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EUROPEAN COMMUNITIES - NEW SUGAR REGULATIONS

Questions by the United States on the New EEC Sugar System

The following communication, dated 14 September 1981, has been received from the United States Trade Representative.

The following questions have been submitted to the GATT Secretariat in accordance with the suggestion contained in GATT/AIR/1747.

I. The panel formed to examine the Australian complaint against the EC concluded that the EC system "constituted a permanent source of uncertainty in world sugar markets" because it did not have any limits on production, price or refunds. Where does the new regime include meaningful limits on EC production, prices and subsidization?

- There appears to be no limit on total production.
- There appears to be no real reduction on production eligible for subsidy.
- There appears to be no limit on funds available to finance subsidies.
- Therefore, there appears to be no real limit on the total amount of subsidization.

II. We understand that the new system relies on "co-responsibility" between the producer and the government to finance the export subsidies. How does this system work in practice?

- Must the producers pay back to the government the full amount of the subsidies? If not, what proportion and over what period of time?
- Please explain how the price and disposal support measures operate for sugar. What role do these measures play in encouraging sugar producers to export?
- How is the nature and effect of subsidization reduced under the new regime?

III. How has the new regime restrained internal price increases for sugar?

- The new regime grants an 8.5 percent increase in its support price (the highest increase since 1975/76).

IV. In 1981/82 expected EC sugar production will amount to 13.6 million MT. Domestic consumption will amount to 9.5 million MT (A quota). Hence, there will be available for export 2.2 million MT (B quota) and 1.9 million MT (C quota). Moreover, ACP sugar which is to be exported will amount to 1.4 million MT. Thus, the total exports available in 1981/82 will reach 5.5 million MT (as against 4.4 million MT in 1980/81).

B quota sugar receives full export subsidies. ACP sugar exports must also be subsidized since they are usually bought above the world market price. C quota sugar exports are allegedly not subsidized.

Council regulation 1785/81 states that "the producers themselves will meet in full the cost of disposing of the surpluses of the Community production over consumption."

- How are the exports of ACP sugar subsidized?
- Does not C-quota sugar also benefit from the EC's internal subsidy system, since the production of sugar beets and sugar for A, B, and C sugar is an integrated operation?
- What is the minimum price at which C sugar is bought?
- How can the EC differentiate between A, B, and C sugar when export subsidies are granted and export licenses issued? How is C-quota sugar marketed?

V. If the levy that may be imposed on producers were to be fully assessed (i.e., 2 percent of the intervention price for A and B quota sugar plus 30 percent of the intervention price for B-quota sugar plus, if necessary, another 7.5 percent of the intervention price for C-quota sugar) would all the subsidies granted to EC sugar producers thereby be fully covered?

If this maximum levy imposed upon producers were prorated per unit of output, by how much would the per unit support be reduced, the per unit support being payments for intervention and export subsidies?