

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Eighth Session

SUMMARY RECORD OF THE ELEVENTH MEETING

Held at the Palais des Nations, Geneva,
on Friday, 2 October 1953, at 10.30 a.m.

Chairman: Mr. Johan MELANDER (Norway)

Subject discussed: United States Restrictions on Dairy Products

Mr. BROWN (United States) introduced the Report submitted by the United States Government pursuant to the resolution of the CONTRACTING PARTIES of 8 November 1952. The United States Government had taken steps to repeal Section 104 of the Defense Production Act, but it had been necessary to maintain certain restrictions under the Agricultural Adjustment Act. This, it appeared, had sharply disappointed the hopes of certain governments. The reasons for the United States measures should be understandable to the contracting parties for in practically all countries, including the highly industrialized countries of Western Europe, agriculture was a very important sector of the economy and subject to peculiar hazards. Most countries at one time or another had to face problems arising out of domestic prices for agricultural products and had to adopt measures such as combined programmes of loans, subsidies or limitation of production and marketing. Many of the implications of these price support programmes were recognized in the Agreement. But the United States were concerned that their price support policies should not aggravate the problems of other countries.

The United States had used price support for the purpose of providing dairy farmers with stability of income. In the post-war period, prices for agricultural commodities were above the price level established for the price support programme and there was therefore no need for extensive governmental intervention, except in a few special cases such as butter. During the past year, a crisis arose in the sector of dairy production caused by an unexpected increase in production, combined with price support, at prices above the level on the world market. In 1952, price support acquisitions amounted to only 10 million dollars. If the volume of purchases had been able to continue at that lower level, it would have been possible to eliminate most of the restrictions on dairy produce with the expiry of Section 104 of the Defense Production Act. In 1953, however, the situation had changed; in order to carry out the price support programme, the Commodity Credit Corporation had been forced to buy

huge quantities of dairy produce for which no market was in sight. These amounted to 279 million pounds of butter, 247 million pounds of cheese, and 429 million pounds of non-fat dry milk solids, to date. The initial cost was in excess of 355 million dollars and additional funds had to be spent each day on new purchases. As a result of the higher price level, imports were attracted into the United States and the larger the imports, the more domestic products must be brought to carry out the provisions of the Commodity Credit Corporation. Had Section 104 still been in operation, the accumulated stocks would have necessitated a complete embargo on all imported dairy products. The repeal of Section 104 of the Defense Production Act was, he felt, a genuine step forward.

The United States Government were attempting to correct certain conditions which gave rise to their dairy problems, and the industry had agreed to seek solution to the basic difficulties and thus reduce the need for Government support. In February 1953 the Department of Agriculture had established a Dairy Advisory Committee to study problems of production, distribution and consumption, and the Commission on Foreign Economic Policy would also address themselves to those problems. Furthermore, the President had set up a bipartisan national Agricultural Advisory Commission to prepare recommendations on agricultural policy. The dairy problem was one which would be called to the attention of all these bodies.

The dairy problem was a fundamental one and one which should engage the attention of the CONTRACTING PARTIES in any general review of the Agreement. The United States Government fully recognised that their farm policies must take account of their position as a creditor nation, and that their economy, both agricultural and industrial, was closely tied to the human and industrial needs of the free world. They regretted that the serious difficulties with which they were faced had not yet been overcome, but trustful that with patience a solution might be found which would enable world expansion of trade.

Mr. PRESS (New Zealand) expressed the disappointment of his delegation at the fact that the item under consideration, which had been on the agenda of the CONTRACTING PARTIES the past two years, was still under discussion. He had already indicated in another context that continued restrictions on some of the important items of New Zealand export produce were tending to colour public opinion in his country with regard to the General Agreement as a whole. In actual fact these restrictions gravely disturbed the balance of advantage on which participation in the Agreement was to be based. He recognised that, in fact, the United States Government had repealed Section 104 of the Defense Production Act. But unfortunately, substantially equivalent import restrictions remained in force under another internal law. With regard to certain products, New Zealand was actually in a worse position than when Section 104 had been in force. The United States announcement of a forthcoming

review of these policies gave him some grounds for moderate optimism and for the hope that positive action would result towards a resolution of the extremely difficult problem of reconciling complex domestic agricultural policies with international economic policies.

Mr. Press proposed that the CONTRACTING PARTIES record in a resolution that although the United States Government had repealed Section 104 of the Defense Production Act, substantially equivalent import restrictions continued to be applied under other legislation. It should also be recorded that a number of contracting parties still suffered serious injury, and the right of these countries to have recourse to Article XXIII should be reaffirmed. In particular, the right granted to the Netherlands in regard to imports of United States flour should be extended for a further year. Finally, the attention of the United States Government should be drawn to the harmful effect of these restrictions. The United States Government should report on the situation at the Ninth Session. In conclusion, he wished to repeat the statement of the New Zealand delegate at the previous Session that while they affirmed the right of any contracting party suffering damage from these restrictions to take action under Article XXIII, only the United States Government themselves could supply a satisfactory solution to the problem by terminating these restrictions.

Mr. SEIDENFADEN (Denmark) pointed out that, as the result of a commercial policy incompatible with its position as a great creditor nation, the United States had been one of the contracting parties most frequently subjected to complaints at the sessions of the CONTRACTING PARTIES. This was all the more regrettable because of the debt of gratitude felt by most countries for the assistance afforded by the United States in the post-war period. It seemed that many circles in the United States had not yet realised that only a change in the commercial and economic policies of the United States, national and international, could bring about a genuine economic equilibrium in the world. The conditions of full employment which had prevailed in the United States since the war had reduced industry's incentive to export. But in normal times it would have been obvious that the only bar to increased exports was the inability of potential foreign importers to earn dollars. This would have led the industrial sector to exert powerful influence in favour of import liberalization. He was sure the same was true of United States agriculture. Foreign aid and farm programmes had obscured the issue for the American public, who were not yet aware that their choice was really between larger imports and smaller exports. The danger was that if nothing was done both American agricultural production and American exports would contract, with results which would be just as fateful to the United States as to the rest of the world. He wished to assure the representative of the United States that they were awaiting with the greatest anxiety the outcome of the American foreign economic policy review, and he hoped that, in the course of that review serious consideration would be given to the broad aspects of national policy, which had such far-reaching effects on world trade. He welcomed the statement made by the United States representative in his opening speech, linking internal policies of countries with their trade patterns.

Turning to the effects of the restrictions on Danish exports to the United States, Mr. Seidenfaden expressed his dissatisfaction with the fact that, although Section 104 had been abolished, the situation as regards Denmark had not improved. At Annecy they had felt that the most important result of their negotiations had been the reduction granted by the United States on the rate of duty for butter. It was therefore very disappointing to find that after some years of negotiation they received a quota of 100 tons of butter per year, which represented less than 0.014 per cent of the United States consumption. He was impressed by the difficulties of the United States administration, which now held stocks of about 279 million pounds of butter. This was paid for by the tax payer who could not eat it. The consequence was that pre-war consumption at 2.2 billion pounds had fallen by about 600 million pounds. He suggested that if prices were allowed to find a more reasonable level, demand would be increased beyond American production capacity, thus leaving room for foreign producers. The latter would then be in a position to buy American tobacco, cotton, corn and oilseed and also motor-cars.

Coming from an agricultural country he appreciated the difficulty of the problem. The repeal of Section 104 was a step in the right direction, despite the existence of Section 22 to fall back upon. But for practical purposes the situation was no better for his country than it had been a year before and caused them the same concern. The United States restrictions were causing serious injury to the Danish economy and their continuation resulted for Denmark and others in an impairment of the benefits of the Agreement in the sense of Article XXIII. His Government felt that the CONTRACTING PARTIES should urge the United States to do away with the restrictions. He hoped that, at the next session, a more satisfactory situation could be reported by the United States.

Mr. ISBISTER (Canada) said his country was not in the position of those for which dairy produce was a vitally important element of their export trade but Canada had nevertheless felt the effects of the United States restrictions. The issue had been of concern to all, since agricultural products played a vastly important role in the whole field of world trade. He wished to thank the United States delegate for the information he had supplied and suggested the CONTRACTING PARTIES take note of the Report at the present time, since the problems involved were obviously still unsolved. It would also be appropriate to retain the item on the agenda for the Ninth Session and to ask the United States Government to report to that Session.

He could add little to what had already been said on the issue under consideration and would merely comment upon some of the remarks by the United States delegate: the latter had made it clear that his Government had resorted to import restrictions on dairy products only under very great pressure, and had expressed regret for the injury caused to some of the contracting parties. Mr. Isbister was particularly interested in the statements linking up the difficulties of the United States in the export field with the same policy of import control. United States exports of dairy products had fallen drastically in

recent years as a consequence of quantitative restrictions abroad. It seemed clear that no country could escape the consequences of unilateral action which modified trade patterns. He wished to record that as far as Canadian exports of dairy produce were concerned, the import restrictions continued to be the same, practically speaking, as a year before.

He had been interested to know of the processes at work in the United States where important bodies were examining problems of agricultural production. Once final conclusions had been reached, they would have to become the subject of international discussion and negotiation, and that underlined the importance of the forthcoming review of the Agreement. It was inconceivable that firm agreement could be reached in matters of world trade in general, unless the problem of agricultural policy could be successfully solved. Agriculture and foodstuffs were far too important components of world trade to be exempted from attention. Referring to the statement by the delegate for Denmark, and the numerous allusions which had been made to balance-of-payment problems, at a certain point those problems became international problems, and international agreements could function properly only if the partners were ready to plan domestic policies which would enable them to hold to their commitments. He supported the proposal to authorize the Netherlands Government to maintain the restriction on United States flour for a further period.

Mr. WARWICK SMITH (Australia) commented on the drop in consumption of butter in the United States, as compared with pre-war years, as a result of price support at a high level. High prices had further encouraged production and large quantities had had to be bought up by the United States Government. A point was reached where import restrictions became inevitable. The stocks tended to overhang the world market and depress world prices, with the resultant fears of sudden disposal of such large quantities in the normal movement of world trade. He thought the situation after repeal of Section 104 of the Defense Production Act remained the same as in the previous year. This was a clear case of impairment of tariff concessions and he would support any request from the Netherlands to be authorized to extend for a further year compensatory restrictions on American flour. He looked forward to some amelioration after the Randall Commission had examined the problem and he would support a resolution by the CONTRACTING PARTIES as proposed.

Baron BENTINCK (Netherlands) agreed with the speakers representing countries which had suffered from the measures under consideration and wished to reiterate his Government's apprehension at the continued import restrictions, despite the action taken by the United States. The Netherlands were still not in a position to export their dairy products to the United States in such quantities as would be possible under normal conditions. His country had even made great efforts to increase their exports to the United States; the sacrifices involved had been considered justified since it was assumed that the sales would take place in an

expanding market with prospects of a steady increase of their exports. They had suffered damage from the restrictions, but the indirect damage suffered by their exports was even greater. The uncertainty thus engendered had had a discouraging effect on the exertions of their exporters in opening up the United States market for themselves. He had already said on a previous occasion that the speed with which they would be able to proceed towards the abolition of dollar restrictions was closely linked with the possibility of stimulating their exports to the dollar area. For these reasons they were looking forward with the greatest interest to the result of the studies of policy which were now in progress. The Netherlands Government felt that, meanwhile, the CONTRACTING PARTIES should extend for another year, the authority granted to them to limit their imports of wheat flour from the United States.

Mr. SAHLIN (Sweden) compared the situation before and after the repeal of Section 104 of the United States Act, and found no substantial improvement with regard to dairy products. The quotas allowed for Sweden beginning 1 July 1953 were much too small. He noted the full explanations given by the United States delegate, but stressed that Swedish exports of dried milk had been gravely affected, and the result was discouraging, because the Government had expected to find a market and increase their dollar earnings. He supported the remarks by the delegates for Denmark and the Netherlands, and the proposal to draft a resolution as proposed.

Mr. SANDERS (United Kingdom) said that although the United Kingdom was not directly concerned in the question at issue, he considered the principles involved in the import restrictions were of fundamental importance. Their effect upon exporters to United States markets was discouraging, the more so as those markets were difficult enough to gain without artificial barriers. The measures were inconsistent with the United States position as a creditor country and their role in helping to solve disequilibrium between the dollar and other areas. He welcomed the prospect of a review of that policy by the appropriate bodies in the United States.

Mr. NOTARANGELI (Italy) thanked the United States delegate for his statement regarding the future and supported the proposal for a resolution by the CONTRACTING PARTIES.

Mr. DONNE (France) also requested that the United States take measures as speedily as possible to repeal the measures which were hampering fair competition between imported products and domestic dairy products, otherwise the fundamental principles of the Agreement might be endangered. He would support the proposed resolution.

Mr. BROWN (United States) assured the CONTRACTING PARTIES that their comments would be submitted to his Government and to the authorities who were reviewing these questions.

The CHAIRMAN in summing up said that four main conclusions emerged from the debate: the United States Government were still maintaining in force restrictions on imports of dairy products more or less at the same level as in the past two years; several countries continued to suffer damage from these restrictions; governments which so desired should be authorised to take counter measures under Article XXIII, and in particular the Netherlands Government should be authorised to continue for another year the limitation of their imports of wheat flour from the United States; and all contracting parties were awaiting the review of agricultural and trade problems now in progress by Committees appointed by the United States Government.

The Chairman said there appeared to be agreement that the CONTRACTING PARTIES should adopt a resolution in the sense indicated by several speakers. Such a resolution had been drafted and would be submitted for approval at a subsequent meeting.

The meeting rose at 1 p.m.