#### UNITED KINGDOM - DOLLAR AREA QUOTAS

Report of the Panel adopted on 30 July 1973 (L/3891 - 20S/236)

1. The Panel was appointed by the Council on 19 December 1972, with the following terms of reference:

"To examine the matter referred by the Government of the United States to the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII relating to import restrictions maintained by the United Kingdom and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or rulings provided for in paragraph 2 of Article XXIII."

2. The following was the composition of the Panel:

Chairman: Mr. K. A. Sahlgren (Finland)

Members: Mr. A. Dunkel (Switzerland)

Mr. G. 0. Niyi (Nigeria) Mr. P. Tomic (Yugoslavia)

- 3. The Panel, on 19 April 1973, submitted an Interim Report<sup>1</sup> to the Council. This Interim Report of the Panel was discussed and noted by the Council on 30 April 1973. The Panel, in its present report, wishes to refer to the contents of the Interim Report, particularly to Chapter II (Factual situation regarding products subject to Dollar Area Quotas), including the annexed statistical data, and Chapter III (Considerations of the Panel).
- 4. Since the submission of the Interim Report to the Council, the Panel has continued to hear representations from and consulted with the delegations of the United States, the United Kingdom and, as envisaged in the Council's discussion of 19 December 1972, also delegations of Commonwealth Caribbean countries and territories, as well as the delegation of Cuba. The Panel also had the benefit of a brief presented by the delegation of Israel.
- 5. On 9 July 1973, the Director-General of the GATT was informed in writing by the United States of the withdrawal, following the settlement between the United States and the United Kingdom, of the complaint brought under Article XXIII:2. Details of the settlement were subsequently communicated to the Panel in separate letters from the United States and the United Kingdom.
- 6. The Panel welcomes the fact that agreement has been reached between the parties to the dispute. The Panel understands, however, that the Commonwealth Caribbean countries do not consider the settlement reached between the United States and the United Kingdom as giving full satisfaction to their interests, especially in view of the importance of the products concerned to their export interests and to their economies in general, and bearing in mind Part IV of the General Agreement as well as the repeated assurances given by both parties to the dispute that it was not their intention to harm the export interests of Caribbean countries in the products included in the settlement.
- 7. The Panel welcomes the assurances given by the Governments of the United Kingdom and the United States to continue to safeguard, as far as possible, the interests of the Caribbean countries.

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### Interim Report of the Panel adopted on 30 July 1973

(L/3843 - 20S/230)

### I. Introduction

1. The Panel was appointed by the Council on 19 December 1972<sup>1</sup> with the following terms of reference:

"To examine the matter referred by the Government of the United States to the CONTRACTING PARTIES pursuant to paragraph 2 of Article XXIII relating to import restrictions maintained by the United Kingdom and to make such findings as will assist the CONTRACTING PARTIES in making the recommendations or rulings provided for in paragraph 2 of Article XXIII."

2. The following was the composition of the Panel:

Chairman: Mr. K.A. Sahlgren (Finland)

Members: Mr. A. Dunkel (Switzerland)

Mr. G.O. Niyi (Nigeria) Mr. P. Tomic (Yugoslavia)

- 3. In the course of its examination of the matter, the Panel heard representations from and consulted with the delegations of the United States, the United Kingdom, and, as envisaged in the Council's discussion of 19 December 1972, also delegations of Commonwealth Caribbean countries and territories, as well as the delegation of Cuba. The Panel had the benefit of substantial background documentation supplied by these delegations. In the course of the consultations, the Panel received clarification from these delegations on a number of aspects central to the issue.
- 4. The matter referred to the Panel related to the maintenance by the United Kingdom of quantitative restriction on certain products when imported from the United States and certain other "dollar area" countries.<sup>2</sup> The following products are subject to these restrictions:

<u>BTN</u>	<u>Product</u>
ex 08.01	Bananas
ex 08.02	Grapefruit, fresh
ex 08.10	Grapefruit (whether or not cooked), preserved by freezing, not containing added sugar
ex 20.03	Grapefruit preserved by freezing, containing added sugar
ex 20.06	Grapefruit, otherwise prepared or preserved, whether or not containing added sugar or spirit
ex 20.07	Grapefruit juice and orange juice other than unpasteurized frozen orange and grapefruit juice concentrate
ex 22.09	Rum
ex 24.02	Cigars

C/M/83

<sup>&</sup>lt;sup>2</sup>The countries concerned are: Bolivia, Canada, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Republic of Honduras, Liberia, Mexico, Nicaragua, Panama, Philippines, United States, Venezuela.

5. The Dollar Area Quota restrictions had their origin in the exchange control and currency conservation measures taken by the United Kingdom during and immediately after the Second World War. Initially the Dollar Area Countries were those whose exports to the United Kingdom required payment in United States dollars. It needs to be stressed that this is no longer the case and the term "Dollar Area" in no way now implies a requirement for payment in dollars. While the restrictions originally applied to a wide range of products, most of the quotas were subsequently removed, leaving those on the products referred to in paragraph 4 above. The quotas on these products while initially introduced for balance-of-payments reasons are now maintained on the grounds that they are regarded as constituting valuable protection for the economic interests of the developing Commonwealth Caribbean countries.

## II. Factual situation regarding products subject to Dollar Area Quotas

In the course of its deliberations of the matter, the Panel held an item-by-item review of each of the products subject to Dollar Area Quotas. On the basis of available statistics (Annex), the Panel examined the trend of United Kingdom imports in recent years of these products from the three main sources, i.e. Commonwealth countries, countries subject to Dollar Area Quotas and third countries not subject to Dollar Area Quotas. It also examined the duties currently applicable on these products in the United Kingdom and the changes resulting from the gradual adoption by that country of the common customs tariff of the EEC. The following summarizes the review.

### Bananas (ex 08.01)

The Commonwealth Caribbean countries and territories account for by far the bulk of United Kingdom imports of bananas, but their share has been decreasing in recent years and now represents 76 per cent of total United Kingdom imports of bananas. The principal suppliers from this area are Jamaica and the Windward Islands, both of which send virtually all their banana exports to the United Kingdom. Bananas account for a very substantial part of total exports of the Windward Islands while these exports also represent a significant proportion of Jamaica's total exports.

As regards Dollar Area Countries, Ecuador is the only significant exporter; imports from Ecuador however, account for only about 1-2 per cent of total United Kingdom imports of bananas. The Dollar Area Quota stood at 4,000 tons until 1971-72, but in 1971-72 was increased by 10,000 tons and by a further 10,000 tons in 1972-73.

As regards third countries, Ivory Coast, Surinam and the Canary Islands, are the most important exporters of bananas to the United Kingdom. Imports by the United Kingdom from these third countries are substantially higher than from the Dollar Area.

With respect to customs treatment, the Commonwealth Caribbean countries benefit from duty-free entry into the United Kingdom at present while Dollar Area countries and third countries are subject to a specific duty of £0.375 per cwt (representing approximately 11 per cent *ad valorem*).

### Grapefruit fresh (ex 08.02)

The Commonwealth Caribbean countries have not generally accounted for a significant part of the United Kingdom imports of this product although there was a substantial increase in imports from them in 1971. The most important supplier in 1971 from this area was British Honduras while Windward Islands and Jamaica exported relatively small amounts of grapefruit.

The Dollar Area countries have not exported appreciable quantities of this product, although a global Dollar Quota of £1.15 million applies: a separate quota exists for Cuba. In fact, the statistics indicate exports from the United States for only one of the past four years.

By far the major supplies of the United Kingdom came from third countries including some benefiting from preferences in the United Kingdom. Israel is the principal supplier accounting for nearly half of total United Kingdom imports of the commodity, while Cyprus and South Africa, benefiting from duty-free treatment also export large quantities.

The customs duty for non-preferential suppliers is £0.25 per cwt (approximately 6 per cent *ad valorem*). The Common Tariff of the EEC to be adopted gradually by 1978 by the United Kingdom, is 6 per cent.

## Grapefruit preserved by freezing (ex 08.10 and ex 20.03)<sup>1</sup>

On the basis of the available statistical data it appears that the United Kingdom does not at present import these products from any source.

There is no customs duty on ex 08.10 in the United Kingdom; the EEC common tariff is 20 per cent. As regards ex 20.03, there is no duty chargeable when imported from preferential suppliers, while a rate of 15 per cent applies to imports from other sources; the EEC common tariff is 26 per cent plus an additional charge for sugar.

# Grapefruit, otherwise prepared or preserved (ex 20.06) (canned grapefruit)

The Commonwealth Caribbean countries in recent years have accounted for about 30 per cent of United Kingdom imports of this product. No imports from Dollar Area countries have been recorded in recent years although a quota of £450,000 exists. The main supplier of the product is Israel, imports from which represent about 40 per cent of United Kingdom imports of the commodity.

The item is duty-free with respect to imports from all sources but the United Kingdom will gradually adopt the EEC tariff (in the range of 20-32 per cent) and levy.

## Grapefruit juice and orange juice (ex 20.07)

The proportion of United Kingdom imports of these products supplied by the Commonwealth Caribbean countries had declined substantially from over 50 per cent in 1960 to less than 10 per cent in 1971. Nevertheless, Jamaica, Trinidad and Tobago and British Honduras export significant quantities in absolute terms.

The United States, the sole Dollar Area exporter, also accounts for about 10 per cent of United Kingdom imports. In 1970-71 the Dollar Area Quota was fully utilized.

The major supplier, whose exports doubled in 1971, is Israel; this country supplies 60 per cent of United Kingdom imports of the commodity.

At present, no customs duty is applicable in the United Kingdom with respect to imports from any source. The United Kingdom will gradually adopt by 1978, the EEC common customs tariff which can vary from 15 per cent to 19 per cent and 42 per cent depending on the value of the commodity.

<sup>&</sup>lt;sup>1</sup>ex 08.10: not containing added sugar.

ex 20.03: containing added sugar.

### Rum (ex 22.09)

The Caribbean countries and territories supply by far the bulk of United Kingdom imports of rum, about 95 per cent. The Bahamas is the largest exporter of this group accounting for about half of United Kingdom imports, but Guyana and Jamaica also export large quantities.

The Dollar Area Quota is £90,000 and is fully used up. Mexico appears to be the only supplier in this Group on the basis of 1970 data. Of other countries, only Brazil has shown any significant exports in recent years.

Imports of rum from all sources are subject to a substantial excise duty in the United Kingdom which has a very slight preferential margin with respect of Commonwealth countries.

### Cigars (ex 24.02)

Only Jamaica, of the Commonwealth Caribbean countries, exports cigars to the United Kingdom and their exports represent only about 2-3 per cent of United Kingdom imports. In the Dollar Area group, the United States and Cuba are the only exporters. The Dollar Area Quota is £100,000 and has been fully utilized in recent years, a separate bilateral quota exists for Cuba.

The bulk of United Kingdom imports of cigars come from other countries, especially the Netherlands, which in 1971 accounted for about 70 per cent of United Kingdom imports. It appears, however, that these cigars are of a smaller variety and do not compete with the cigars imported from Jamaica, Cuba and other sources.

Imports of cigars from all sources are subject to a substantial revenue duty, which has a slight preferential margin for Commonwealth suppliers.

## III. Considerations of the Panel

- 1. The Panel noted the contention of the United States delegation that the restrictions were in contravention of Article XI and XIII of the General Agreement and that delegation's request that the restrictions be eliminated. The Panel also noted that the United Kingdom had never denied that the Dollar Area Quotas were in formal contravention of the provisions of the General Agreement on quantitative restrictions, and for the time being reserved its findings on this question. The Panel noted as well the argument put forward by the Caribbean countries and territories that the restrictions must be viewed in the context of the General Agreement as a whole and with particular regard to Part IV of the Agreement. According to these delegations, the continued application of the quotas was justified in the light of Part IV was designed to deal with the special circumstances of developing countries.
- 2. In the course of its consultations, the Panel ascertained that the items of critical interest to the United States were: fresh grapefruit (ex 08.02), citrus juices (ex 20.07), rum (ex 22.09) and cigars (ex 24.07). The Panel accordingly decided to concentrate its further deliberations on these four items.
- 3. With respect to these four items, the Panel noted that the products principally benefiting from the Dollar Area Quotas were fresh grapefruit (ex 08.02) and citrus juices (ex 20.07). Moreover, on the basis of recent statistical data, imports by the United Kingdom from these countries of fresh grapefruit accounted for no more than 3 per cent of total United Kingdom imports of this product; on the other hand, virtually all of the exports by the Caribbean countries of this product go to the United Kingdom. Similarly, imports from these countries of grapefruit juices represent only about 10 per cent of total United Kingdom imports of this product while on the other hand 60 per cent of Jamaica's exports of this product and 40 per cent of Trinidad and Tobago exports go to the United Kingdom.

- 4. The Panel noted the contention of the United Kingdom delegation that the Dollar Area Quotas bring no trading advantage to the United Kingdom and are not linked to any reverse preferences or trading concessions granted on a reciprocal basis to the United Kingdom by the countries and territories concerned and, furthermore, that the quotas afforded no protection to any United Kingdom national industry or trading interest.
- 5. The Panel noted the possibility of assessing the damage which is inflicted by the Dollar Area Quota on United States exports of the commodities concerned to the United Kingdom market and the further possibility of suspending such concessions or other obligations under the General Agreement as is deemed to be appropriate in the circumstances.
- 6. The Panel considered and discussed with the parties concerned various possible solutions and, in this connection, strongly requested the parties concerned to actively seek a mutually acceptable solution to the problem which especially would pay due regard to the importance to the Caribbean countries and territories of the two products referred to in paragraph 3 above, namely fresh grapefruit and grapefruit juice and orange juice.
- 7. In the light of the above, and taking into account the constructive spirit of the parties concerned, the Panel refrains from making formal recommendations at this stage. It will, however, revert to the matter and make appropriate recommendations, if after an interval of one month from the date of presentation of this Interim Report to the Council, the parties concerned have been unable to reach a mutually acceptable solution to the problem.

Annex UNITED KINGDOM IMPORTS OF PRODUCTS SUBJECT TO DOLLAR AREA QUOTAS IN 1960, 1965, 1968, 1969, 1970 AND 1971

(Thousand dollars c.i.f.)

			Bananas ex 08.01	nas .01					Grapefruit fresh ex 08.02	it fresh 3.02		
	1960	1965	1968	1969	1970	1971	1960	1965	1968	1969	1970	1971
TOTAL IMPORTS	61681	64361	50143	52969	49567	50316	10779	12469	15174	14854	17575	29452
of which from: Preferential countries - Total Dominica, Grenada, St. Lucia, St. Vincent	55608 18437	61943 33396	4890 <del>5</del> 23673	<u>51917</u> 27299	42553 18583	39374	5670	7556	7939	7970 162	0889	11773 268
Jamaica	23962	28061	24480	23745	22374	21974		459	296	180	ı	186
Trinidad and Tobago	574	,	,	,	1	1	1167	307	163	,		,
British Honduras	,	ı	i		1	,	287	,		,	,	479
British Guiana		,	,		,		,					,
Bahamas		ı			1	ı						,
Barbados	- 906	750	050	123								,
Olimia Nimeria	906	230	067	571								
Cyprils	-	? ,	,	,	,	,	1263	2205	2391	2620	2802	5727
Basutoland, Bechuanaland, Swaziland	٠	,	,	,	,	,	:	274	1018	1094	1393	2700
Southern Rhodesia								88				,
South Africa	,	,	,	,	,	,	2661	4033	3901	3739	2685	2413
Other Commonwealth countries and Irish Republic	92	164	502	750	596	948	292	24	29	175	:	:
Countries subject to dollar restrictions <sup>1</sup>												
United States		,	,		,	,	374	210	,	,	152	,
Dominican Republic	563	40	,							,	1	,
Costa Rica		%	,		,	,						,
Cuba			,							,	1	,
Mexico			,							,	1	,
Colombia		,	180		188	,					,	1
Ecuador			354	350	819	545				,	1	,
Other countries												
Canary Islands	2606	532	444	331	1543	1702	,	,	,	,	,	,
Cameroon		1180	,								,	,
French West India Islands	020		158								,	,
Brazil	292	547			:		259	132	107	158	:	
Spanish West Africa	1453	,	,					:			,	,
Israel			,				3399	3736	9029	5578	9088	14391
Portuguese East Africa		,	,		,	,	258	405	342	998	099	1728
Spain		,	,		,	,	,	151	202	,	,	,
Netherlands		,	,		166	415	336	46	,	,	230	250
Denmark	,	,	,	,	,	,	,	,	,	,	,	,
Greece	,	,	,		,		,		,	,	,	,
Switzerland		,	,		,	,			,			,
Italy		,	,		,	,			,			,
Ivory Coast			,		2659	4094	,	,	,	,	,	,
Surinam		1	1	126	1285	3132	,	,	,	,	1	,
Not specified	256	23	102	245	354	1054	483	232	378	282	846	1310

'The United Kingdom import statistics do not show any imports of these products from the other Dollar Area countries.

Note: No imports are reported under items ex 08.10: grapefruit, preserved by freezing, not containing added sugar, and ex 20.03: grapefruit, preserved by freezing, containing added sugar.

Source: Annual Statement of the Overseas Trade of the United Kingdom.

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UNITED KINGDOM IMPORTS OF PRODUCTS SUBJECT TO DOLLAR AREA QUOTAS IN 1960, 1965, 1968, 1969, 1970 AND 1971

(Thousand dollars c.i.f.)

			Grapefruit prep. or pres (other than by freezing) ex 20.06	ep. or pres. y freezing) .06					Grapefruit juice and orange juice ex 20.07	nd orange juice		
	1960	1965	1968	1969	1970	1971	1960	1965	1968	1969	1970	1971
TOTAL IMPORTS	5126	7482	9162	12218	12652	11616	14092	13315	13834	12996	14440	26594
of which from: Preferential countries - Total	2696	4991	5774	7455	7838	9646	7648	5269	4011	2810	2293	2614
Dominica, Grenada, St. Lucia, St. Vincent	, ,	1 6					- 6		, !	, !	,	
Jamaica	1779	3037	1892	2240	2276	1785	2412	1287	756	725	417	910
Irinidad and Lobago British Uondurse	. 758	900	803	521	510	933	1896	1/51	086	455 613	553	7/4
British Guiana	oct ,	000	600	0001	-	0+ -		0/01	+611		6 .	1771
Bahamas	,	,	,	,	,	,	,	,	,	,	,	,
Barbados	,	,	,	,	,	,	,	,	,	,	,	,
Ghana	1	1	,	,	1	,			1		,	1
Nigeria	,	,	,	,	,	,	,		,	,	,	,
Cyprus		192	330	652	797	1082			,			,
Basutoland, Bechuanaland, Swaziland	:	:	149	430	1056	682						,
Southern Rhodesia						,	255	134				
South Africa	348	993	1986	2252	1974	1604	1378	1109	1154	238	714	,
Other Commonwealth countries and Irish Republic	111	∞	12	10	:		315	93	281	479	:	:
Countries subject to dollar restrictions <sup>2</sup>	,								;	,	ļ	;
United States	1415	184					7\$	433	1411	1199	1711	2213
Dominican Republic		ı		ı					1		,	1
Costa Rica												
Cuba												
Mexico						,						
Colombia												
Ecuador												
Other countries												
Company	ı	ı		ı	ı	ı			ı			ı
Franch West India Islands												, ,
Brazil									221	218	174	379
Spanish West Africa	,	,	,	,	,	,	,	,	,	· ,		
Israel	951	2295	3329	4742	4667	4713	3108	5958	7104	7438	7565	15274
Portuguese East Africa								40			194	1
Spain	,	,	,	,	,	,	1223	873	772	522	625	757
Netherlands	1	1	,		1			,		,		1
Denmark	,	,		,	,	,					,	1
Greece	1	1	,	ı	1	,	,	425	1	,	199	2661
Switzerland	,				,	,			,			,
Italy		,		,			913	101	,		294	,
Ivory Coast	1	ı		,	1	1			1		1	ı
Surinam							. !					
Not specified	64	12	59	21	146	257	254	216	315	808	1386	2696

'The import data may include unpasteurized frozen orange and grapefruit juice concentrate (to which restrictions do not apply) as these are not separately reported in the trade returns.

The United Kingdom import statistics do not show any imports of these products from the other Dollar Area countries.

Note: No imports are reported under items ex 08.10 grapefruit, preserved by freezing, not containing added sugar, and ex 20.03: grapefruit, preserved by freezing, containing added sugar.

Source: Annual Statement of the Overseas Trade of the United Kingdom.

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UNITED KINGDOM IMPORTS OF PRODUCTS SUBJECT TO DOLLAR AREA QUOTAS IN 1960, 1965, 1968, 1969, 1970 AND 1971

(Thousand dollars c.i.f.)

1960   1965   1965   1965   1965   1966   1965   1965   1965   1965   1965   1965   1965   1965   1966   1965   1965   1965   1969   1965   1969	1968 1968 1065 107 107 108 109 109 109 109 109 109 109 109	1969 \$808 \$788 1278 - 178 - 1660 2767 	1970 1970 1971 1970 1971 1970 1971 1971	971 1960 9217 3521 8799 1093 1-1488 1082 	1965 1965 1965 1966 1967	968 6713 331 - - - - - - - - - - - - -	1969 6839 407 - - - - - - - - - - - - -	88900 2773 2773 2773 2773 2773	1971 14410 399 
March from: Preferential countries - Total   4403   4403		<u>5808</u>				6713 331 329 	405 405 - 405 	8890 	14410 399 399 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
ca, Grenada, M. Lucia, M. Vincent 1843 and Tobago 171 Honduras 2072 ss		1278 - 1660 1660 2767 				329	405	273	366
d and Tobago Honduras Guiana So So So and, Bechuanaland, Swaziland Guiand Guiand Guiana Guian		1660 1660 2767 					3	<u> </u>	
Honduras 2072 Guiana 2072 Is		1660 2767							
Guiana 2072 Is DS		1660 2767 - - - - - 83							
os		2767							
os									
Nigeria Cyprus Basutoland, Bechuanaland, Swaziland									
Cyprus Basutoland, Bechuanaland, Swaziland		83				1 1			1 1 1 1
Basutoland, Bechuanaland, Swaziland		83				•			
		83					,	1 1	
Southern Rhodesia		- 83					_		
South Africa		83							
Other Commonwealth countries and Irish Republic 58						2	2	:	,
Countries subject to dollar restrictions <sup>1</sup>									
United States - 64						182	167	199	177
Dominican Republic							,	1	,
Costa Rica									1
. 238						1592	1483	1546	2243
Mexico - 146								i	1
Colombia								1	,
Ecuador	,							i	1
Other countries									
Canary Islands									,
Cameroon									,
French West India Islands								,	,
Brazil									,
Spanish West Africa	•							1	
Israel	•							1	1
Portuguese East Africa								1	,
Spain							,		,
Netherlands -						4213	4373	6248	10308
Denmark	•							1	185
Greece								,	,
Switzerland -						274	268	457	1033
Italy -	•							1	,
Ivory Coast	,							i	1
	_						•	,	,
Not specified 32 42	2 50	20				121	141	167	92

'The United Kingdom import statistics do not show any imports of these products from the other Dollar Area countries.

Note: No imports are reported under items ex 08.10: grapefruit, preserved by freezing, not containing added sugar, and ex 20.03: grapefruit, preserved by freezing, containing added sugar.

Source: Annual Statement of the Overseas Trade of the United Kingdom.