

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Trade and Development

SURVEY OF TRADE FLOWS AND TRADE MEASURES IN RESPECT OF PRODUCTS ON THE PRIORITY LIST

Addendum

Arrangements Relating to International Trade in Sugar

At its meeting in April, the Ad Hoc Group for the Examination of Products of Export Interest to Less-Developed Countries agreed that it would be desirable to have supplementary information in respect of certain of the commodities under examination by the Group, and instructed the secretariat to compile such information. Set out below is factual information compiled by the secretariat on the International Sugar Agreement and certain other special arrangements affecting the trade in sugar, to facilitate the work of the Ad Hoc Group which is scheduled to meet on 5-7 May 1965.

A. International Sugar Agreement

The International Sugar Agreement of 1958 replaced the International Sugar Agreement of 1953. Both under the 1953 and the 1958 Agreements the price stabilization mechanism was essentially based on a system of export quotas, the regulation of which was designed to bring total supplies available to the "free market" into balance with the requirements of that market.

The 1953 and 1958 Agreements established basic export tonnages for each exporting country, which were to serve as the basis for the allocation and adjustments of export quotas during each quota year. The level of export quotas for a quota year was first determined shortly before the beginning of that year in the light of estimated requirements. These quotas were subject to two kinds of adjustments during the quota year. Firstly, the overall level of quotas was revised upward or downward on account of movements of the prevailing price. Secondly, quotas of individual countries were adjusted as a result of redistributions of such parts of quotas as some of those countries were unable to use during the quota year. Variations of the overall level of quotas were designed to maintain the free market price within certain predetermined limits. Under the 1953 Agreement, the zone of stabilized prices was defined, and full discretion was left with the International Sugar Council, which was the administering body for the Agreements, to adjust quotas

within those limits. Under a 1956 Protocol, and continued under the 1958 Agreement, the discretion of the Council was limited by certain provisions for automatic quota adjustments at various price levels. Provision was also made for the suspension of quotas when the price exceeded a certain level. To support the price stabilization mechanism the Agreements called for the adjustment of production in participating countries. Production in these countries was to be adjusted during the term of the Agreements, and in so far as practicable in each quota year, so that, after allowing for the requirements of domestic consumption and exports authorized under the Agreements, stocks in each of these countries at a date immediately preceding the start of the new crop would not exceed 20 per cent of annual production. The level of minimum stocks designed to meet increased requirements of the free market, which in the 1953 Agreement was fixed for each country at 10 per cent of its basic export tonnage, was raised to 12.5 per cent of these tonnages under the 1958 Agreement. In order to prevent non-participating countries from taking advantage of the obligations accepted by member exporting countries, the Agreements limited the quantities which member countries which import sugar were allowed to import from non-member countries as a group during each quota year. This general limitation would be suspended in the event of export restrictions becoming inoperative under the price provisions of the Agreements.

The 1958 Agreement came up for review and renegotiation at a United Nations Sugar Conference in 1961. Basic export tonnages under the Agreement had been established only for the first three years of the Agreement and new provisions had to be made for the fourth and fifth years. However, developments in the world market since the entry into force of the Agreement in 1959 had led to a structural change in the pattern of world trade. Against this background it proved impossible to agree upon export entitlements. No provision for the regulation of exports, therefore, could be made for the years 1962 and 1963, and all economic provisions of the 1958 Agreement became inoperative for that period.

In spite of the failure of the 1961 Conference, all member governments agreed on the need to revert as soon as practicable to an efficient regulation of exports. Thus, in anticipation of the expiration of the 1958 Agreement on 31 December 1963, a United Nations Conference met in London in July 1963 and adopted a Protocol, extending the 1958 Agreement until 31 December 1965. This Protocol required the International Sugar Council to initiate a study of a new agreement to succeed that of 1958, and the study has now been completed and considered by governments. The task of negotiating a new international sugar agreement, or of extending the present agreement by protocol, remains.

B. Other Arrangements

I. Commonwealth Sugar Agreement

In 1951 an Agreement was signed between the United Kingdom Government and representatives of Commonwealth sugar producers. The Agreement was effective from the beginning of 1950 until the end of 1959, but provision was made for year-to-year extensions. In 1964 the Agreement was again extended for a further year and will now run until the end of 1972.

Commonwealth exporting territories agreed to limit their individual exports to preferential and negotiated price markets, in any one calendar year, to specified quotas. These were subject to upward revision in the light of consumption levels, exports and other factors if, in 1953 or subsequently, the exporting territories and the United Kingdom Government so agreed. If in any year the exports from any exporting territory fell below its quota, the deficiency could be made up by other territories. When the Agreement was extended in 1964, the price basis for exports to the United Kingdom was modified in favour of the less-developed countries.

II. United States

The United States Sugar Act of 1948 has been amended and extended on several occasions and presently runs up to the end of 1966. Sugar supplied to the United States market from all sources (United States mainland beet and cane areas, offshore producing areas Hawaii, Puerto Rico and the Virgin Islands, and foreign countries) is regulated by the Sugar Act under which, after the Secretary of Agriculture has determined overall requirements, towards the end of each year, domestic and specified foreign producing areas supplying the United States with sugar are assigned quotas.

Although sugar prices are not fixed by the Government, the regulation of supplies available to the United States market under the quota provisions of the Sugar Act naturally exerts a considerable influence on the price of sugar. Thus, the Secretary of Agriculture is authorized to increase or decrease the determination of total requirements if it is considered that prices are too high for consumers or too low to protect the interests of producers.

III. The French Community

Starting with the campaign 1958/59, a sugar programme came into effect for the French Community which provided for a basic total production target which was divided up between the producing areas of the Community. Fixed prices are established for all grades of sugar imported from the overseas producing areas into Metropolitan France. The French sugar system provides sugar producers both in Metropolitan France and overseas with an assured market for a definite part of their production at stable and profitable prices.

ANNEXIMPORTS OF SUGAR INTO THE UNITED STATES, UNITED KINGDOM
AND FRANCE BY COUNTRIES OF ORIGIN (1963)A. Imports into the United States by Countries of Origin

<u>Countries of origin**</u>	<u>Quantities* (1,000M.tons)</u>	<u>% in the total</u>	<u>Countries of origin**</u>	<u>Quantities* (1,000M.tons)</u>	<u>% in the total</u>
PHL	1,085	25	SAF	120	3
DR	535	13	IND	108	2.6
BRZ	427	10	French West Indies	86	2.1
PER	375	9	TAW	65	1.6
MEX	344	8	MTS	60	1.5
ARG	208	5	ECU	51	1.2
ALA	203	5	Sub-total	3,795	90
West Indies and British Guiana	128	3	Total imports	4,168	100

B. Imports into the United Kingdom by Countries of Origin(a) Raw sugar

Commonwealth countries and Ireland	1,880	75	Other countries	526	21
MTS	454	18	CUB	183	7
ALA	423	17	SAF	170	7
JAM	271	11	POL	35	1.4
West Indies	217	9	GYFR	34	1.4
Fiji	147	6	USSR	27	1.1
TT	143	6	DR	20	0.8
British Guiana	140	6	PER	19	0.8
			BRZ	16	0.6
			Total imports	2,485	100

(b) Refined sugar

Commonwealth countries and Ireland	25	17	Other countries	118	83
IPE	17	12	CZ	33	23
Other	8	5	Eastern Germany	22	15
			USSR	18	12
			CUB	14	10
			FR	9	6
			DEN	7	5
			Total imports	144	100

* Data of the United States are shown in raw value. Refined values are converted to raw value at the present official standard rate of 93.45 to 100.

** The country name abbreviations used correspond to those used in document COM.TD/W.1/Rev.1.

C. Imports into France by Countries of Origin

<u>Countries of origin**</u>	<u>Quantities* (1,000M. tons)</u>	<u>% in the total</u>	<u>Countries of origin**</u>	<u>Quantities* (1,000M. tons)</u>
Outside Franc Zone	14.3	29	Internal movements	
BRZ	4.2	8	Guadeloupe	88.8
BUL	3.2	6	Martinique	78.1
POL	2.7	5	Reunion	185.7
Franc Zone	35.4	71		
MAG	35.4	71		
Total imports	49.8	100	Total internal movements	352.6

Source: International Sugar Council - Statistical Bulletin, February 1965.

* 1,000 metric tons in raw value. Refined values are converted to raw value at the present official standard rate of 93.45 to 100.

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