GENERAL AGREEMENT ON TARIFFS AND TRADE
Seventh Session of the Contracting Parties

United States Subsidy on Export of Sultanas: Consultations to be held

(NOTE: The GATT rule on subsidies is contained 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 is requested to discuss the possibility of limiting the subsidization.)

The delegate of Greece, M.P. Papatsonis, drew the attention of the Contracting Parties to the fact that the United States Government has been, since 1949, subsidizing the domestic production of raisins (sultanas) in order to subsidize exports of this product. Greece, he said, was a country with very few exportable items yet had to import three-quarters of the items she needed for the existence of her people. It was, therefore, easy to understand why there was every reason to be worried when Greece loses a traditional market due to action taken in another country. Without going into the matter in detail at this stage the Greek delegation wished to avail itself of the opportunity for consultations provided by the Seventh Session. Mr. Papatsonis said he felt sure the United States Government would view the problem with sympathy: he would report back to the Contracting Parties on the outcome of his talks.

Mr. H.F. Isik, Turkey, said that the United States subsidy on exports of sultanas was also of great importance for his country. He pointed out that export subsidies of this kind have a detrimental effect on the production and export in other producing countries. What happens, he said, is that with the possibility of purchasing in the United States market at very low prices (due to the export subsidy) other European countries withdraw from the Turkish market; this happens particularly in the case of large purchasers and countries which buy sultanas in bulk. The effect of this was to cause unrest among the Turkish exporters and to lead them to offer lower prices to the producers, the net result being a reduction in the vineyard area, smaller crops and a decline in Turkish exports of this product.

Mr. C. Isbister, Canada, said he was grateful to the Greek and Turkish delegations for drawing attention to an important problem. The technique of using export subsidies had been resorted to increasingly in recent years and he pointed out that their use may well be detrimental to the trade of other countries, as well as distorting the established pattern of trade. GATT Article XVI, he said, is not a "strong" provision; in fact GATT had comparatively little to say about exports, being almost wholly concerned with import practices. For this reason, he suggested, more than usual stress should be laid on the consultation provisions in Article XVI.
Mr. J.A. Tonkin, Australia, said that "dried vine fruits", in particular sultanas and raisins, were of considerable interest to Australian producers. These Australian products were particularly affected by the United States measures to reduce United States export prices. The United States producer, he said, was in a strong position because he could dispose of the bulk of his crop at fair prices in his home market. The reverse was the case in Greece and Turkey and also in Australia. Australia had, however, certain advantages because of the special marketing arrangements she had with certain countries to dispose of her exportable surplus. While dried vine fruits were a significant item in Australian exports, they were still rather low in the list of important Australian exports. Mr. Tonkin, therefore, appreciated the difficulties confronting Greece and Turkey because of their greater dependence on earnings from dried vine fruits, but added that there was no little concern in Australia at the reduction of export prices forced upon the Australian exporter by the United States export subsidy. Mr. Tonkin asked if the United States delegation was willing to discuss their export subsidy on sultanas under the terms of Article XVI, and if they would indicate what consideration had been given in the United States towards removing some of the need for the subsidy by switching production to table grapes, wine or other uses.

M. Di Nola, Italy, speaking on the general point, said that the policy of granting export subsidies is very dangerous because they introduce an element of uncertainty in trade relations and it is difficult to measure their consequences. Some export subsidies established by the United States Government can have the effect of reducing the possibilities of export into the American market. This causes very great damage, taking into account the importance of this market. But other subsidies can have the effect of reducing such possibilities on third markets, and of exerting a dislocating influence on trade policies as a whole, he said.

M. Di Nola cited as a case in point the United States export subsidies on citrus fruits and juices. They have been recently abolished, he said. If the European countries did not impose import restrictions for financial reasons the United States producers could have exported citrus fruits into the traditional markets of Italy with very dangerous consequences for the production of southern Italy, which is, as is well known, a very poor part of the country. Furthermore, said M. Di Nola, Italy would have been deprived of an important amount of her revenues, which would simply have meant that Italy would have had less income with which to buy essential products and raw materials from other Western European countries.

Dr. P.R. Botha, South Africa, said that his country was also a producer and exporter of dried fruits. In supporting the delegates of Turkey, Greece, Italy and Australia, he said that it seemed unnecessary for the United States which was so well off and had such a vast domestic market, to require export subsidies on agricultural products. It was almost impossible to get into the American market and by its subsidy policy the United States reduced other markets too for the countries affected. He felt sure that when the damage done was brought to their attention the United States authorities would remedy the situation.

Replying for the United States, Mr. Raymond Vernon said that this item was part of a larger problem common to many countries, namely how to effect a reconciliation between domestic agricultural policy and general commercial
policy. He described the export subsidy system for sultanas as applied by the United States. Traditionally, the United States marketed about 25 per cent of the crop overseas and the effect of the subsidy had been to maintain exports at about the pre-war level of 50-60,000 tons and roughly to maintain the same area under cultivation. Mr. Vernon pointed out that a purpose of the subsidy was to counteract the import restrictions maintained by many countries on raisins from the dollar area. In conclusion, Mr. Vernon said he was deeply conscious of the responsibility for approaching the problem under the terms of Article XVI, and was prepared to consult with the affected countries.

Mr. J. Leckie, United Kingdom, said that, while the Contracting Parties would have appreciated the helpful and co-operative spirit shown in the United States reply, he regretted to have to say that he was left with the impression that no great practical result was to be expected in the near future. He agreed with the remarks made by the Canadian representative about the harmful effects of export subsidies and about the weakness of the provisions of the Agreement in this respect. After recalling that when the Havana Charter was being drafted the United Kingdom had consistently pressed for stricter control over the use of export subsidies and that the relevant provision in the Charter was much stronger than that in the General Agreement, Mr. Leckie said that, if the Contracting Parties should decide at some future time to review the balance of the GATT as a whole, this was a point on which the United Kingdom would undoubtedly press for stronger and more precise provisions than those contained in Article XVI.

The Chairman, summing up, said that the discussions had shown that a number of contracting parties were keenly interested in this question and desired to enter into consultation with the United States about it. He was glad to note that the United States delegation had indicated willingness to take part in such consultations. No further action was required by the Contracting Parties pending the outcome of these bilateral consultations.