

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Committee on Subsidies and
Countervailing Measures

COMMUNICATION FROM THE EUROPEAN COMMUNITY ON ATTEMPTS TO
REACH A MUTUALLY SATISFACTORY SETTLEMENT OF THE
EEC-USA DISPUTE CONCERNING SUGAR

During the talks held on 21 April 1982, on the initiative of the Chairman of the Committee, with a view to reaching a mutually satisfactory settlement, the parties agreed that it was preferable, at the present stage and without prejudice to their respective legal positions concerning rights and obligations, to examine the possibilities for a practical solution.

In the course of the discussion, the United States repeated that it was suffering particularly severe prejudice by reason of the present situation on the world sugar market and in particular the level of prices, which had a depressing effect on the United States internal market and hindered their exports. The United States maintained that in their opinion the Community had, by reason of its export policy, a responsibility for that situation, even if it was only partly responsible, since the present crisis also had other causes, which objectivity made it necessary to recognize.

The Community then stated that it was also much affected by the present situation on the sugar market and was most anxious that it should be rectified. It particularly appreciated the acknowledgement by the United States that the present grave depression of prices could have other causes than Community policy alone, since that fact constituted a reasonable and appropriate basis for discussion in the search for a solution. For whatever the Community's possible responsibilities might be, it was now clear that the Community alone could not satisfactorily resolve a crisis for which it was, at the worst, only partly responsible. In that connection it pointed out that the recent very heavy stocking (about 2 million tonnes) carried out by the Community had produced an effect on the fall in prices for only a few weeks, because it had been a unilateral measure and had remained isolated.

In these circumstances, any really effective practical arrangement to eliminate the prejudice suffered by the United States by reason of the situation on the world sugar market, must be by way of multilateral action designed to remedy all the factors affecting price levels. For its part, and because it had an interest in the matter, the Community was prepared to co-operate, without prejudice to its legal position regarding obligations, in any concerted multilateral settlement and to make a special effort jointly with the efforts of the other countries involved and adversely affected by the present situation on the world market.

The United States delegation did not conceal its surprise at this proposal, regarding which it had no instructions that would permit acceptance. Though it did not exclude such a possibility it must, by reason of its present instructions, confine itself to examining the measures which the Community could take. It said that it would nevertheless examine the proposal for a settlement made by the Community and act on it later.

The Community then pointed out that at the present stage in the search for a practical solution, a unilateral effort by the Community would be unjustified - since the Community's legal responsibility was far from being established - and above all, ineffective in fact, however great such an effort might be. It repeated its offer to co-operate in any practical bilateral settlement with the United States or multilateral arrangement with all the interested parties. It requested the Chairman of the Committee to take the necessary action and make the necessary contacts, in particular with the GATT secretariat, with a view to finding appropriate settlement procedures, even informal ones, since many contracting parties to GATT and signatories to the Code were also affected by the situation on the sugar market, and some of them had already made approaches regarding their difficulties (cf. L/5309/Add.1). The Community emphasized that the real problem was that of the slump on the sugar market and the fall in prices, and that in that respect an attempt at legal condemnation of any particular party would be inappropriate and ineffective as a means of rectifying a situation which was prejudicial to very many signatories, including the Community, and in regard to which GATT had a duty to study all really appropriate possibilities. The Community referred in that context to the 1969 precedent concerning powdered milk, where it had been found, in regard to a dispute, that the only really satisfactory settlement was by way of concerted multilateral action on the part of all the interested countries.

The Chairman, while showing no lack of interest in this proposal, nevertheless concluded that he could not enter into a multilateral settlement phase without the formal agreement of the parties to the dispute and without reference to the Committee. At the present stage he must note that there were still some differences of opinion on the modes of settlement and a reservation by the United States on the Community's proposal, but that there was still willingness to co-operate in seeking a mutually satisfactory settlement. The discussion should therefore be resumed in the Committee, to examine all the possibilities for a practical solution.