General Agreement on Tariffs and Trade
Eighth Session of the Contracting Parties

Export Subsidies: Discussion of United States Subsidies Affecting Raisins, Oranges and Almonds

Under the GATT rule on subsidies in Article XVI a contracting party which grants or maintains a subsidy, including any form of income or price support, which has the effect of increasing exports or reducing imports, is required to notify the Contracting Parties. If the interests of another contracting party are seriously prejudiced, the contracting party granting the subsidy may be requested to discuss the possibility of limiting the subsidization.

At this Session the Contracting Parties have been concerned with export subsidies granted by the United States on raisins (sultanas) and oranges and with the effect of the United States marketing programme for almonds.

Raisins (Sultanas). At the Seventh Session Greece drew attention to the fact that the United States Government had, since 1949, a programme subsidizing the exportation of raisins (sultanas): and Greece - a country with very few exportable items - claimed it was losing traditional markets for its sultanas. Turkey also stressed the detrimental effect of the United States export subsidy on other producing countries. The United States expressed willingness to enter into consultations with the interested countries and bilateral consultations were initiated.

At this Session, Mr. P. Papatzonis, Greece, said that no definite result had been achieved from the consultations, apart from a 30 per cent reduction of the subsidy for the 1953-1954 period. He said that the United States action had affected world prices as well as the volume of Greek exports. The Greek position had become even more difficult because the Turkish Government had decided to pay an export subsidy on sultanas. The delegate of Turkey, Mr. Hasan Isik, said that owing to the fact that the United States was not in a position in the near future to relinquish export subsidies and due to the readjustment of currency values in other areas, Turkey had been obliged to take emergency protective measures to preserve its markets. These measures, he said, consisted of granting a provisional subsidy on exports of sultanas at a rate which did not exceed that of the United States subsidy.

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Mr. G. Warwick Smith, Australia, associating himself with the Greek and Turkish delegates, agreed that export subsidies depress world prices and react adversely on exporters. The Contracting Parties, he said, should note how action by one government leads to chain reaction by other governments.

Mr. Winthrop Brown, United States, said that - as the United States delegation had explained at the Seventh Session - the basic cause of the problem was the shortage of dollars in United States foreign markets. In normal times United States raisins competed with raisins from other producing countries and the market was satisfactorily competitive. Today a change had occurred: the shortage of dollars in United States foreign markets had made ineffective the demand for United States raisins which normally existed. In 1945-1947 before subsidies were introduced, United States exports had dwindled to very small quantities, simply owing to dollar shortage: in effect this was like creating a preference for non-dollar raisins. Therefore, to help keep open the markets, won originally on their competitive merits, the United States had given subsidies to their producers. There was no intention of increasing United States production or acreage, Mr. Brown added, nor had such increases taken place. United States exports had only increased 8 per cent over the pre-war years, which was not unreasonable. Subsidy payments had been reduced from $2.95 per 100 lbs in 1951-1952 to $2.00 in 1953-1954. In conclusion, he hoped that the generally improved balance of payments situation would soon enable United States raisins to enter their traditional markets on their merits.

It was agreed that it would not be necessary for this item to be retained on the agenda as the Contracting Parties would be kept informed of the developments through the regular reports on subsidies required under Article XVI.

Oranges. At this Session the Italian Government has drawn attention to the serious effect on her export trade from the granting by the United States of subsidies on exports of oranges to certain countries, in particular European countries. The Italian delegate, Mr. Tommaso Notarangeli, said that these subsidies were initiated in 1948-1949 and in 1952-1953 and amounted to $1.25 per crate of oranges. Italy normally exported about 31 per cent of her domestic crop and the damage to the Italian economy was serious. He had been in touch with the United States delegation and had made some suggestions which might ameliorate the situation. He hoped to be able to revert to this later in the Session. The Italian representative took the occasion to draw to the attention of the Contracting Parties the unfavourable consequences on international trade resulting from the financing of subsidies by means of imposing additional import duties.
Dr. P.R. Botha, South Africa, called attention to the extent to which United States subsidies on exports of oranges impeded the marketing of South African oranges in Western Europe. He said that he understood that in 1952 the United States exported some 1,640,000 cases of oranges to the combined market of Belgium, France, German Federal Republic, the Netherlands and Switzerland, as compared with an aggregate of 611,000 cases from South Africa. But the snag was that the export of oranges by the United States at subsidized prices from December to September made it almost impossible for South Africa to sell any oranges for shipment to these countries before the end of August. (South Africa's citrus season normally lasts from about the beginning of April to about the end of October.) The result of what he would term unfair competition, Dr. Botha said, was that almost the whole of South Africa's exports of oranges to the above five countries had to be shipped after the end of August and marketed very quickly before the subsidized United States oranges appeared on the Continental markets around about December. Dr. Botha said his Government would therefore like to be informed of any further discussions on this matter between the United States and Italy.

Mr. C.W. Sanders, United Kingdom, said that this item raised issues of principle to which the United Kingdom attached considerable importance. Recalling that Article XVI of GATT was much weaker than Article 26 of the Havana Charter relating to export subsidies, he said that his Government would certainly press for stronger and more precise provisions concerning export subsidies in any revision of the GATT. The United Kingdom, he added, also had a material interest in the export of oranges on behalf of her overseas territories, particularly Cyprus, and wished to be associated with any consultations the United States would be holding with other countries under the provisions of Article XVI.

Mr. Olyntho Machado, Brazil, said that although Brazil was an exporter of oranges he preferred to consider the matter of principle. Article XVI was inappropriate not only as a piece of machinery but also as a principle. All delegates, he said, should profit from the postponement of further action to revise their ideas about subsidies, both agricultural subsidies and export subsidies. This case serves as an example more to justify our original approach to the general problem that GATT faces, namely whether we could pursue our objectives without revising the basic rules of GATT. Of course, this revision should precede any further negotiations on tariffs. Brazil, for example, had to give subsidies because, owing to inflation, the cost of production was above the international level; but he believed that subsidies should only bring prices down to the international level, not below it.
Mr. Claude Isbister, Canada, regretted the absence of any agreed international approach to the question of export subsidies and he regarded this as a serious weakness in the General Agreement on Tariffs and Trade. Consideration of this subject, he said, must be given an important place when the basic provisions of the General Agreement are reviewed next year. In the absence of firm commitments respecting export subsidies, the obligation regarding consultation obviously assumes an enhanced importance and he was glad to note that the countries concerned were taking this obligation seriously.

In his reply, Mr. Winthrop Brown said that fundamental questions had been raised. The debate illustrated the kind of chain reactions with their undesirable consequences to international trade which arose from the imposition of restrictions on normal international trade. Dealing with the specific question of oranges, he said that as in the case of subsidies on raisins, the United States wanted to maintain its traditional markets for oranges until more normal times returned. He pointed out that the rate of U.S. subsidy in the past three years had been reduced and that in this period exports from Italy, Spain and North Africa into Western Europe had increased more than United States exports into that market. He said that his delegation took seriously the obligation to consult under Article XVI and would have further discussions with the Italian and South African delegations.

**Almonds.** Mr. Winthrop Brown, United States, said that in the case of almonds no subsidy was involved but under the United States marketing programme there was a quota for domestic consumption beyond which producers were free to chose how to dispose of their surplus. The partial replacement of Italian almonds by United States almonds in the Swiss market was, he said, due to Switzerland's ability to pay in dollars. The marketing agreements with respect to almonds were part of the general problem of agricultural marketing which was under study both in the general review of United States trade policies and in the special group studying agricultural policy.

In conclusion the Chairman said it was evident that the United States was prepared to continue consultations with interested governments and would report on them in due course under Article XVI. It was also clear that close attention to the principles of export subsidies would be given when the review of GATT took place.