted to the Contracting Parties, at the First Session on 11 March 1948 (see Documents GATT/1/19 and GATT/1/20) a corrigendum to Schedule IX (Cuba), to delete the items in question, and to maintain the quota on cotton and rayon ribbons, trimmings, etc.

The Contracting Parties decided to defer the decision on these questions to the next session, as can be seen from Document GATT/1/SR.14 of 23 March 1948, which also contains the statement made on the subject by the Cuban delegate.

In accordance with this decision, when the Agenda of the Second Session was being prepared, the Government of Cuba requested the inclusion in the Agenda of its request for the rectification of the "error" in regard to the items relating to trimmings, ribbons, galloons, etc. (127-A and 142-E & F), as well as for the maintenance of the quota system at present in force for the products in question.

The Contracting Parties at this Second Session, after approving the inclusion of the Cuban request in the Agenda, agreed to transmit the request for study and consideration to Working Parties 2 and 5 which up to the present have not submitted their final report and findings on these points.

In the circumstances, the delegation of Cuba, having since its arrival in Geneva negotiated without success with the United States delegation, with a view to reaching a mutually satisfactory agreement, and having received yesterday from that delegation an opinion unfavourable to the rectification of the "error" in question, requests the Contracting Parties for the necessary authorization to withdraw from Schedule IX (Cuba) the following tariff items: 127-A, 142-E and 142-F, without prejudice to any consultations and negotiations with the Contracting Parties affected for determining whether compensation should be offered, and if so, what form such compensation should take.

NYLON STOCKINGS

The protection provided in the Cuban Tariff of 1927 to the stocking industry was so slight that it did not prevent the increase in imports of stockings from other countries into Cuba. Nevertheless, this slight protection did permit the development of the Cuban stocking industry,

which was created chiefly on a basis of cheap labour. Gradually the margin of protection has disappeared for external and internal reasons. In regard to the external aspect, better machinery and technical improvements in large-scale production have been factors contributing to increase output and to lower costs; from the internal aspect, the extraordinary increase in wages, without an individual output comparable to that developed by foreign production began to constitute a serious danger for home production; this danger was particularly increased by the attractiveness to foreign manufacturers of the Cuban market owing to the position of Cuban currency.

The need for modifying Item 137-F of the Cuban Tariff was made clear to the United States Government in a memorandum, dated 11 March 1948, submitted by the Cuban Delegation at the First Session of the Contracting Parties at Havana, but the idea was not favourably received.

At the moment Item 137-F figures in Schedule IX (Cuba) as negotiated with the United States with a duty rate of 3.30 dollars per kg. which, in practice, is unduly low.

When the agenda for this Second Session was being prepared the Cuban Government asked for the inclusion of its request for a renegotiation of this Item, for the purpose of making a suitable revision of the Cuban Schedule. The Contracting Parties, after approving the inclusion of the Cuban request in the Agenda, agreed to transmit it for study and consideration to Working Party No. 2 which so far has not taken any final decision.

Acting on the principle that these matters should be clarified by preliminary discussions between those countries which directly negotiated the tariff arrangements for a given product, the Cuban Delegation, on arrival at Geneva, has made repeated overtures to the United States Delegation with a view to reaching a mutually satisfactory agreement. However, as this has not been obtained, and since it was informed yesterday that the United States is unwilling to enter into negotiations on this subject, the Cuban Government requests authorization from the Contracting Parties to increase the Cuban tariff on nylon stockings to 50% ad valorem. The urgent request for such an increase is justified by the fact that for a long time Cuban tariffs have for customs purposes assimilated nylon to natural silk, which carries the above duty. The Cuban Government offers adequate compensation to those parties who can show they are adversely affected by this modification of Cuban tariffs.

Should this measure be impossible, the Cuban Government requests from the Contracting Parties the necessary authorization to withdraw Item 137-F from Schedule IX (Cuba) without prejudice to such consultations and negotiations with adversely affected Contracting Parties as may be necessary, in order to determine whether they should be offered compensation and, if so, what form this should take.

TYPES AND INNER TUBES FOR MOTOR VEHICLES AND LORRIES

Although a Cuban tyre factory had already been established before World War II at Pentes Grande in Havana, it was not till 1941 that two such factories managed to get firmly established and began production.

These factories represent a total capital of some 3,500,000 dollars and provide work for some 500 workers.

During the war it was these factories that to all intents and purposes supplied the Cuban demand for tyres particularly lorry tyres. During 1946 imports of tyres from the United States began to increase out of all measure. In normal times Cuban national production satisfies approximately 75% of the demand, leaving some 30% to be satisfied by imports from abroad, but in the first six months of 1948 imports increased to 58% and Cuban sales decreased to 42%.

To operate on an economic basis these two factories require a minimum annual production of 105,000 units. Therefore since Cuban requirements amount to some 150,000 units per year and the capacity of its factories exceeds 130,000 it is clear that these unprecedented imports are forcing down production below the essential minimum.

As a result of this excessive increase in imports, the tyre factories have already shut down twice, and unless the situation changes, will have to shut down permanently.

During last year's tariff negotiations at Geneva, this matter was brought to the notice of the United States negotiating "team" and a request made for increasing the duty on tyres and inner tubes, to 40 cents per kilogramme, that is, to the same figure as in the 1927 tariff. This was an extremely modest figure considering how this problem has been handled by almost all other countries of Latin America.

When this matter was submitted by the Cuban delegation to the notice of the United States delegation, it was not given favourable consideration, so that the Cuban delegation is now obliged to approach the Contracting Parties and request authorization to raise the tariffs as suggested, against adequate compensation. Should this not be possible the Cuban Government wishes to be authorized to withdraw from Schedule IX (Cuba) the items relating to rubber tyres and inner tubes against appropriate compensation.

CONCLUSION

As may be seen from this statement, the Cuban Government has to face an initial consequence of the application of GATT to its country, the closing of its factories producing ribbons and trimmings, nylon stockings, rubber tyres and inner tubes, with a resulting increase in the chronic unemployment from which Cuba is suffering.

The Cuban Government feels that the principal aim both of the General Agreement on Tariffs and Trade and of the Havana Charter for an International Trade Organization

is, as stated in the Preamble of the former, that the relations of the Contracting Parties "in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand ..."

To this and other ends, the Parties to the Havana Charter pledged themselves, individually and collectively, to promote national and international action designed "inter alia" "to foster and assist industrial and general economic development, particularly of those countries which are still in the early stages of industrial development"

Consequently it is not possible for the Cuban Government to remain impassive before the closing of its factories and a rise in unemployment, especially when means exist for preventing this serious situation. For this reason under Article XXIII of GATT and in accordance with the provisions of Articles XVIII, XIX and XXV the Cuban delegation requests the Contracting Parties to authorize the Cuban Government to take the measures mentioned above, of such measures as the Contracting Parties may deem most appropriate in the light of the general principles of the Havana Charter.

The Cuban Government wishes to carry out the Geneva Agreement and in due course the Havana Charter, in their entirety, but certain "errors" in Schedule IX (Cuba) require to be rectified and certain tariff maladjustments corrected. If any contracting party considers its interests prejudiced and can prove that to the Contracting Parties, our Government will offer due compensation. What the Cuban Government cannot do is to stand aloof in present circumstances.

Finally, it must not be forgotten that the General Agreement on Tariffs and Trade is in force in Cuba only provisionally, and has to be ratified, as has the Havana Charter, by the Cuban Congress. Any inequitable treatment of Cuba in this matter would without doubt seriously impede ratification of both instruments by our Congress, not to mention the repercussions such a precedent would have in all countries whose economic development is in its early stages.