Resolution adopted

The Contracting Parties have adopted the following resolution, submitted by the Danish delegation, concerning United States import restrictions on dairy products:

Having received the report of the United States Government requested by the Resolution of 13 October 1953 regarding certain restrictions maintained by the United States Government on the importation of a number of dairy products,

Noting from this report that some progress has been made by the United States Government in the direction of correcting the situation that in its opinion still makes the restrictions necessary,

Noting, however, that import restrictions, the effect of which has been substantially unchanged compared with those which were the subject of resolutions passed on 8 November 1952 and 13 October 1953, continue to be applied by the United States Government, and

Recognizing that a number of contracting parties have indicated that they continue to suffer serious damage,

The Contracting Parties

Consider that concessions granted by the United States Government have been impaired in the sense of Article XXIII and affirm the right of the affected contracting parties to have recourse to the appropriate provisions of that Article while the restrictions remain in effect,

Authorize the Netherlands Government to suspend the application to the United States of its obligations under the General Agreement to the extent necessary to allow it to apply a limit of 60,000 metric tons on imports of wheat flour from the United States during the calendar year 1955,

Recommend to the United States Government that it have regard to the harmful effects on international trade relations generally and on the trade of a number of countries individually of the continued application of the present restrictions, and,

Request the United States Government to report before the opening of the Tenth Session on the action which it has taken.
In its report to the Ninth Session, the United States Government states that the United States has taken important steps directed toward the reduction of the maladjustment between the world dairy supply and commercial demand, which underlies the necessity for imposing import quotas on dairy products. In the field of production incentives, the level of price assurance has been reduced. On 15 February 1954, the Secretary of Agriculture of the United States announced a reduction in the level of price supports for milk for manufacturing and butterfat from 90 per cent to 75 per cent of parity (the minimum permitted under the law) to become effective 1 April, the beginning of the 1954-55 marketing year.

In the field of consumption, the report states, the United States has taken steps to help solve the commercial surplus problem by encouraging increased consumption. An active campaign has been carried on to increase the commercial milk consumption in the United States. Under recent legislation 50 million dollars has been made available in 1954-55 for use in increasing the consumption of fluid milk by school children. Large quantities of dairy products have been donated for use in domestic school lunches and for other purposes. Additional quantities have been donated, or sold at less than cost, for welfare use in other countries with the acquiescence of their governments.

The report states that among the effects of this adjustment that are beginning to be seen is the levelling off in production and an expansion in the consumption of dairy products in general. However, the production of dairy products in the United States has continued to exceed the demands of the domestic market and the Government owns large stocks. At the end of the 1953-54 programme year, before price supports were reduced, government stocks amounted to about 10 per cent of the year's milk production. Substantial quantities are still being acquired under the price-support programme in the 1954-55 season. Nevertheless, the United States has continued to allow imports under the quotas established in 1953.

(When the resolution was considered, Mr. Winthrop Brown, United States, provided some additional data on the progress to date arising out of the steps taken by the United States in its effort to help solve the dairy situation. He reported that government purchases under the current price-support programme have been running at lower levels. During the first six months of this marketing year (April-September) government support purchases of dairy products were 13 per cent less than during the same period in 1953. The government has purchased no butter under its price-support programme since 17 September, by far the longest period it has been able to avoid buying butter since dairy purchases started in the fall of 1952.

The overall result, Mr. Brown observed, was that there has been improvement in the net inventory position of government holdings. Inventory stocks of butter are down 65 million pounds from last July; cheese stocks are down 24 million pounds from a little earlier in the season; and dried milk holdings are down 365 million pounds from the total in April.)
Commenting on the agricultural problem as a whole, the report concludes that the dairy problem is part of an overall agricultural problem of adjustment to postwar conditions, especially the continuation of high-production levels in wartime supply areas while import requirements are held at relatively low levels. The United States has every confidence that the dairy-producing countries can together find ways to meet this dairy surplus problem on the basis of benefit to producers and consumers alike. The United States Government has already taken the initiative in approaching other dairy exporting countries regarding cooperation in developing new markets for dairy products in areas of the world where the per capita consumption of milk and milk products is below minimum dietary standards. Many people are consuming an inadequate quantity of milk and its products. From this point of view there is no surplus of dairy products in the world. It is in the framework of this approach, in the view of the United States Government, that there can be achieved a definitive solution of the world commercial dairy surplus problem.

The Discussion

In presenting the report, Mr. Winthrop Brown, United States, emphasized that the United States Government had taken a major step early this year in lowering price supports for the most important dairy products from 90 to 75 per cent. He stressed that the best approach was to take steps to increase consumption, not only in the United States but in all other parts of the world: the United States had made approaches to other governments to this end. A beginning had been made by the United States Government towards tackling the basic problems both in supply and in consumption. There had not yet been time to see a large effect from the action taken, but there was already evidence of a levelling-off in production and an increase in consumption. Nevertheless there were still very substantial stocks of the products in question and in the circumstances it was necessary to continue to impose the restrictions on importation.

Mr. Gunnar Seidenfaden, Denmark, recognized that the steps taken by the United States were in the right direction and agreed that one solution to the surplus problem lay in the increase of consumption. He feared, however, that prices for butter in the United States were being kept so high that butter was constantly losing ground to margarine and that if something serious was not done, coming generations would eat only margarine. A decrease in prices should, therefore, in his opinion, be in the interest of the United States farmer and of the consumer. Mr. Seidenfaden said he found rather little consolation in the United States report: the import quotas were unaltered and for all practical purposes, the situation was the same as last year. Although he did not intend to repeat the views of the Danish Government that were expressed at the Eighth Session, he made it clear that Denmark was increasingly worried that this state of affairs was allowed to continue year after year. The outlook for Danish agricultural exports was darkened through the development of protectionist policies in many markets, at a time when all governments are eager to work towards a freer world trade and a general convertibility of currencies. "We feel", he said, "that a leading trading nation
like the United States has special responsibilities to cooperate in this
general effort, and its action, or lack of action in the dairy field, which
is so important to several nations, must be seen against this broader
background”.

Mr. J.P.D. Johnsen, New Zealand, said that his country, which had a
major interest in dairy exports, was naturally disappointed that the United
States report was not more favourable. The matter was of great importance
to New Zealand, not only because of the serious effect of such restrictions
on her trade, but because of the unfavourable impression towards GATT created
in the minds of people who regard such restrictions as limiting the value
placed on GATT. He recognized the United States problem and the steps being
taken toward removing its root cause. Nevertheless the general position so
far as the import restrictions and their effect on certain contracting parties
were concerned, had not changed. Although nullification and impairment of
concessions under Article XXIII continued, the New Zealand Government did not
consider the adoption of counter-measures as a satisfactory procedure.

Mr. G.A. Rattigan, Australia, noted that, although the level of United
States price supports had been reduced, United States output of dairy products
continued to exceed demands and the United States Government owned very large
stocks. He also noted United States exports of these products at low prices
and donations to certain countries. On the position as a whole it did not
seem that any substantial easing of the import restrictions was in sight.

Baron C.A. Bentinck, the Netherlands, referring to the United States re­
port, noted that the United States Government had been taking steps which
might lead to more normal competitive conditions and he said that his Government
appreciated these steps in the light of the considerable opposition which had
to be faced. Although it was clear that the United States had not disregarded
the resolution of the Contracting Parties taken at the Eighth Session, he re­
gretted he was unable to show much satisfaction or enthusiasm at the results
so far. Quantitative restrictions on United States imports of dairy products
had continued to be applied with the same severity and it would be over­
optimistic to expect elimination in the near future. He regretted that, in
the circumstances, he was obliged to request again the renewal of the authority
for the Netherlands to suspend certain obligations towards the United States
and to apply a limit to Netherlands imports of wheat flour from the United
States.

Mr. S. Sahlin, Sweden, said that the lack of significant change in the
United States restrictions was particularly disappointing for Sweden, which
had recently decided to remove a substantial degree of restrictions on imports.
The possibility of acquiring dollar income must be given to countries like
Sweden in order to be able to maintain their dollar liberalization.
Mr. E. Anzilotti, Italy, while appreciating what the United States was doing to increase domestic consumption, expressed regret that United States import restrictions could not be relaxed. If they were maintained the situation would become most difficult for the Italian Government.

Dr. A.E. Richards, Canada, said that Canada viewed with continuing concern the import restrictions which the United States Government had imposed and maintained on dairy products. He said that the rigid price supports of the past, whatever their domestic implications, had certainly produced international difficulties. From the long term international viewpoint, he welcomed the new element of flexibility which had been introduced this year into the United States agricultural price-support programme, particularly as it related to dairy products. However, Dr. Richards thought it questionable whether the existing measure of flexibility could be expected of itself over a period of years, to solve the problems. He referred to the United States report which suggested that there is something out of joint in the world-demand supply situation. This, he believed, was only true because there exists an imbalance in the demand-supply situation in the United States itself: apart from the United States, the world situation was not unsatisfactory. Therefore, he said, it was the Canadian view that the United States Government was faced by a problem that found its roots in domestic policies, and called for a domestic rather than an international solution. The United States report, Dr. Richards said, suggested that the United States domestic problem was really a residue of wartime adaptation and dislocation. In answer, he stated that the time was past for countries to explain departures from the basic principles of GATT in terms of problems and policies of ten years ago.

Dr. Richards said that Canada could not refrain from expressing deep regret that, with these restrictions now in their fourth year, no substantial relaxation had taken place despite the hopes held out by the United States Delegation at previous sessions of the Contracting Parties. Referring to the impact of United States restrictions on Canadian trade, Dr. Richards said that in 1950 Canadian exports of cheddar cheese to the United States totalled three million pounds. Today, they have been cut by 30 per cent to about one-half million pounds. The same was true of the effect of United States quotas on other dairy products. Dr. Richards said it would appear that the United States would like other countries to draw some satisfaction from the fact that there had been no intensification of these restrictions. This was cold comfort he said and indeed we would hope and expect to look not in the direction of intensification but in the direction of relaxation.

Background

At the Sixth Session in 1951, the Netherlands and Denmark supported by Italy, New Zealand, Norway, Australia, France and Canada, complained that the restrictions on imports introduced by the United States in 1951 under Section 104 of the Defense Production Act, constituted an infringement of United States obligations under the GATT, and this was agreed by the Contracting Parties.
Subsequently, Section 104 of the Defense Production Act was repealed. But subsequent developments led to the imposition of restrictions under Section 22 of the Agricultural Adjustment Act, as amended. At the Eighth Session in 1953, the Contracting Parties adopted a resolution which, inter alia, recommended the United States to have regard to the harmful effect of these restrictions on international trade and requested the United States Government to report at the Ninth Session on what action it had taken to remove these restrictions.

At the Seventh Session in 1952, the Netherlands was authorized, under Article 23, to restrict its imports of wheat flour from the United States for one year, to compensate for the damage done to Netherlands exports owing to the United States restrictions. At the Eighth Session this authority was prolonged for one year.