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EXPORT SUBSIDIES: Discussion of U.S. Subsidies affecting Raisins, Oranges and Almonds

WILL DELEGATES KINDLY SEND THEIR CORRECTIONS TO THE INFORMATION OFFICER, ROOM A. 214 BEFORE 6 P.M. TUESDAY, 6 OCTOBER
Export Subsidies: Discussion of U.S. 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) oranges and 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 slight reduction of the subsidy for the 1953-1954 period. He said that the U.S. 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 U.S. 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 U.S. subsidy.
Mr. G. Warwick Smith, Australia, associating himself with the Greek and Turk 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 U.S. delegation had explained at the Seventh Session - the basic cause of the problem was the shortage of dollars in U.S. foreign markets. In normal times U.S. raisins competed with raisins from other producing countries and the market was satisfactorily competitive. Today a change had occurred: the shortage of dollars in U.S. foreign markets had made ineffective the demand for U.S. raisins which normally existed. In 1945-1947 before subsidies were introduced, U.S. 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 U.S. had given subsidies to their producers. There was no intention of increasing U.S. production or acreage, Mr. Brown added, nor had such increases taken place. U.S. exports had only increased 8 per cent over the pre-war year 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 U.S. raisins to enter their traditional markets on their merits.

It was agreed that the United States should be asked to submit a further report inter sessionally or at the next Session, according to developments.

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 U.S. delegation regarding an interim arrangement, and he hoped to be able to revert to this later in the Session.
Dr. P.R. Botha, South Africa, called attention to the extent to which U.S. subsidies on exports of oranges impeded the marketing of South African oranges in Western Europe. He said that he understood that in 1952 the U.S. 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 U.S. 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 U.S. 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 U.S. and Italy.

Mr. C.W. Sanders, United Kingdom, said that this item raised issues of principle to which the U.K. 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 delegation would certainly press for stronger and more precise provisions concerning export subsidies in any revision of the GATT. The U.K., he added, also had a material interest in the export of oranges on behalf of her overseas territories, particularly Cyprus.

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. 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. Claud Isbister, Canada, said that at Havana Canada wanted strong provisions on export subsidies and he regretted the absence of such provisions today. Each government, he said, tends to justify its own subsidies but to view the subsidies of other countries as harmful. Under GATT the obligation to consult was of great importance and he was glad to note that the countries concerned were taking this obligation seriously and effectively.

In his reply, Mr. Winthrop Brown said that fundamental questions had been raised and stressed that the risk of chain reactions with their consequences to international trade must be avoided. As in the case of subsidies on raisins, the U.S. simply 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 the U.S. share of the market. He said that his delegation took seriously the obligation to consult under Article XVI and could 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 U.S. marketing programme there was a quota for domestic consumption beyond which producers were free to choose how to dispose of their surplus. The partial replacement of Italian almonds by U.S. almonds in the Swiss market was, he said, due to Switzerland's ability to pay in dollars. The marketing of almonds was part of the general problem of agricultural marketing which was under study both in the general review of U.S. trade policies and in the special group studying agricultural policy.

In conclusion the Chairman said it was evident that the U.S. 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.

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