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GENERAL AGREEMENT ON TARIFFS AND TRADE

COUNCIL
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EUROPEAN COMMUNITIES - REFUNDS
ON EXPORTS OF SUGAR

Recourse to Article XXIII:2 by Australia

The delegation of the European Communities has forwarded to the secretariat the following communication, dated 26 September 1980, for the information of the CONTRACTING PARTIES.

Considering the meeting of the Council to be held on 9 October next, I have the honour to transmit herewith for distribution to the Contracting Parties the report of the European Economic Community on the consultations held between Australia and the European Economic Community concerning the report of the Sugar Panel, document L/4833.

Report of the European Economic Community to the Council of GATT

concerning exchanges of views between Australia and the EEC following the GATT Council's decision of 26 March 1980 concerning the conclusions of the Report of the "Sugar" Panel, document L/4833.

- I. Exchanges of views took place between Australia and the European Economic Community on 6 and 26 June and on 7 July 1980 concerning the conclusions of the Panel, document L/4833.

While not sharing the opinion of the Panel regarding the system of export refunds in paragraph (h) of the conclusions (threat of prejudice), the EEC informed the Australian delegation, in the spirit of the provisions of Article XVI:1 of the General Agreement, of a number of new developments since the 1976-1978 period examined by the Panel, as follows:

- The EEC policy of refunds on exports of sugar has increasingly been judiciously applied to reduce the refund to the lowest possible amount consistent with regular supply of the world market.
- During the last three marketing seasons, the prices of sugar within the EEC (intervention prices for white sugar) have been fixed at levels involving increases over the preceding year that are very modest when compared to the rate of inflation for the relevant period as determined on the basis of the average general index of consumer prices for the countries of the Community.

<u>Marketing year</u>	<u>Intervention price for white sugar</u>
1978/79	+ 2.8%
1979/80	+ 1.5%
1980/81	+ 5.3%

- The new Code on Subsidies and Countervailing Duties, which entered into force on 1 January 1980, constitutes part of the undertakings of the common agricultural policy, including the policy regarding sugar.
- At its meeting of 27 and 28 April 1980, the EEC Council accepted the principle that costs resulting from the marketing of sugar - other than sugar consumed in the Community and sugar imported from the ACP countries (1.3 million tonnes - in terms of white sugar) - will in future be borne entirely by the Community's producers.

The EEC believes that such measures have positive effects as against the situation which would arise in their absence, and that they contribute to a more satisfactory balance in the international sugar market.

- II. Since the end of the above-mentioned consultations with Australia, the Commission of the European Communities has submitted to the EEC Council a communication concerning accession by the EEC to the 1977 International Sugar Agreement aimed at securing a negotiatory brief involving, in particular, acceptance by the EEC of the principle of export quotas as well as of all the rights and obligations provided for in the Agreement.

The communication in question is under consideration by the Council.

- III. As regards the existence of a possible prejudice to the interests of Australia during the 1976-1978 period, the EEC has clearly expressed the view that such prejudice can only be evaluated in the light of the criteria and obligations contained in Article XVI:3 of the General Agreement concerning the notion of an "equitable share".

In that regard, the conclusions of the Panel are sufficiently clear, for it found that for the years 1976 and 1977 the increase in Community exports was not unusual in magnitude. For the year 1978, the Panel found that it was not in a position to reach a conclusion that the Community had obtained "more than an equitable share".

- IV. In the circumstances, the EEC considers that no further action is justified under the terms of Article XVI:1 and, further, that the conclusions of the Panel terminate Australia's complaint in the context of Article XVI:3.