GENERAL AGREEMENT ON TARIFFS AND TRADE

Eighth Session of the Contracting Parties

United States Restrictions on Imports of Dairy Products:
General Discussion

In accordance with a decision taken at the Seventh Session, the Contracting Parties have received a report from the United States Government on the maintenance of restrictions on imports of certain dairy products. This report, which has been discussed by the Contracting Parties outlines the steps taken by the United States to repeal Section 104 of the Defense Production Act, under which these restrictions were imposed in 1950. It also sets out the subsequent developments which led to the continuance of certain of these restrictions, in modified form, in accordance with the requirements of Section 22 of the Agricultural Adjustment Act, as amended.

Introducing the report, Mr. Winthrop Brown said there were a number of reasons why it had not been practicable to reduce these restrictions. In practically every country of the world, he said, including the very highly industrialized countries of Western Europe, agriculture was a vital sector of the national economy and most countries were confronted with international trade problems arising out of agricultural prices - problems which led to the use of loans, purchase programmes, subsidies, control of imports and so forth. All contracting parties would wish to minimize the degree of trade restrictions necessitated by these programmes to support agricultural prices. The United States had, for various reasons, used price supports for providing farmers with stability of income. At the same time it had not been practicable to place limits on output or marketing of dairy products.

Recently, Mr. Brown said, a critical situation had developed in the United States dairy industry and had grown worse in the past year. This resulted from a combination of an unexpected increase of dairy production in the United States, combined with support prices which had been above the level of prices in the world market. In 1952 the cost of price supports (i.e., government buying of dairy products) amounted to about $10 m. But this year the Commodity Credit Corporation had been forced to buy high quantities of dairy products for which no market was in sight. On 8 September 1953 the Corporation was holding 279 million pounds of butter, 247 million pounds of cheese and 429 million pounds of dried milk products; the Corporation had spent more than $355 m. and the cost was mounting daily.

MORE
The United States price support maintained dairy prices in the United States substantially above the level of prices in the world market. As a result, imports were attracted out of the normal international flow into the United States. The more the imports were admitted, the larger the quantity of home produced products that must be bought to carry out the price support commitment, Mr. Brown said. Hence the need for continuing import restrictions, though in his view the impact of these restrictions was less severe to-day under section 22 of the Agricultural Adjustment Act than they would have been if section 104 of the Defense Production Act were still in force.

Looking to the future, Mr. Brown said that the United States dairy industry had undertaken to develop measures, in accordance with promises to the Secretary of Agriculture, to correct the basic difficulties and thus reduce the need for Government support. Further, the President, in addition to initiating a general review of United States economic policy through the Randall Committee, had established a bipartisan National Agricultural Committee to prepare recommendations on agricultural policy. In conclusion, Mr. Brown gave an assurance that the problem of dairy import restrictions would be specifically called to the attention of the Randall Commission, and noted that it was likely that the Contracting Parties would want to include the range of problems of which this was an illustration, in any review of the GATT that might be held in the future. While the United States Government was very regretful that the difficulties arising from the dairy situation in the United States had not been overcome, he was confident that with patience and continued effort a solution could be found which would enable all member countries to expand trade with each other.

Mr. K.L. Press, New Zealand, commenting that this was the third Session at which this problem had been discussed, said that his Government considered that the continued application of these restrictions seriously disturbed the balance of advantage on which the participation of his country in GATT was based. New Zealand was as regards some products worse off to-day than when section 104 was being applied. But he viewed with moderate optimism the steps recently taken in the United States for a careful and objective review of these problems. He proposed that, at this stage, the Contracting Parties should record their views in a Resolution (and this proposal was supported by subsequent speakers) and that the United States Government should be requested to report to the Ninth Session on action taken in the interim.

Mr. Gunnar Seidenfaden, Denmark, said that United States commercial policy was not compatible with the United States position as a big creditor nation and as a signatory to an international agreement on tariffs and trade. There was a real danger that, if nothing was done about American trade policies in the coming years, in a period when the taxpayers are increasingly tired of having to pay heavily for foreign aid programmes and for domestic farm programmes, there would inevitably be a contraction in United States agricultural production and in United States exports. This would be just as disastrous for the United States as for the rest of the world. Therefore, a major effort
would have to be made to convince United States opinion that import liberalization was an urgent American necessity.

Turning to the issue in a more narrow sense, Mr. Seidenfaden said that at the Annecy negotiations Denmark considered that one of the most important results was the reduction of the United States duty for butter. But, after years of negotiations and protests, all that Denmark had to-day was a yearly import quota for 100 tons. Mr. Seidenfaden also drew attention to the drop in consumption of butter in the United States, for which he felt the price support programme was responsible; the consumers simply could not afford to buy the butter they wanted but through taxes they paid for the amount that went into Government stocks. His Government maintained that, in spite of the change in legislation, the situation was for all practical purposes not different from a year ago. The United States restrictions were doing serious damage to the Danish economy and their continued maintenance represented a nullification and impairment in the sense of Article XXIII.

Mr. Claude Isbister, Canada, expressed Canada’s continued concern about the United States import restrictions on dairy products and about the general principles which are involved. He agreed with a number of points made by the delegate of the United States and he noted in particular that the United States exports of these same dairy products have fallen drastically during the period since the import controls were applied. He suggested that there is a close connection between the import restrictions on dairy products and the diminution in United States exports of these same products, which demonstrates again that no country can trade with the outside world, unless it is willing to import as well as to export. He stated that agricultural products occupy a place of central importance in world trade. Referring to studies of trade problems which are to take place in the United States and elsewhere, he said that the future success of world trade agreements will depend in large part on the success achieved in reaching firm international understandings on questions of agricultural trade policy which are sensitive in all countries.

Mr. G. Warwick Smith, Australia, said that in 1952 the United States consumed half the butter it consumed in pre-war years and in his view United States price support policies were turning away consumers and at the same time encouraging production. The piling up of large stocks not only made import restrictions unavoidable, they also tended to depress world prices and create fears of disposal at low prices. The effect of restrictions under section 22 was no less damaging to Australia than under section 104. It was a clear case of nullification and impairment, and like other speakers he supported the proposed Resolution.

Baron C.A. Bentinck, Netherlands, said that the Netherlands position had even worsened in comparison with a year ago. He stressed that, in recent years, the Netherlands had made great efforts to develop exports to the United States and the export drive had called for sacrifices, which were considered worthwhile as the United States was regarded as an expanding market. To-day, not only had the restrictions on imports of dairy products caused direct damage, but they had had a most disadvantageous indirect effect on the export drive to dollar markets. Exporters were inevitably discouraged in their effort to increase exports to the United States market, because what happens to-day with dairy products could happen to-morrow to other products.

MORE
In view of the present situation, the Netherlands Government felt it was fully justified in requesting the Contracting Parties to extend for another year (for 1954) the authority granted to the Netherlands at the Seventh Session to limit imports of wheat flour from the United States.

Mr. Stig Sahlin, Sweden, said that developments since the last Session were very unsatisfactory from the Swedish point of view and dried milk exports were seriously affected. He would support the proposed Resolution.

Mr. C.W. Sanders, United Kingdom, said that while the United Kingdom was not directly affected by the United States restrictions, the principle was of fundamental importance. He joined other speakers in stressing the discouraging effect of protectionist policies on exporters for whom the U.S. market was already very difficult. While he was glad to note that these policies were being reviewed in the United States, he regretted that the United States Government had not seen its way to abandoning restrictions which were inconsistent with the part the United States should play as a creditor country.

The delegate of Italy, Mr. Tommaso Notarangeli, thanked the United States delegate for his report and explanation and said he would support the Resolution. M. Donne, France, said that the important matter of principle was to safeguard GATT's stability and to avoid endangering the principles of the Agreement.

Summing up, the Chairman, Mr. Johan Melander, Norway, said that it was clear that the United States restrictions were still being maintained with more or less the same characteristics as in the past two years. It was recognised that several countries were still suffering damage. The general aspect was particularly serious, namely the impairment of the ability to earn dollars and the consequent need to limit imports from the United States. There was a tendency towards a vicious circle of import restrictions leading to import restrictions. It was agreed that the Netherlands should be authorized to continue counter measures for another year. On the more optimistic side, the United States agricultural policy was being studied and there was hope of a gradual change of policy as part of the general change which might take place. It would also be necessary to examine international trade problems arising from domestic agricultural policies at the time of the review of GATT.

(The text of the Resolution will be published when it has been adopted, later in the Session).

END