

RESTRICTED

GATT/CP.2/WP.5/2
23 August 1948

ENGLISH
ORIGINAL: SPANISH

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES

SECOND SESSION

Working Party 5 on Article XVIII

Statement^{*} submitted by the Government of Cuba on Article XVIII, paragraph 7.

1. In document E/PC/T/190 (Restricted) of 2 September 1947, containing the notification which the delegation of Cuba lodged with the Secretariat of the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, held in Geneva, it was noted that Cuba wished to maintain the existing legal system of import quotas for condensed milk; trimmings, galloons and ribbons; tallow, quebracho, textiles, rubber goods and rice.

2. Before the end of the Second Session, Cuba limited its request to the maintenance of import quotas for quebracho, sisal (henequen), and trimmings, galloons and ribbons, referred to in the Cuban Government's Decree No. 2155 of 1944.

3. The Cuban delegation now wishes to comply with the provisions of paragraph 6 of Article XVIII of the General Agreement on Tariffs and Trade, by notifying its final decision, the considerations in support of its request to maintain quotas in the two cases in connection with which such a request is being made, and the period for which quotas are to remain in force, solely in respect of the products listed in paragraph 2 above. In this connection the following is noted:

(a) QUEBRACHO (Decrees Nos. 168 and 1388 of 26 January and 15 May 1942).

The Cuban Government renounces the right to maintain the quota system formerly applied to the importation of this product.

(b) SISAL (Henequen) (Decree No. 1693 of 23 June 1939).

Owing to the fact that proper technical and economic methods and implements are not used, the cultivation of sisal or henequen in Cuba has not yet reached that degree of perfection necessary to permit this branch of agriculture to compete on fair terms with the production of other countries.

^{*} This document was distributed in Havana with the symbol GATT/1/20.

The maintenance of the quota is justified by this fact, the additional circumstance that the cost of producing henequen fibre in Cuba is higher than in other countries, on account of, among other reasons, the level of wages, labour standards, contributions under social legislation, the value of Cuban currency in relation to that of other countries producing the same article, and the further fact that the importation of the fibre into Cuba is not taxed.

The suspension of the application of the quota system to the importation of henequen or sisal fibres, whether granted now when there is a sufficient demand for the production of other countries on the foreign market, or at a time when this demand has appreciably declined or disappeared altogether and there is an excess of production over consumption, will be of advantage neither to other countries nor to Cuba, but would on the contrary, in the second case, be decidedly harmful.

In fact the production of this fibre is now being absorbed by the various nations which require it, either by native industries, or by industries located in territories where domestic production is not sufficient to meet the needs of industries based on it or where the fibre is not produced.

Therefore, if the quota system were suspended, the producer using henequen fibre would not profit at all from the entry into Cuba of a fibre which is not going to arrive under present circumstances, since its markets are more or less fixed.

On the other hand, as the present direct relation between production and consumption disappears, and conditions alter so that production exceeds consumption, countries producing this fibre would enter the Cuban market to compete directly with the Cuban producer and would undoubtedly drive him out, for the reason, already made clear, that in many of the producing countries, among them Africa, Java and Haiti, wages are much lower than those paid in Cuba for the same work, while, in addition, the Cuban taxation system, the wages system, and the difference in currency, would mean that the foreign fibre would certainly be preferred to the national product on account of its lower price.

It is not the intention of the Cuban delegation to maintain this situation indefinitely and it realizes that the duration of exceptional measures such as quotas must be limited to a period of time calculated beforehand to be sufficient to correct the defects which give rise to or justify the protective measures.

It is considered that this period, quite apart from the period for which the General Agreement on Tariffs and Trade has been concluded, should be not less than ten years.

The Cuban delegation is confident that during this time technically more advanced and perfect methods of cultivation in place of the primitive means at present used by Cuban farmers to cultivate this product, together with the application of new systems of protection for the farmer, will definitely enable the Cuban producer to resist the fair competition of foreign producers within the framework of the General Agreement on Tariffs and Trade, and that finally agreed upon in the Draft Charter now being discussed in Havana.

(c) TRIMMINGS, GALLOONS AND RIBBONS (Decree No. 2155 of 21 July 1944).

In 1939 an industry for the manufacture of trimmings, galloons and ribbons was established in Cuba. The duties on these articles (Items 127 A and B and 142 A and B of the Tariff Schedule), while low, nevertheless made it possible to establish an industry of this kind, and the raw materials which were obtained abroad, the level of wages and taxation, and all the other factors which determined the cost of production of ribbons, trimmings, braids, and galloons and other articles of cotton or rayon or other synthetic fibres, justified a reasonable margin of protection.

Nevertheless, with the increase in costs which began to rise as a result of the World War, the tariff protection was gradually reduced to vanishing point, and therefore, on 21 July 1944, the Government of Cuba enacted Decree No. 2155 making the importation of the articles covered by Items 127 A and B and 142 A and B subject to a quota system. Had this not been done imports would have definitely ousted the Cuban industry 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 received an average wage of six pesos a week, the average weekly wage which is now being paid and which has been paid since 1944 is thirty pesos.

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.

However, owing to the constitutional requirements which have to be complied with in Cuba, involving the sending of a message by the Executive to Congress requesting the approval of a law for an increase in tariffs, the approval of such a law by both Houses of Congress and its subsequent ratification by the Executive would imply the lapse of a long period of time at the end of which the measure would probably have proved to be useless, since the industry would have already disappeared.

One million pesos were invested in the establishment of the industry in question, while the annual wage bill is not less than 250,000 pesos, and the industry provides a livelihood for more than 250 workers.

Should it prove impossible to maintain the quota system the investment would undoubtedly be lost, but great as this loss would be, it would be trivial compared to the fact that more than 250 employees would be thrown out of work and added to the number of unemployed, consequently prejudicing the economic development of Cuba, a result which would be contrary to the basic principles set forth in the General Agreement on Tariffs and Trade and in the Draft Charter for an International Trade Organization.

In conclusion, the delegation of Cuba requests that Cuba be allowed to maintain the quota system established by Decree No. 2155 of 1944, in the form laid down in that document, until such time as Congress enacts a law increasing duties to the extent necessary to permit the industry to operate without a quota system, or for a period of ten years, should such a law not be enacted.

Havana, 10 March 1948.

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