

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)73

10 November 1982

## WORKING PARTY ON UNITED STATES IMPORT RESTRICTIONS ON AGRICULTURAL PRODUCTS

This paper is submitted to the working party in reply to the questions raised by several members of the working party as contained in GATT Document Spec(82)68 dated November 3, 1982 and is intended to supplement the information contained in the United States original submission GATT Document L/5328 and Spec(82)65 dated October 29, 1982.

The United States remains committed to market-oriented trade policies and the goals of liberal trade. These goals cannot be achieved or implemented by the United States alone. As long as other countries find it necessary to restrict their imports, and world trade is distorted by subsidized exports, the United States will be compelled to apply defensive measures. The United States invites its trading partners to join in the common endeavor to reduce restrictions on agricultural trade. Progress towards this goal on a worldwide scale would gradually reduce the necessity for import restrictions and the world market would reach a better balance than at present. Until sufficient progress is made in this endeavor, the United States must maintain a right to resort when absolutely necessary to the provision of Section 22 covered by the Waiver.

The United States strongly hopes that the trade distortion caused by prohibitive import restrictions and in particular by aggressive export subsidy programs, will not remain a permanent factor of world agricultural trade.

The forthcoming GATT Ministerial will be hopefully able to establish a GATT work program to improve the present situation. The United States desires to work toward an open and largely self-regulating world market system which would reduce the need for government intervention to a bare minimum. The Section 22 controls are kept under continuing review and are suspended whenever possible. The United States is currently taking stringent measures to restore equilibrium in its dairy markets.

The measures taken under the waiver granted in 1955 have been under constant review. As previously reported, Section 22 restrictions have been removed for eleven commodities and commodity groups. Numerous proposals for additional Section 22 restrictions--recent examples are flue-cured tobacco and casein--have been denied. The U.S. has also used measures other than import restrictions to meet the goals of its support programs, even when import restrictions could have been justified under GATT Article XI. For example, although import restrictions on wheat, rye, barley and oats have been removed, the U.S. has applied the various production controls (e.g. set-asides) to balance supply and demand. No other country has taken such drastic measures nor has any other country held such grain stocks. Without U.S. set-asides and U.S. grain stocks holdings, world grain prices would be lower and more unstable as would prices of many other related commodities.

Regarding possible alternative measures for dairy products, at present, there appear to be no acceptable alternatives to the quantitative restrictions imposed under Section 22 authority. We recognize that these import restrictions may have some trade-distorting effects. However, the U.S. believes its system of quantitative restrictions results in no greater trade distortions than systems which employ variable levies to control imports.

Under U.S. law, Section 22 restrictions are authorized for all supported agricultural commodities, if necessary to prevent support program interference. Support programs are currently in effect for the following commodities, of which only four are subject to Section 22 import controls: cotton, barley, corn, grain sorghum, oats, honey, milk, peanuts, rye, soybeans, sugar beets and cane, tobacco, wheat, wool, and mohair.

Under the law, the required procedures for permanently terminating suspended restrictions or for lifting the suspension (reimposing restrictions) are effectively the same as for newly imposing or terminating restrictions. In all cases, the presidential decision must be based on an impartial factual investigation report by the U.S. International Trade Commission, that is, on the facts of the situation at the time of the imposition, suspension or removal of restrictions. If the use of Section 22 emergency powers is necessary, the action taken is by law temporary pending the US ITC investigation and report and final action thereon.

The annual report submitted last March gave full detailed information on the dairy program for the reporting period under review. The details for FY 1982 are not yet fully available, but will be included in the next annual report. If the CP's feel that the timing of the working party meeting makes a submission in the near future unnecessary, the U.S. will concur and include the historical statistics in the report submitted next year. Key figures on dairy for FY 1982 are as follows (billion pounds milk equivalent); milk production, 134.3; commercial use, 121.5; CCC net removals, 13.8; commercial ending stocks, 4.5; uncommitted CCC inventories, 16.5.

#### Dairy Products

On dairy products, the U.S. in fact made major concessions in the Tokyo Round; thus, the accusation of "no liberalization" is false. The U.S. cannot unilaterally further liberalize dairy imports because, even under conditions of balanced internal supply and demand, U.S. markets could be vulnerable to subsidized imports and additionally by nonsubsidized imports from least-cost producers at distress prices because of their loss of other markets to subsidized sales.

The current waiver report gives details of the domestic and foreign dairy disposal program. These programs are continuing. Details of the recently announced "Section 416" dairy donation program have not yet been finalized. When completed, they will be publicly announced, including a notice in the Federal Register.

Regarding disincentives for dairy production, indicated in GATT Document Spec (82)65, it should be emphasized that the legislative authority for these measures was obtained only with enormous effort to overcome domestic opposition. Regarding domestic offtake, dairy products tend to be price inelastic, but consumption could increase moderately as the overall economic situation strengthens. CCC made special domestic donations of 140 million pounds of cheese and 20 million pounds of butter to needy persons during FY 1982. This was in addition to the regularly scheduled donations of dairy products for school lunch, military, and welfare programs. Additional special domestic donations are planned in the future to help reduce surplus stock.

#### Sugar

The sugar import quotas, as recommended by the U.S. International Trade Commission and as announced at the time of their imposition in May 1982, are regarded as a necessary temporary emergency measure. They were taken under legal authority other than Section 22. They are necessary to protect the interests in the U.S. market of materially affected members of the GATT and domestic producers. When the international market recovers from its distress situation and prices improve sufficiently the quotas will be removed and the system of duties and fees relied upon to prevent interference with the support program. The sugar quotas are in conformance with the GATT; this question was carefully examined before the decision to impose quotas was taken.