

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### Addendum

#### EUROPEAN COMMUNITIES

At the twentieth session, contracting parties were invited to submit every third year full responses to the questionnaire on subsidies. Contracting parties were reminded of this invitation by document L/3655 dated 13 January 1972.

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) which has recently been brought up to date and supplemented with respect to export measures (up-dating documents Spec(69)9/Rev.1 to Spec(69)15/Rev.1). The measures notified below relate to sugar, rice, eggs, fishery products, flax and hemp, seeds, fine bakers' wares, chocolate preparations 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 which has recently been supplemented and brought up to date with respect to export measures (up-dating documents Spec(69)9/Rev.1 to Spec(69)16/Rev.1). The following product sectors are referred to: sugar, eggs, rice, fishery products, flax and hemp, and seeds.

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 chocolate products.

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, 2141/70/EEC, 1308/70/EEC, 2358/71/EEC of the Council and in the implementing regulations adopted in pursuance of those regulations.

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.

It has not been possible to calculate amounts per unit in cases where these do not constitute a fixed datum.

With respect to the total amount of aids for each sector, it should be noted that the data relate to payments reimbursed by the European Agricultural Guidance and Guarantee Fund in the course of the years indicated; they do not always necessarily correspond to the years or periods in which those operations were effected.

A. 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, beet pulp, bagasse and other waste of sugar manufacture.

1. Export measures

To the extent necessary, in order to allow export of beet sugar and cane sugar, molasses and other sugars and syrups on the basis of quotations and prices on the world market, the difference between those quotations or prices and the prices in the Community may be covered by an export refund.

The total amount of the refunds paid was as follows (provisional figures):

|                               |                  |
|-------------------------------|------------------|
| 1968/69 (1 July-30 June)      | 125,463,000 A.U. |
| 1969, second six-month period | 29,986,000 A.U.  |
| 1970                          | 92,754,000 A.U.  |
| 1971                          | 63,144,956 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 has been set up, 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 30 June 1973.

The intervention agencies of the member States are required to purchase the products concerned which are offered to them at the level of 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 sugar<sup>1</sup> 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, 1969/70, 1970/71 seasons and at 22.61 A.U./100 kgs. for the 1971/72 season.<sup>2</sup>
- derived intervention prices for white sugar for the other Community areas.

For the 1968/69 to 1970/71 seasons these prices were set at:

- . 22.35 A.U./100 kgs. for Italy (for 1971/72<sup>2</sup>, at 24.11 A.U.)
- . 20.90 A.U./100 kgs. for the French overseas departments (for 1971/72<sup>2</sup>, 22.28 A.U.)
- . 21.23 A.U./100 kgs. for the other areas (for 1971/72<sup>2</sup>, 23.61 A.U.)

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

<sup>2</sup>The price for the 1971/72 season was set for a higher quality, causing an automatic increase of 0.50 A.U./ql (former premium).

- in addition, an intervention price for raw beet sugar was fixed for the 1968/69 to 1970/71 seasons, at 19.54 A.U./100 kgs. for Italy and 18.50 A.U./100 kgs. for the rest of the Community (for 1971/72, at 20.60 and 19.22 A.U. respectively).
- lastly, the intervention price for raw cane sugar was fixed at 18.66 A.U./100 kgs. for the 1968/69 to 1970/71 seasons, and at 19.38 A.U. for 1971/72.

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.

(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.

(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

This refund is granted for the manufacture of certain sugar-based chemical products, with a view to bringing the price of the base product down to the level of world market prices.

3. Total cost of measures on the internal market

The total cost of measures on the internal market was as follows (provisional figures):

|                               |                  |
|-------------------------------|------------------|
| 1968/69 (1 July-30 June)      | 120,373,000 A.U. |
| 1969, second six-month period | 62,624,000 A.U.  |
| 1970                          | 100,067,000 A.U. |
| 1971                          | 47,171,121 A.U.  |

B. 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.

1. Export measures

To the extent necessary, in order to allow export of this product on the basis of quotations or prices on the world market, the difference between those quotations or prices and the prices in the Community may be covered by an export refund.

The total amount of the refunds paid was as follows (provisional figures):

|                               |                 |
|-------------------------------|-----------------|
| 1968/69 (1 July-30 June)      | 10,672,000 A.U. |
| 1969, second six-month period | 11,307,000 A.U. |
| 1970                          | 57,968,000 A.U. |
| 1971                          | 48,577,917 A.U. |

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) Intervention measures

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).

Two intervention prices are fixed for two principal intervention centres:

Arles, as regards the centres situated in France

Vercelli, as regards the centres situated in Italy.

For the 1968/69 to 1971/72 seasons (1 September-31 August), the intervention prices were 12.50 A.U./100 kgs. for the two intervention centres.

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.

Throughout the marketing 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) Production refund

A refund on production is granted in respect of brokens used by the starch industry for the manufacture of starch and quellmehl<sup>1</sup>, and by the brewing industry. This refund<sup>2</sup> 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.

(c) The cost of intervention operations under (a) and (b) was as follows (estimate):

|                               |                 |
|-------------------------------|-----------------|
| 1968/69 (1 July-30 June)      | 116,000 A.U.    |
| 1969, second six-month period | 1,039,000 A.U.  |
| 1970                          | 1,639,000 A.U.  |
| 1971                          | 48,557,917 A.U. |

C. 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.

1. Export measures

To the extent necessary, in order to allow export of these products on the basis of world market prices, the difference between those prices and the prices in the Community may be covered by an export refund.

The amount of the refund, which is fixed at least once every three months, is the same throughout the Community and may be differentiated according to destination.

<sup>1</sup>Quellmehl: flour of which the starch has undergone heat or other treatment, thus increasing its swelling capacity.

<sup>2</sup>On 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.

The total amount of the refunds paid was as follows (provisional figures):

|                               |                |
|-------------------------------|----------------|
| 1968/69 (1 July--30 June)     | 1,597,000 A.U. |
| 1969, second six-month period | 1,694,000 A.U. |
| 1970                          | 5,865,000 A.U. |
| 1971                          | 2,698,000 A.U. |

2. Internal measures

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

D. PROCESSED PRODUCTS MANUFACTURED FROM AGRICULTURAL PRODUCTS ON WHICH REFUNDS ARE GRANTED

The goods concerned 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, dextrans and certain products of the chemical industry based on sugar or starchy products.

1. Export measures

To the extent necessary in order to allow export of agricultural products in the form of certain processed products on the basis of quotations or prices for the said products on the world market, the difference between those quotations or prices and the prices in the Community may be covered by an export refund.

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 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).

The amount of the refunds paid for these products was as follows (provisional figures):

|                               |                 |
|-------------------------------|-----------------|
| 1968/69 (1 July--30 June)     | 17,371,000 A.U. |
| 1969, second six-month period | 16,276,000 A.U. |
| 1970                          | 24,726,000 A.U. |
| 1971                          | 18,464,897 A.U. |

2. Internal measures

Not applicable.

E. FISHERY PRODUCTS

This sector comprises the following products: fish, crustaceans and molluscs, fresh (live or dead), chilled, frozen, dried, salted or in brine, prepared or preserved, and likewise flours and meals of fish, crustaceans and molluscs.

1. Export measures

To the extent necessary in order to allow economically significant export of these products on the basis of prices on the world market, the difference between those prices and the prices in the Community may be covered by an export refund.

Since the amounts of the refunds were set for the first time in October 1971, no experience has yet been acquired as to the financial costs.

2. Measures on the internal market

In order to ensure a fair income to producers, various forms of interventions, depending on the products concerned, are provided under the common organization of markets.

(a) Financial compensation to producer organizations

With a view to stabilizing prices, producer organizations may fix a withdrawal price below which they do not sell the products brought in by their members, in respect of herrings, sardines, redfish (Norway haddock), cod, saithe, haddock, whiting, mackerel, anchovies, plaice and shrimps of the genus "Orangon". In such case, the producer organizations may grant an indemnity to their members, in respect of the quantities withdrawn from the market.

For the financing of these withdrawal measures, the producer organizations set up intervention funds which are supplied by means of contributions based on the quantities offered for sale, or on a system of equalization.

In order to support the activities of the producer organizations, they are granted financial compensation, provided that the products withdrawn from the market are sold for purposes other than human consumption or under such conditions that they will not constitute an obstacle to the normal sale of the production concerned. The amount of this financial compensation is calculated on the basis of the quantities withdrawn from the market at the withdrawn price, multiplied by 55 to 60 per cent of the guide price for the product concerned, weighted by a quality adjustment coefficient and reduced by a flat-rate amount depending on the intended use other than for human consumption of the product withdrawn.

(b) Public purchase of sardines and anchovies

In order to avoid a sudden fall in prices of sardines and anchovies, provision is made for public purchase, through agencies designated by the member States to that effect, in the event that for one of the representative markets or ports, prices remain below the intervention price during three successive market days. The products are purchased at the intervention price weighted by a quality adjustment coefficient, and must be intended for uses other than human consumption.

(c) Aid for private storage

Provision is made for storage aid in respect of certain frozen products (sardines, sea bream of the species *Dentex dentex* and *Pagellus*, squid, cuttlefish and octopus) where the prices recorded in any of the representative markets or ports remain below 85 per cent of the guide price for the product concerned for a period of time pointing to a trend towards a disturbance of the market. The amount of this aid may not exceed the amount of actual costs for storage and interest.

(d) Compensatory indemnity for tunny fish producers

In order to prevent any fall in import prices of tunny fish intended for the canning industry from threatening the income level of Community producers, provision is made for the grant of a compensatory indemnity if necessary.

In view of the situation of the price level of tunny fish, no compensatory indemnity has yet been granted.

(e) Free distribution of products withdrawn from the market

In respect of products withdrawn from the market, the total amount of expenditure arising from free distribution may be reimbursed to the distributor.

It is not possible to estimate the financial cost of these operations, because experience is lacking regarding the quantities that might be the subject of such a free distribution.

F. FLAX AND HEMP

The following measures are provided in the Community regulations:

1. Aids to production

In order to ensure a fair income for the producers concerned, a system of aid has been introduced for flax and hemp produced in the Community.

The amount of the aid is fixed each year and per hectare in respect of the area sown and harvested.

For oil-bearing flax and hemp, the aid is granted to the producer; for textile flax, half the aid is granted to the producer and the other half to the first purchaser.

For the 1970/71 and 1971/72 seasons, the amount of the aid was set at 110 A.U./ha for flax and 80 A.U./ha for hemp. The resulting expenditure amounts to approximately 8 million A.U. per annum (estimate).

## 2. Aid for storage

In order to avoid or alleviate any substantial decline in prices, the holders of fibre are given an opportunity to conclude storage contracts when there is a temporary imbalance on the market.

To date no resort has been had to this possibility.

## G. SEEDS

The Community system, which has been in force since 1 May 1972 and will be applied as from 1 July 1972, provides for the grant of aid to production for a few varieties of seeds.

The Community market for seeds is characterized by the fact that for a small number of sensitive varieties, in particular certain fodder grasses and leguminosae, production can be continued in the Community only if some protection is granted to ensure a fair income for the producer. To this end, the regulations provide that a production aid may be granted in respect of these "sensitive" varieties, provided it is for basic or for certified seeds. The aid is in a uniform amount for each type or group of varieties throughout the Community; it is granted per quintal of seeds produced and is fixed by the Council each year before 1 August for the marketing season beginning the following year.

The amount of these aids for the 1972/73 season has not yet been fixed.

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.

On 19 December 1969, under Decision No. 70/1 ECSC of the Commission, a new specific régime of aids for this sector was established for a period of three years as from 1 January 1970.

This Decision provides for a special régime of aid 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 undertakings in respect of deliveries of coking coal produced by them.

The aids may be paid only to the extent that the coal is used for the manufacture of coke, and that the latter is actually consumed in foundries of the Community's iron and steel industry.

The following aids may be granted:

1. A production aid in a maximum amount of 1.50 A.U. per ton of coking coal.
2. A disposal aid of a uniform amount. The rate of this aid per ton of coking coal was set at 0.70 A.U. for 1970, 0.55 A.U. for 1971 and 0.40 A.U. for 1972.

The disposal aid is granted only provided it is passed on in the form of discounts to the purchaser of coking coal or coke. Nevertheless, such discounts may not result in end prices for Community coke and coal which are lower than those that might be applicable for coking coal from third countries and for coke manufactured from coking coal from third countries.

(c) Amount of the subsidy

1. Production aid: For 1970, the total amount was approximately 67 million A.U. for the Community producing countries. That amount will certainly not be equalled in 1971.
2. Aid to internal disposal: The amount granted in 1970 was 4.5 million U.A.; again, the amount for 1971 will be less.
3. Disposal aid: For intra-Community trade, the amount granted for 1970 will be approximately 12 million A.U. because it is at a progressively declining rate; it will probably decline thereafter to 9 million and then 7 million approximately.

This Community financing is in respect of a volume of coking coal not exceeding 17 million A.U. per annum.

(d) Estimated amount per unit

1. Production aid: The true average rate will be below the maximum rate of 1.50 units per ton authorized by the Decision.
2. Disposal aid: The progressively declining rates provided will be respected.

|                  | <u>Contribution - member States</u>              | <u>Contribution - ECSC</u>                        |
|------------------|--|---|
| 1st year<br>1970 | 0.50 A.U./T, to a maximum of<br>8.5 million A.U. | 0.20 A.U./T, to a maximum<br>of 3.4 million A.U.  |
| 2nd year<br>1971 | 0.40 A.U./T, to a maximum of<br>6.8 million A.U. | 0.15 A.U./T, to a maximum<br>of 2.55 million A.U. |
| 3rd year<br>1972 | 0.30 A.U./T, to a maximum of<br>5.1 million A.U. | 0.10 A.U./T, to a maximum<br>of 1.7 million A.U.  |

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

There are and will continue to be difficulties of an economic character in connexion with the production and disposal of coking coal and coke intended for the iron and steel industry.

Thus a large part of the Community's production is financially in deficit in the medium and long term; substantial reductions in capacity might still be necessary and there is uncertainty as to the conditions for obtaining supplies of coking coal from third countries following any unduly rapid or unduly large reduction in the Community's production capacity.

Hence, abrupt elimination of a specific régime of aids for coking coal and coke intended for the iron and steel industry might cause a re-emergence of the very disruptive factors that the earlier Decision (No. 1/67) was designed to counteract.

The new specific régime of aids for coking coal and coke intended for the iron and steel industry should allow both the producers and the consumers of this coal progressively to make the necessary arrangements over its period of validity, so that at the end of that period the financial costs of coke supplies will be entirely borne by the iron and steel industry.

That is why the régime is limited in time and is on a progressively declining scale.

The production aid, corresponding to that part of the Community's coal production which is intended for supplying foundry coke to the Community's iron and steel industry, and the disposal aid, which is applicable in the case of deliveries to an area far from the producing area or effected within the framework of intra-Community trade, cannot in any way be deemed to constitute aids to the export of coking coal or coke to third countries.

Furthermore, a condition attaching to the aids is that any discounts must not result in prices lower than those that might apply for coking coal from third countries and for coke manufactured from coal or coke from third countries, and the iron and steel undertakings are left free to choose their source of supply.

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

|  | <u>1968</u> | <u>1969</u> | <u>1970</u> | <u>1971</u> <sup>1/</sup> |
|--|-------------|-------------|-------------|---------------------------|
| Output of coal                         | 181.2       | 176.9       | 170.5       | 170.0                     |
| Variations in coal stocks              | -7.8        | -9.7        | -3.5        | +2.5                      |
| Coking coal processed by coking plants | 86.0        | 90.0        | 93.0        | 87.2                      |
| Imports of coal from third countries   | 22.0        | 24.1        | 31.2        | 28.5                      |
| Exports of coal to third countries     | 2.9         | 2.7         | 1.5         | 0.9                       |
| Consumption of foundry coke            | 44.2        | 46.5        | 48.8        | 43.0                      |
| Variations in coke stocks              | -2.9        | -1.5        | +0.5        | +7.1                      |
| Imports of coke from third countries   | 0.2         | 0.9         | 0.8         | 0.5                       |
| Exports of coke to third countries     | 2.7         | 2.3         | 2.8         | 2.0                       |

<sup>1/</sup> Estimates