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SUBSIDIES

Notifications Pursuant to Article XVI:1

Addendum

EUROPEAN ECONOMIC COMMUNITY

In submitting this notification, the Commission of the European Communities made the following comment.

At the twentieth session, contracting parties were invited to submit every third year as from 1963 new and full responses to the questionnaire on subsidies. Contracting parties were reminded of this invitation by document L/3178 dated 25 February 1969.

As the Community already pointed out in 1963 (document L/1948/Add.14), the mechanisms of the common agricultural policy represent an innovation as compared with traditional practices and have a sharply defined character. Nonetheless, as stated in the report of the Panel on Subsidies (document L/1442 of 19 April 1961), contracting parties are invited to provide information on subsidies, irrespective of whether in the view of individual contracting parties they are notifiable under Article XVI, because the Panel had considered that it was neither necessary nor feasible to seek an agreed interpretation of what constituted a subsidy.

In response to this invitation the Commission of the European Communities has the honour to transmit the documentation hereinafter concerning products covered by a common policy; the member States concerned will present, for their part, separate notifications concerning the other products.

This documentation relates to products in the agricultural sector and certain products in the industrial sector.

So far as agricultural products are concerned (Part I), the present notification furnishes information only on products not covered by the voluminous documentation presented to the Agriculture Committee (document COM.AG/W/27 and Addenda). The measures notified below relate to sugar, rice, eggs, fine bakers' wares, confectionery and other products of the foodstuffs industry.

With respect to industrial products (Part II), the measures notified constitute aid granted to undertakings producing coking coal and coke intended for the iron and steel industry.

Part I

Agricultural Sector

So far as agricultural products are concerned, the measures notified therefore concern only products which are the subject of a common agricultural policy and do not fall within any of the eight product sectors covered by the voluminous documentation presented to the Agriculture Committee (in particular document COM.AG/W/27 and Addenda). The following product sectors are referred to: sugar, eggs and rice.

The measures notified include all the price support measures introduced by the common market organizations that can involve participation either by the Community's financing organization or by the government of a member State, to the extent that such measures derive from the Community regulations.

They also relate to certain foodstuff products prepared on the basis of products subject to the common agricultural policy and which are not included in Annex II to the Treaty, mainly fine bakers' wares and confectionery.

The authority for the measures applicable in these various sectors is contained respectively in basic regulation Nos. 1009/67/EEC, 359/67/EEC, 122/67/EEC, 204/69/EEC of the Council and in the implementing regulations adopted in pursuance of those regulations.

The internal policy measures and export measures applicable in these sectors will be examined. A distinction has been made within individual sectors according to different products in cases where the relevant measures differ.

A few preliminary remarks are necessary as regards statistics indicating the cost of the various measures. The most recent data available concern the year 1967/68, and are therefore still only provisional. For the processed products sector, there is therefore a certain lag between the system described here, which is that resulting from regulation 204/69 now in force, and the data furnished which concern a year during which a different regulation was in force. In practice, this does not make any fundamental change in the scope of the data, because the amendments introduced by regulation 204/69/EEC did not make any radical change in the system.

A similar problem arises with respect to sugar, the system now in force having been introduced only in 1968/69. The system formerly applicable, during the 1967/68 season, did not provide for the institution of a single market. In these circumstances, the amounts in respect of 1968/69 have been communicated but constitute only estimates.

It should be added that all these data relate to an accounting year (1 July to 30 June) which does not coincide with the season, the period of the latter varying according to the product concerned.

Because of the fact that comparable data on quantities are not available, it has not been possible to calculate amounts per unit in cases where these do not constitute a fixed datum.

SUGAR

The following products are included in this sector: beet sugar and cane sugar, sugar beet and sugar cane, molasses, syrups and flavoured or coloured sugars, syrups and molasses.

In addition it should be noted that in accordance with the regulation on sugar, measures are taken with respect to food products containing sugar.

All these products are not in fact concerned to the same extent by the various measures, and a distinction should be made between beet sugar or cane sugar (as well as sugar beet and sugar cane), molasses and the other products.

A. Sugars

1. Export measures

In order to allow export on the basis of quotations on the world market, a refund may be granted on export of sugar.

The total amount of the refunds paid during the 1968/69 season is estimated at approximately 95 million A.U.

2. Measures in the internal market

In order to ensure that the necessary guarantees in respect of employment and standards of living are maintained for producers of sugar beet and sugar cane, an intervention mechanism for sugar is fixed each year, providing for purchase by the intervention agencies, the grant of denaturation premiums, and a system of equalization of storage costs, as well as a refund on production of certain products of the chemical industry.

(a) Intervention measures

- (i) These measures concern white beet sugar and white and raw cane sugar. Provision is made for intervention in respect of raw beet sugar, but this is applicable only until 31 December 1969.

The intervention agencies of the member States are required to purchase the products concerned which are offered to them at the intervention price applicable for the area in which the products are offered, but this guarantee is limited by the operation of maximum quotas setting limits to the guarantee where intervention is concerned.

In actual fact the following are fixed:

- an intervention price for white sugar¹ applicable in the Community area having the largest surplus (Somme, Aisne, Oise). This price was set at 21.23 A.U./100 kgs. for the 1968/69 season.
- derived intervention prices for white sugar for the other Community areas.
For the 1968/69 season these prices were set at:
 - . 22.35 A.U./100 kgs. for Italy
 - . 20.90 A.U./100 kgs. for the French overseas departments
 - . 21.23 A.U./100 kgs. for the other areas.
- in addition, an intervention price for raw beet sugar was fixed for the 1968/69 season, at 19.54 A.U./100 kgs. for Italy and 18.50 A.U./100 kgs. for the rest of the Community.
- lastly, the intervention price for raw cane sugar was fixed at 18.66 A.U./100 kgs. for the 1968/69 season.

For beet, a system of minimum prices is established which manufacturers are required to pay. This system does not imply any intervention by State agencies.

The system is limited by the operation of quotas which have the effect of lowering the level of the price guarantee for producers, the latter being required to make a contribution in respect of quantities that exceed the basic quotas. It should be noted in this connexion that the proceeds from the contribution are in fact to be deducted from the cost of disposing of production. They are not, however, taken into account in the figures presented here.

¹Valid for a standard quality; where the sugar offered differs from this quality a system of discounts or premiums is applied.

- (ii) These intervention operations in principle are not in themselves very expensive for the intervention agency if it disposes of its products on the market, since it must do so at a price higher than the purchase price. If products are disposed of through other measures, the resultant expenses are charged to those measures (denaturation, exports).

(b) Denaturation premiums

In order to reduce the need for intervention, provision is made for the grant of premiums by the intervention agencies in respect of sugar rendered unfit for human consumption.

The cost of these premiums is estimated at approximately 47 million A.U. for the year 1968/69.

(c) Equalization of storage costs

Provision is made for reimbursement of storage costs of sugar (sugar produced within the limits of the maximum quota).

This refund is designed to equalize storage costs in the Community. It constitutes a measure designed to avoid entirely or in part purchase by the intervention agency.

The refund is financed out of a contribution collected from manufacturers, according to the principle of equivalence between the total reimbursements made and the total contributions collected.

(d) Refund on production

- (i) This refund is granted in such a way as to promote the utilization of Community-produced sugar.

The amount of the refund varies according to the products manufactured from the sugar, and the area in which the sugar is used.

For certain products, it is calculated on the basis of the intervention price applicable in the area of utilization, reduced by such an amount as to allow the sugar to be used and taking into account the need to avoid distortions as between the various basic products that can possibly be used.

In the case of products for which this problem does not exist, the refund is determined on the basis of the difference between the intervention price and the world market price increased by a margin designed to take account of the tariff protection afforded to products of the chemical industry. In this case the refund may be adjusted every three months, but is in fact adjusted only if the variations in the basic elements in the calculation are such that they would modify the amount of the refund upwards or downwards by not less than 1 A.U.

The refund may also be granted on raw sugar. In this case, the amount of the refund is equivalent to 1/100 of the refund for white sugar multiplied by the white sugar yield of the raw sugar.

(ii) The refunds applicable as from 1 July 1968 were fixed as follows:

Area of application	Annex I products ¹	Annex II products ¹	Annex III products ¹
1. All areas of Italy	9.05	15.10	15.10
2. French overseas territories	7.60	13.73	14.37
3. Other areas of the Community	7.93	14.06	14.54

The total cost of these refunds in 1968/69 is estimated at approximately 2.5 million A.U. (estimate).

B. Molasses

Export measures

In order to allow export on the basis of world market prices, a refund may be granted.

The total amount of refunds granted during the year 1968/69 is estimated at approximately 1.5 million A.U.

¹Annex I comprises products of the chemical industry that can also be manufactured from starch; Annex II, products of the chemical industry that can also be manufactured from molasses; Annex III, other products of the chemical industry manufactured on the basis of sugar or syrup.

C. Other sugars and syrups - Flavoured sugar and syrups

1. Export measures

As in the case of the other products, provision is made for a possible refund on export.

- (a) The amount of the refund is fixed each month in the following way¹:
1/100 of an amount established taking into account:

- the difference between the intervention price for white sugar, applicable in the area having the largest surplus for the month for which the basic amount is fixed, and the quotations or prices for white sugar on the world market;
- the need to establish a balance between:
 - . utilization of Community basic products with a view to export of processed products, and
 - . utilization of products admitted temporarily for processing.

The refund per 100 kgs. of each product is equivalent to the basic amount multiplied by the content of sucrose and other sugars expressed in terms of sucrose (this content may be fixed at a standard level).

- (b) The total amount of refunds granted is included in the amount shown in paragraph A. 1(b).

2. Measures on the internal market

No measures are provided in respect of these products.

D. Industrial products containing sugar

The export refund established in respect of products already mentioned is applicable also to those products when they are exported in the form of foodstuff preparations containing sugar, as listed in the annex to regulation 1009/67/EEC, comprising primarily sugar confectionery not containing cocoa, chocolate preparations, fine bakers' wares, certain food preparations (whether or not for dietetic use), beverages containing sugar, yeasts, mannitol and sorbitol and derivatives thereof.

In pursuance of this principle, a refund may be granted upon export of these products.

¹For sorbose, the basic amount is equal to the basic amount of the refund reduced by 1/100 of the production refund applicable for this product.

The principle is applied in general in respect of products eligible for Community refunds which are used in the manufacture of goods.

Information concerning the refunds applicable for all these products is set forth in a separate section.

RICE

The measures for a common organization of the market in this sector cover paddy rice, rice in grain, peeled or not, and brokens as well as flour, groats, meal, and starch of rice.

A distinction should be made between rice, brokens and products derived from rice.

A. Rice

This section refers to paddy rice and rice in grain, whether or not peeled.¹

1. Export measures

In order to allow the export of this product to the world market, provision is made for the granting of a refund covering the difference between prices in the Community and world prices.

(a) The amount of the refund is fixed each week. It may be differentiated according to the destination.

(b) The total cost of refunds paid on rice exports for the year 1967/68² was 6,398,364 A.U.³

2. Measures in the internal market

In order to stabilize the market and ensure a fair standard of living for the agricultural community concerned, provision is made for an intervention mechanism.

(a) In order to guarantee to producers that the market price does not fall below a minimum level, intervention prices are fixed for paddy rice (round-grained rice of a standard quality).

¹Paddy rice - rice grain with outer husk not removed. Rice in grain, unpeeled husked rice. Rice in grain, peeled is also known as bleached rice. In addition there is partly-bleached rice which is classified together with rice in grain, peeled.

²1 July 1967 to 30 June 1968.

³Provisional figure.

These prices are derived from the indicative price for husked rice fixed for the Community as a whole and applicable for the area with the largest shortfall (Duisburg).

Two intervention prices are fixed for two principal intervention centres: Arles and Vercelli. In the other large marketing centres, the following are applicable:

- the intervention price fixed for Arles as regards the centres situated in France;
- the intervention price fixed for Vercelli as regards the centres situated in Italy.

The intervention prices are fixed by the Council before 1 May each year for the following season (1 September-31 August).

The prices applicable for the seasons 1967/68, 1968/69 were as follows:

	A.U./100 kgs.		
	1967/68	1968/69	1969/70
Arles	12.30	12.50	12.50
Vercelli	12.00	12.50	12.50

These are the prices applicable at the beginning of the season. They are subject to monthly increases, spread over all or part of the marketing season and designed to take account of storage costs.

In addition, a compensatory indemnity may be granted on rice remaining in stock at the end of the season, such indemnity being designed at most to offset the difference between the indicative prices applicable at the end and at the beginning of the season.

The intervention agencies of the member States are required to purchase quantities offered to them at the intervention prices, taking into account any corrective amounts and premiums or discounts that may be appropriate having regard to variations in quality and variety between the rice offered and the standard quality.

- (b) The cost of intervention operations is limited to the cost of the end-of-season compensatory indemnity which, for the year 1967/68, amounted to 116,024.72 A.U.¹

The cost of intervention purchase operations cannot be very high because in principle expenditure on purchases has to be offset by sales which, in pursuance of the regulations, have to be effected at a price higher than the purchase price, and the end-of-season indemnities cover in principle only any price differences that may occur.

B. Brokens

1. Export measures

- (a) Provision is made for a refund in the same conditions and according to the same criteria as the refund in respect of rice.

It should be noted that a refund may also be granted in respect of rice containing a fairly high percentage of brokens (as much as 40 per cent), in an amount equivalent to that of the refund applicable to rice, reduced in accordance with a coefficient.

- (b) The amount of these refunds is included in the aggregate cost indicated above under A. 1(b).

2. Measures on the internal market

- (a) There is no provision for intervention in respect of brokens.

On the other hand, a refund on production refund is granted in respect of brokens used by the starch industry for the manufacture of starch and quellmehl², and by the brewing industry. This refund³ is equivalent to the difference between the threshold price for brokens and 8.30 A.U./100 kgs. If the c.i.f. price is in excess of 8.30 A.U./100 kgs., then it constitutes the second term for determination of the difference.

¹In connexion with this figure it should be noted that the expenditure covers the compensatory indemnity granted on 31 August 1967 (end of the 1966/67 season and beginning of the 1967/68 season), because the season in the rice sector runs from 1 September to 31 August, whereas the financial year for which accounts of expenditure are kept runs from 1 July to 30 June.

²Quellmehl: flour of which the starch has undergone heat or other treatment, thus increasing its swelling capacity.

³On imports of brokens into the Community, a levy equivalent to the threshold price less the c.i.f. price is charged. A threshold price for brokens is fixed each year.

If the c.i.f. price is in excess of the threshold price,
no refund is granted.

- (b) The total cost of these refunds is included in the aggregate
cost indicated above under A. 2(b).

C. Flour, groats, meal and starch of rice

1. Export measures

A refund is granted on export of these products.

It may be differentiated according to destination.

The total amount of the refunds granted is included in the amount
indicated under A. 1(b).

EGGS

The measures on the common organization of the market in this sector concern
the following products: eggs, whether or not in shell, and egg-yolks, fresh,
dried or otherwise preserved, whether or not containing added sugar, suitable
for use as food.

Certain provisions also concern albumins and food preparations containing
eggs.

A. Eggs in shell, eggs not in shell and egg-yolks

1. Export measures

In order to allow the export of Community products to the world market,
a refund on exports may be granted.

- (a) The amount of this refund is fixed on the basis of a calculation
taking into account the following:

- the price in the Community market, taking into account prices
in the internal market and on export;
- the price in the world market, taking into account:
 - . prices in the markets of third countries
 - . the most favourable import prices in importing third countries
 - . production prices in exporting third countries
 - . free-at-frontier offer prices in the Community.

The refund may be differentiated according to destination.

The amount of the refund is fixed at least once every three months.

- (b) The total amount of refunds granted for the year 1967/68¹ was 867,401 A.U.

2. Internal measures

No measures are taken in this regard in pursuance of Community regulations.

B. Albumins and food preparations containing eggs

Food preparations: for these products, under the provisions of the Community regulations, the refund is designed to allow export of eggs in unaltered state and in the form of the products listed above.

In accordance with this principle, a refund is granted on exports of these products, subject to the conditions and in the amounts indicated in the chapter concerning products of the foodstuff industries, for the reasons already presented in connexion with sugar.

PROCESSED PRODUCTS MANUFACTURED FROM AGRICULTURAL PRODUCTS ON WHICH REFUNDS ARE GRANTED

Provision is made for a system of refunds in respect of certain exported goods containing the following basic products, whether in unaltered state or after processing: cereals, rice, milk, butter, eggs, sugar and molasses, lactose. The goods in respect of which this refund can be granted comprise mainly sugar confectionery and chocolate preparations, macaroni, spaghetti and the like, bakery products and fine bakers' wares, miscellaneous food preparations (for infants, for dietetic use etc.), beverages containing added sugar or eggs, casein and caseinate, albumin, dextrins and certain products of the chemical industry based on sugar or starchy products.

- (a) The amount of the refund is equivalent, as a general rule, to the quantity of each basic product utilized, multiplied by the rate of the refund applicable thereto.

The rules established with a view to determining the quantity of basic products to be taken into consideration are designed to ensure that this quantity corresponds to the quantity of basic product actually used (whether directly or in the form of processed products).

¹Financial year, from 1 July to 30 June.

The rate of refunds to be taken into consideration for each basic product is determined monthly (except in respect of eggs, for which the refund is determined at the same time as the refund in respect of eggs exported in unaltered state).

For this determination the following criteria are taken into account:

- a comparison between the average supply costs in the EEC and in the world market
- the level of the refunds in respect of other products (in Annex II) the conditions of whose manufacture are comparable
- competition with industries engaged in the processing of temporarily imported goods
- existence of any refunds on production.

(b) The total cost of refunds in respect of these products for the year 1967/68¹ was 11,032,153 A.U.²

¹The financial year, running from 1 July 1967 to 30 June 1968.

²This amount is provisional. In addition, it should be noted that the regulations outlined above were not yet in force in the year 1967/68. However, the regulations actually in effect for that year did not differ substantially from those now in force.

Part II

Industrial Products

AID TO COKING COAL AND COKE INTENDED FOR THE COMMUNITY'S IRON AND STEEL INDUSTRY

I. Nature and extent of the subsidy

(a) Background and authority

Decision No. 1/67 concerning coking coal and coke intended for the Community's iron and steel industry was adopted by the High Authority of the ECSC on 21 February 1967. The validity of this Decision, which was for two years from 1 January 1967, was extended for a further year until 31 December 1969 by Decision No. 2177/68 ECSC of the Commission.

This Decision provides for a special régime of aid to the member States for coal-mining undertakings producing coking coal and coke intended for the Community's iron and steel industry, with a view to contributing in this field to the progressive adjustment of coal mines to present market conditions.

(b) Incidence

The aid is paid to the coal-producing undertaking in respect of deliveries of coking coal produced by it to any coking plant manufacturing foundry coke.

The member States can choose between the following two forms of aid:

- (a) standard aid in a maximum amount of 1.7 A.U.
- (b) aid varying around an average amount, not exceeding 1.7 A.U. per ton, subject to a maximum of 2.2 A.U. per ton.

If alternative (b) is selected the modulation adopted by a government must not involve any discrimination in aid granted in respect of deliveries by coal-mining undertakings.

(c) Amount of subsidy

The global amount of aids for the year 1967 was approximately 77 million A.U. for the Community as a whole.

(d) Estimated amount per unit

On average, the aid that can be paid by the member States to their coal-mining undertakings does not exceed 1.70 A.U. per ton of coal.

II. Effect of subsidy

(a) Estimated quantitative trade effects of the subsidy; and the reason why it is considered that the subsidy will have these effects

Having regard to the fact that the aid affects solely that part of Community coal production which is intended to supply foundry coke to the Community's iron and steel industry, it does not in any way constitute aid to exports of coking coal or coke to third countries.

Furthermore, the amount of the aid is as a general rule less than the amount of the difference in prices at the point of consumption between Community products and those from third countries. A discount equivalent to the aid therefore allows only for partial alignment with the sales price of products from third countries. Decision No. 1/67 therefore leaves iron and steel undertakings free to choose their source of supply.

(b) Statistics of production, consumption, imports and exports
(in million tons)

	1964	1965	1966	1967	1968 ¹
Output of coal	235.0	224.3	210.2	189.5	174.2
Variations in coal stocks	+ 3.5	+ 7.0	+ 8.2	- 1.6	- 7.7
Coking coal processed by coking plants	97.0	97.4	91.7	84.8	85.8
Imports of coal from third countries	31.1	29.0	26.2	24.3	22.5
Exports of coal to third countries	2.8	2.2	2.3	2.3	2.6
Consumption of foundry coke	44.6	44.3	40.8	41.4	43.5
Variations in coke stocks	-	+ 1.4	+ 3.3	- 2.0	- 2.2
Imports of coke from third countries	0.4	0.1	0.2	0.2	0.2
Exports of coke to third countries	3.9	3.4	2.9	2.7	2.5

¹Estimates.