

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
Seventeenth Session

## UNITED STATES IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

### Report of the Working Party

1. The Working Party has examined the Sixth Annual Report (document L/1310) submitted by the United States Government under the Decision of 5 March 1955, on import restrictions in effect under Section 22 of the United States Agricultural Adjustment Act, on the reasons for the maintenance of these restrictions, and on the steps taken with a view to a solution of the problem of agricultural surpluses. On the basis of the Report and with the assistance of the United States delegation, the Working Party has reviewed the action taken by the United States Government under the Decision.
2. The Working Party noted that import restrictions currently in force applied generally to the same six groups of commodities as in the previous year: wheat and wheat products, cotton and cotton waste, rye including rye flour and rye meal, peanuts and peanut oil, tung nuts and tung oil, and a number of dairy products. In addition, flaxseed (including linseed oil) had continued to be subject to an import fee.
3. The representative of the United States in introducing the Report drew the attention of the Working Party to actions taken by the United States Government during the past year under the provisions of Section 22. The United States Tariff Commission had found that the import of articles containing cotton was not materially interfering with the United States Department of Agriculture programmes and had recommended against the regulation of such imports. This recommendation was accepted by the President of the United States. The President had also accepted the findings of the Tariff Commission that restrictions on almond imports were not warranted during the 1959/60 marketing season. During this period, additional imports of specified cheeses had also been authorized. The United States representative informed the Working Party that price support levels had not changed substantially compared to those in effect during the past year. He reminded the Working Party, however, that the reductions which had taken place since the granting of the waiver had been substantial,

Acres restrictions continued to be the main instrument designed to achieve desirable production adjustments, and special programmes such as those implemented for providing milk for school children, donations to needy persons in the United States and abroad, and donations to institutions, were the principal means used to increase consumption.

4. The Working Party was appreciative of the comprehensiveness and clarity of the United States Report and noted that no additional restrictions had been imposed since the previous Report, but expressed serious concern, however, that, since the submission of the previous Report by the United States Government, relaxations of import restrictions had been limited to a few types of cheese. The representative of the United States pointed out that one factor affecting the progress towards the achievement of a better balance between supply and demand with respect to certain commodities was the unusually favourable growing season in the period under review. In the view of some members, the continuance of the problem of imbalance demonstrated that the praiseworthy measures being pursued by the United States Government to bring about a better balance of supply and demand were less than adequate. Measures currently pursued were insufficient to offset increased production resulting from rising productivity. The Working Party noted in this regard a statement made by the United States Government in the Report to the effect that steps taken to solve the problem of surpluses of agricultural commodities continued along the same general line as in recent years and expressed concern about what seemed to be an assumption that need for the maintenance of restrictions would continue for an indefinite period. The general view of members of the Working Party was that the price support policy being pursued by the United States Government was the principal contributing factor to the necessity of maintaining quantitative restrictions. The present support price level tended to inflate the return of the more efficient farm unit and thus stimulate production. Furthermore, more than just marginal price changes were needed to bring about structural improvements in production. To the extent that the present high levels of price support were reflected in high consumer prices, particularly in the dairy sector, a reduction in such levels was also necessary to stimulate consumption.

5. Members of the Working Party pointed out that quantitative restrictions not only deprived producers in other countries of export opportunities but also caused a diversion of trade to markets where access was easier. It was emphasized that other agricultural producers were confronted by specific commodity problems not unlike those facing the United States and were also attempting to correct such problems by implementing quantitative import restrictions or by proposing the introduction of such measures. It was felt that United States leadership in removing quantitative restrictions would not only encourage similar action elsewhere but also discourage the implementation of such measures where they were contemplated. On the other hand it was recognized that the responsibilities of other countries in this field did not rest with action taken by the United States.

6. One member of the Working Party referred to the Report of the Committee II Consultation with the United States where it was pointed out by certain members of that Committee that policies of agricultural protection had led the United States to seek a waiver from its obligations under the General Agreement. This

action, in their view, had possibly caused more serious damage to the fulfilment of the objectives of the General Agreement than any other single factor. It was difficult to appreciate the reasons why it was not possible for the United States to devise a system to protect the low-income farmer without disrupting world trade. These members of the Committee II had expressed the hope that among the objectives of the United States agricultural policy would be the creation of conditions in which the United States waiver from her obligations under the General Agreement would no longer be necessary. In their view no other single action would give more encouragement to the expansion of world trade or to the principles which underlined the General Agreement.

7. The United States representative pointed out that the Committee II report on the United States had also noted that it was recognized by the United States representative that the United States waiver was a matter of great interest and concern to all contracting parties. In the view of the United States representative in Committee II, however, the extent and importance of the matter had been overemphasized. Action under the waiver had been reasonable, and recourse to it had been as limited as would have been expected; many applications for Section 22 action involving the application of some form of import restrictions had been opposed and rejected. Restrictions on the domestic marketing of wheat, cotton and peanuts were effected through a system of quotas with heavy penalties for marketing above allotted quotas. It was pointed out by the United States representative on the Working Party that the Section 22 report under consideration noted, in keeping with the language of the waiver, that all agricultural commodities subject to such import regulations were reviewed, regardless of the applicability of Article XI or other provisions of the General Agreement.

#### Wheat and Wheat Products

8. The Working Party noted that the total wheat supply in the United States in 1960/61 was even larger than the previous record amount in 1959/60. The large supply had accumulated despite the many Government-sponsored programmes to reduce acreage and to maximise utilization. These adjustment programmes had been more than off-set by exceptionally high yields per acre during recent years. Some members of the Working Party noting that the existing measures had not been sufficient to achieve desirable adjustments in the production of wheat expressed the view that the level of support prices was at the core of the problem; despite significant reductions in recent years the level of support prices for wheat in the United States was still considerably higher than in other traditional wheat exporting countries. Abundant stocks had been followed by a programme of surplus disposal which, in certain instances, had affected the normal pattern of trade and created problems for other traditional wheat exporting countries.

9. Efforts by the United States to provide wheat to needy peoples abroad were commended. It was recognized that such shipments were generally directed to less-developed countries where foreign exchange for normal commercial imports was insufficient. This, to some extent, fulfilled a demand which was additional to normal commercial demand. The United States representative pointed out that since the granting of the waiver the price support levels

for wheat had been progressively reduced and that they were now the lowest since the Decision was adopted. He stressed that notwithstanding the increase in stocks in the United States and elsewhere, the United States had used great reserve in keeping these stocks off the world market which had certainly had a stabilizing effect on international wheat prices. Relatively high levels of price support for wheat in many traditional importing countries had contributed to the abundant world supply position. He felt that such levels should be modified since wheat was available in large quantities at reasonable prices.

Cotton and cotton waste

10. The United States Tariff Commission had recently found that imports of articles containing cotton were not materially interfering with the United States Department of Agriculture programmes. The Working Party welcomed the decision of the United States Government not to impose import regulations on these products.

11. Some members of the Working Party noted that the 1960 planned acreage of upland cotton was estimated at 16.2 million acres which was the largest acreage since 1956. They expressed concern that such increases in acreage had taken place. The representative of the United States explained to the Working Party that the United States authorities intended to continue acreage control for cotton in 1961. He explained that the main reason for the increase in acreage in 1960 was that producers, given a choice between a restricted acreage allotment with a fairly high support level or less restriction of acreage with a lower support level, had to a large extent chosen the latter programme under which they could plant up to 40 per cent more than their allotment. Under the present legislation this choice was no longer available to cotton producers and only one uniform system of support applied to the entire production of cotton. The general trend should be a reduction of acreage to the legal minimum. Acreage had already been reduced by about 33 per cent since 1953. Referring to future prospects for the elimination of cotton import controls, the representative of the United States stated that as long as it was necessary to restrict domestic production and whenever imports of cotton threatened material interference with the operation of the domestic programme, it would probably be necessary also to continue to maintain import controls on the products concerned.

Rye, including rye flour and rye meal

12. The Working Party noted that import quotas for rye and rye flour were due to terminate on 30 June 1961 and expressed the hope that these measures would not be extended beyond that date.

13. Some members of the Working Party stressed that, in view of the changed situation in world production, there appeared to be no longer any justification for maintaining import restrictions on rye and rye products. The Working Party

noted that among efforts indicated by the United States to find a solution to the problem of surpluses in the United States was for the United States to compete on world markets by subsidizing exports. The Working Party expressed concern that the United States had imposed import restrictions while at the same time subsidizing exports. Such practices were particularly disruptive for international trade. The representative of the United States assured the Working Party that before the import restrictions on rye were renewed there would be a complete and comprehensive investigation undertaken by the Tariff Commission to ensure that the domestic supply situation and price and quantities of rye available in other exporting countries warranted such action.

#### Flaxseed, including linseed oil

14. The Working Party noted that while there were no quantitative restrictions on flaxseed and linseed oil, the high level of import fees constituted a substantial obstacle to trade in those products. It was recognized, however, that United States tariffs on these items were not bound under the General Agreement.

15. Members of the Working Party noted from the United States Report that the outlook for the year beginning 1 July 1960 was for supplies of flaxseed in Canada and Argentina, two major exporting countries, to be exceptionally large. It was noted that the United States Report had stated that under these circumstances the ability of the United States to eliminate the need for import controls depended not only on developments in the United States but also on developments in other countries producing flaxseed in excess of domestic demand. Members of the Working Party observed that, if this latter criterion for restricting imports was widely used, international trade would be seriously endangered.

16. The representative of the United States stated that the criterion for the imposition of import controls was whether the products concerned were being, or were likely to be, imported under such conditions and in such quantities as to render ineffective or to interfere with various domestic support programmes. The United States authorities intended to continue to maintain import restrictions only as long as the situation warranted. He assured the Working Party that the existing import controls were under constant review by the United States Government. In this regard he announced that the Tariff Commission on 10 November 1960 had undertaken an investigation to determine whether the fees on imports of flaxseed and linseed oil should be modified or terminated. The Working Party welcomed the announcement by the United States representative and expressed the hope that the findings of the Tariff Commission would result in the removal of the fees from imports of these products.

#### Tung nuts and tung oil

17. The Working Party, noting that import quotas for tung nuts and tung oil had not been terminated as scheduled on 31 October 1960, expressed disappointment that the United States Government had found it necessary to continue to apply import controls for a further three-year period.

Dairy products

18. Members of the Working Party noted with satisfaction that the examination recently conducted by the Tariff Commission with regard to Edam, Gouda and Italian type cheeses of cow's milk, had resulted in increased opportunities for exporters of these particular types of cheese in other countries; some members expressed disappointment, however, that the investigations had been limited to only certain types. They also found it difficult to understand the United States view that imports of particular types of cheese would interfere with the price support programme for milk and butterfat while imports of other varieties would not have this effect. In addition, the question was raised why recent relaxations had been extended only to certain varieties of cheese under quota while Blue Mould and Cheddar cheese had not shared in the relaxations. The hope was expressed that the United States would extend the relaxations to all varieties.

19. It was noted with concern that support prices for dairy products which were subject to import control had not been reduced in the period under review and that subsequent to the submission of the United States Sixth Report support prices for dairy products had actually been increased considerably. The viewpoint was stressed that a sizeable reduction of support prices and consumer prices was essential for any solution of the problem of surplus production. The existing surplus situation in the United States demonstrated that the measures implemented by the United States Government for the express purpose of ensuring an adequate supply of milk were considerably greater than necessary for the purpose and had in fact resulted in a substantial surplus.

20. Some members of the Working Party pointed to the extremely small size of the import quotas granted for most dairy products. For butter, for example, the total quota was 700,000 lbs. which represented only 0.05 per cent of the total consumption in the United States. This amount was particularly small in view of the fact that tariff concessions had been granted by the United States under the General Agreement on 50 million lbs.; the tariff concessions which had been granted by the United States on other dairy products had also been impaired by quota restrictions. The United States was requested to review promptly the present quotas and to permit increased importations of butter and other dairy products under restriction.

21. The representative of the United States agreed with the Working Party that there had indeed been a recent improvement in the dairy situation; this improvement was reflected in the recent relaxation announced by the United States Government with respect to certain types of cheese. He assured the Working Party that it was his Government's intention to keep these matters under continuing review and to relax or terminate the restrictions as soon as they were no longer needed to protect the operation of the agricultural programmes and expressed the hope that the improvement in the dairy situation which had been observed would continue and would thus permit further relaxation in the import restrictions on these products.

22. The United States representative informed the Working Party that the recent increases in the support prices for dairy products would in fact have little effect on production since they had been granted after the pattern of

production had been established. These increases would only remain in effect until March 1961, after which time special legislation would be required for any extension. He also stated that import quotas could not be generally described as being small for all dairy products. While the import quotas on butter and Cheddar cheese represented 50 per cent of imports during a previous representative period, the Blue Mould cheese quota was 100 per cent of imports during the base period and quotas for some other varieties were based on 300 to 500 per cent of quantities imported during the base period.

#### General

23. In concluding the review, members of the Working Party stressed the need for greater progress in the coming year in the relaxation, and removal of restrictions under the Waiver. It was re-emphasized that progress towards the removal of restrictions by the United States would be an encouragement to other countries to take similar action and would have desirable effects on international trade generally, and particularly on the ~~export opportunities of~~ countries highly dependent on agricultural exports.