

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/4481/Add.1
17 May 1977

Limited Distribution

Original: English

UNITED STATES INTERNATIONAL TRADE COMMISSION INVESTIGATIONS

Sugar

Addendum

The following communication dated 6 May 1977 has been received from the Permanent Mission of the United States.

President Carter decided on 4 May on a series of actions aimed at maintaining a viable domestic sugar industry. The President believes that in the long run implementation of a workable International Sugar Agreement (ISA) provides the best means for achieving this end. In the interim the President has instructed the Secretary of Agriculture to institute an income support programme for producers offering supplemental payments whenever the market price falls beneath 13.5 cents a pound.

At the same time, the President determined that import relief, in the form of import quotas recently recommended on 17 March by the United States International Trade Commission (USITC), would not be in the overall national economic interest, including that of both consumers and producers.

These actions were announced on 4 May by Ambassador Robert S. Strauss, the President's Special Representative for Trade Negotiations.

In the past year sugar prices have fallen sharply to a point less than the costs of production for many United States growers. Therefore, the President has instructed the Secretary of Agriculture to institute an income support programme which would provide supplemental compensation to growers of up to 2 cents a pound for sales at market prices below 13.5 cents per pound. 13.5 cents is the estimated average break-even price for domestic sugar growers. This would be an interim measure, pending the negotiation and implementation of a new International Sugar Agreement and would not raise costs to consumers.

The President noted that the United States is actively participating in negotiations now under way in Geneva for an International Sugar Agreement, which if successful would provide long-term assurance of greater stability in world prices and supplies. Successful implementation of an International Sugar Agreement would make further consideration of unilateral measures by the United States unnecessary.

The President's decision is based on an interagency review of a report by the United States International Trade Commission, which found that imports were a substantial cause of a threat of serious injury to the domestic industry, and recommended a five-year import quota of 4.275 million short tons, raw value, for sugar imports, to be allocated among supplying countries.

The interagency review considered the United States International Trade Commission report on the basis of overall national economic interest criteria spelled out in the Trade Act of 1974.

The President determined that a remedy involving import restraints, achieved either through import quotas or tariff increases, would not be a desirable course of action. It would raise prices to consumers without the promise of off-setting price stabilization benefits. Imports relief would also adversely affect the export earnings of a number of developing countries which depend on sugar exports for their economic growth and prosperity. The United States strongly believes that the economic development of these countries is in the mutual interest of themselves and the United States.

The President also directed the Special Trade Representative to continue to follow the sugar import situation closely and to advise him in consultation with the Secretary of Agriculture of any need for consideration of further actions.

In connexion with his decision on the United States International Trade Commission report, the President also concurred with the determination of the Interagency Trade Policy Staff Committee (TPSC) that sugar will continue to receive duty-free treatment from eligible developing countries under the Generalized System of Preferences (GSP). A petition submitted to the Special Trade Representative by the American Farm Bureau Federation, requesting that sugar be withdrawn from the list of GSP-eligible products, was therefore denied.

The Trade Policy Staff Committee found that imports of sugar under the Generalized System of Preferences account for a relatively small percentage (17 per cent) of total sugar imports, and more importantly do not significantly affect the United States price level. Removal of sugar from the Generalized System of Preferences would also be contrary to the United States policy of encouraging mutually beneficial development of the economies of less-developed nations. Major developing country suppliers of sugar exports to the United States have not been, and will not be, eligible for the Generalized System of Preferences under the provisions of the programme which limit its benefits.