

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5449/Add.8/Suppl.1  
11 May 1983

Limited Distribution

Original: English

## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### UNITED STATES

##### Supplement

The following notification has been received from the Permanent Mission of the United States.

This document updates, for the year 1983, the information furnished in sections I and III of the notification of subsidies in document L/5102/Add. 15 of 26 February 1982.

#### I. MARITIME CONSTRUCTION-DIFFERENTIAL SUBSIDIES

##### 1. Nature and Extent of the Subsidy

###### (a) Background and Authority

Under the Merchant Marine Act of 1936, as amended (Merchant Marine Act) construction-differential subsidies (CDS) may be paid to American shipbuilders for the construction of certain ships.<sup>1</sup> CDS can be defined as the difference in costs between having a ship constructed in a foreign shipyard and having the same ship constructed in a U.S. shipyard. Due to the cost differential, subsidization is necessary to place the construction costs of ships built in the United States on a parity with foreign construction costs. The program is intended to encourage the growth and maintenance of both the U.S. merchant marine and the U.S. shipbuilding industry. National defense is a prominent motive for CDS.

###### (b) Incidence

Under title V of the Merchant Marine Act, CDS may be paid to either the purchaser of the ship or to a United States shipyard. The amount of CDS paid equals the difference between

<sup>1</sup> CDS may only be granted where: (1) the purchaser is a U.S. citizen; (2) the ship is built for, and in general is operated in, the foreign commerce of the U.S.; (3) the shipyard is in one of the 50 states or Puerto Rico; (4) the purchaser satisfies certain managerial qualifications; (5) the vessel satisfies foreign commerce and national defense requirements; (6) the vessel is documented under U.S. laws for 25 years (20 years for tankers and other liquid bulk carriers); (7) all crew members are U.S. citizens; and (8) if the U.S. Government buys or requisitions the vessel, the owner is paid the original construction cost depreciated or the scrap value, whichever is greater.

the shipbuilding costs in a U.S. shipyard and a reasonable estimate of costs in a foreign shipyard; by law, CDS may not exceed 50 percent of domestic shipbuilding costs.

(c) Amount of Subsidy

CDS PAID OUT 1980-82

<u>Fiscal Year</u>	<u>Subsidy Outlays</u>
1980	\$262,727,122
1981	\$208,113,192
1982	\$184,485,217

2. Effect of Subsidy

(a). Estimated Quantitative Trade Effects

The Merchant Marine Act's CDS is one element of a comprehensive program designed to ensure the maintenance of the shipbuilding industry in the United States through incentives to United States citizens to purchase American-built vessels. As such, CDS serves to reduce the number of foreign-built vessels which might otherwise be purchased by American citizens for use in U.S. foreign commerce.

The overall effect of CDS on purchases of foreign-built ships changed significantly with the 1981 amendment of the Merchant Marine Act which provided that the Secretary of Transportation may until 30 September 1983, authorize an operator receiving operating subsidy to acquire foreign-built vessels when no funds are available in the CDS account. No funds are being budgeted for CDS in the foreseeable future and an extension of the foreign building authorization until 1984 will be requested.

Since a ship constructed in the U.S. with CDS must be documented under the laws of the U.S. for 25 years thereafter (20 years for tankers and other bulk carriers), in fact no subsidized vessels are exported.

III. AGRICULTURAL PRICE SUPPORT PROGRAMS

The price support programs of the Department of Agriculture remain as notified in L/5102/Add. 15, with the following exception:

3. Dairy. On April 16, 1983, an assessment of 50 cents per cwt was imposed on all milk sold by producers. A second 50 cent per cwt assessment is being delayed until August 1. If no new legislation is enacted, the Department of Agriculture will have to reconsider the implementation of the second assessment.

U.S. Government Expenditures for  
Agricultural Commodity Support Programs

(million dollars)

<u>Commodity</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Wheat	308	879	1,543	2,238
Feedgrains	1,144	1,286	-533*	5,397
Rice	50	-76*	24	164
Upland Cotton	142	64	336	1,190
Soybeans	4	116	86	169
Dairy Products	24	1,011	1,894	2,182
Sugar	-449*	-405*	-121*	-6*
Peanuts	27	28	28	12
Tobacco	157	-86*	-51*	103
Total	3,572	2,717	3,994	11,598

\* Represents net receipts

Note: Data includes Commodity Credit Corporation expenditures for deficiency payments as well as other support expenditures including disaster payments, producer storage payments, commodity loans, and interest expenditures.

United States  
Statistics of Production, Consumption, Imports, and Exports  
(1000 Metric Tons)

<u>Commodity/Year</u>	<u>Production</u>	<u>Consumption</u>	<u>Imports</u>	<u>Exports</u>
<u>wheat</u>				
1976-77	55,700	23,400	100	30,600
1977-78	48,300	22,800	--	32,500
1978-79	58,100	21,300	100	37,400
1979-80	64,600	21,200	100	41,100
1980-81	76,000	25,500	100	50,300
1981-82	76,200	31,700	--	49,100
<u>Feedgrains</u>				
1976-77	205,700	138,300	300	56,300
1977-78	222,100	157,200	300	60,200
1978-79	238,700	161,400	300	71,400
1979-80	198,400	147,100	300	69,600
1980-81	248,900	151,800	300	66,500
1981-82	249,000	71,200	300	61,400
<u>Upland Cotton</u>				
1976-77	2,290	1,436	5	1,040
1977-78	3,108	1,397	--	1,189
1978-79	2,343	1,369	--	1,339
1979-80	3,164	1,402	1	1,998
1980-81	2,399	1,269	5	1,283
1981-82	3,389	1,135	4	1,427
<u>Milled Rice</u>				
1976-77	3,781	1,248	3	2,097
1977-78	3,120	1,708	3	2,270
1978-79	4,271	1,793	3	2,431
1979-80	4,232	2,077	3	2,706
1980-81	4,838	2,113	7	3,028
1981-82	6,060	2,247	13	2,683
<u>Soybeans</u>				
1976-77	35,070	23,584	--	15,351
1977-78	48,097	27,451	--	19,061
1978-79	50,859	30,390	--	20,117
1979-80	61,722	32,872	--	23,818
1980-81	48,772	30,175	--	19,712
1981-82	54,435	30,511	--	25,285
<u>Dairy/Butter</u>				
1977	493	429	1	2
1978	451	430	--	2
1979	447	461	1	2
1980	519	463	1	2
1981	558	447	1	56
1982	585	460	1	78

<u>Commodity/Year</u>	<u>Production</u>	<u>Consumption</u>	<u>Imports</u>	<u>Exports</u>
<u>Dairy/Cheese</u>				
1977	1,523	1,597	95	17
1978	1,597	1,700	110	20
1979	1,686	1,769	112	5
1980	1,807	1,825	105	6
1981	1,918	1,894	112	6
1982	2,009	2,049	125	11
<u>Dairy/NFDM</u>				
1977	502	342	1	74
1978	417	338	1	122
1979	412	374	1	89
1980	527	351	2	131
1981	596	303	1	140
1982	645	301	1	120
<u>Raw Sugar</u>				
1976-77	6,234	10,019	4,482	40 *
1977-78	5,436	9,872	4,414	14 *
1978-79	5,557	9,751	4,416	16 *
1979-80	5,187	9,519	4,022	336 *
1980-81	5,494	8,916	3,746	720 *
1981-82	5,559	8,482	3,461	263 *
<u>Peanuts (in shell)</u>				
1976-77	1,701	1,552	--	355
1977-78	1,690	1,236	--	465
1978-79	1,793	1,273	--	518
1979-80	1,800	1,302	--	479
1980-81	1,044	1,096	182	228
1981-82	1,806	1,390	1	261
<u>Unmanuf. Tobacco</u>				
1977	** 783	612	139	290
1978	828	672	167	321
1979	624	611	186	259
1980	730	661	196	273
1981	842	742	239	266
1982	759	750	275 (e)	259

\* refined

(e) estimate

\*\* dry weight