CHILEAN COMPLAINTS REGARDING AUSTRALIAN SUBSIDIES
SENT TO WORKING PARTY

The delegates of Chile and Australia have stated their respective views of the complaint by Chile that a measure taken by the Government of Australia regarding Chilean Nitrate contravenes certain principles and specific Articles of the General Agreement.

A small working party under the chairmanship of Mr. Torfinn Oftedal, Norway, has been set up to consider the arguments submitted by Australia and Chile and to make recommendations to the Contracting Parties.

The delegate of Chile, M. Pedro Enrique Alfonso, presented a paper which included the following statement:

(a) For some years the Australian Government has been subsidising imports of Chilean Nitrate and of Ammonium Sulphate in order that Australian farmers could obtain their nitrogenous fertilizers at the lowest possible prices.

(b) From 1st July 1949 Australia withdrew the subsidy on Chilean Nitrate, maintaining it with regard to Sulphate of Ammonia.

(c) Chilean Nitrate is one of the basic products of Chilean economy and is second in importance as a source of foreign currency.

(d) While the subsidy was in force for both products, Chile and Australia agreed tariff concessions during the 1947 Geneva negotiations. Among other concessions, Australia conceded to Chile freedom from customs duties on Chilean Nitrate.

(e) Both countries are signatories to the Protocol of Provisional Application of the Agreement.

When the facts in (b) above became apparent Chile - the Chilean paper continued - formally protested, requesting the continuation of the payment of the subsidy on Chilean Nitrate in the same manner as for Ammonium Sulphate. Discussions took place at Annecy and subsequently in London but no agreement could be reached. Australia, in these discussions, had offered to give Chilean Nitrate a subsidy which would be based on the nitrogen content. This was rejected by Chile, since Sulphate of Ammonia has a content of 21% nitrogen and Chilean Nitrate 16% nitrogen.
Commenting on the Chilean case, M. Alfonso said that this was a matter of principle. The Australian market for Chilean Nitrate was comparatively small, in relation to their sales of nitrate in other countries. Chile was asking for like treatment of like products. He asked the Contracting Parties to determine whether an important principle of the General Agreement had been infringed, namely most-favoured-nation treatment, as well as other provisions of the Agreement such as Article XVI.

Dr. Ronald Walker, Australia, said that the problem was not so simple as it might appear from the Chilean statement. Australia introduced the subsidy on both Sodium Nitrate and Ammonium Sulphate in 1943 as part of the wartime price stabilization policy and of the control of the production of primary products in relation to wartime needs. Price stabilization, he said, implied that ceiling prices of certain products were frozen. Thus, if an imported product was considered essential and had to be subsidized, the amount of the subsidy would vary from time to time in relation to landed costs. Fertilizers, he said, were among rationed commodities and it was important to see that price movements did not disturb the supply. All nitrogenous fertilizers were held in a government pool. In the first year of operation the pool broke even, But in the second year, in 1943, the pool began to suffer a loss and the government had to subsidize the pool.

In July, 1949, said Dr. Walker, the Australian government decided not to maintain sodium nitrate within the pool but to maintain the pool for ammonium sulphate. The pool for both home manufactured and imported ammonium sulphate had existed on a commercial basis before the war. The reason why the pool for ammonium sulphate was maintained by the Government, he said, was that this fertilizer was particularly suitable for crops selling at fixed prices, such as sugar: whereas sodium nitrate was largely used for the production of crops not subject to fixed prices, such as fresh vegetables.

Dr. Walker agreed with paragraph (d) above of the Chilean statement but said that Australia did not consider that the provisions of the Agreement required the maintenance of subsidies imposed for wartime price stabilization reasons. Subsidies of fertilizers, he said, must be considered in relation to the end products, not merely in relation to the suppliers of the fertilizers. Mr. R.J. Shackle, United Kingdom, said that the legal aspects facing the working party would hinge on (a) the extent of damage suffered by Chile and (b) how far there is an intrinsic difference between the two products.