The following communication, dated 8 October 1976, has been received from the permanent mission of the United States.

My authorities request that the following text and attachments be circulated to the contracting parties:

The Sugar Act of 1948 expired, according to its own terms on 31 December 1974, ending the previous system of domestic and foreign national quota allocations. The United States GATT binding on sugar tariff was negotiated in the Kennedy Round, and is embodied in the 1967 Geneva protocol to the General Agreement on Tariffs and Trade, including the annexed thereto "Schedule XX", a schedule of United States trade concessions, together with the final Act authenticating the results of the 1964-67 trade conference held under the auspices of the contracting parties to the General Agreement. In the Tariff Schedules of the United States (TSUS) this is headnote 2 of schedule 1, part 10, sub-part A. The headnote provided that in case of expiration of the Sugar Act, the President would retain authority to adjust the base tariff rate between 0.6625 and 1.9875 cents per pound (refined sugar basis, which is equivalent to 1.875 cents per pound on a raw sugar basis at 96 degrees polarization) provided he imposed an import quota. The headnote further provided that the tariff would rise to 1.9875 cents per pound if the President failed to set the quota. In order to maintain his authority to adjust tariff rate and to avoid an automatic increase of the tariff to 1.9875 cents per pound, on 1 January 1975, the President established an annual global import quota for sugar, at seven million short tons (raw value), a figure which exceeded total imports allocated under the previous Sugar Act quotas for individual countries in any year. The President simultaneously proclaimed continuance of the lower tariff rate. The objective was to restore market orientation to sugar trade to the greatest extent possible.
World sugar prices in late 1974 and in 1975 reached record levels, as high as 64 cents per pound at one point. This spurred sugar production through new investment and expansion in the area under sugar cultivation. At the same time, high prices caused consumption to decline. The combination of increased production and decreased consumption has depressed prices dramatically, and sugar has recently been selling on world markets at under 10 cents per pound.

On 21 September 1976, the President, acting pursuant to headnote authority, raised tariff on sugar from 0.6625 to 1.9875 cents per pound. On 4 October, the President amended this proclamation to permit sugar exported prior to 21 September to enter at a lower duty rate, provided such sugar clears United States customs on or before 8 November. These actions are designed to shore up domestic sugar prices somewhat and reduce heavy financial losses now being experienced by some United States sugar growers and processors. The increase in tariff does not violate a GATT binding or any other international commitment of the United States Government. The increase does not affect duty-free entry of sugar under GSP for beneficiary countries.
ANNEX I

TEXT OF PRESIDENTIAL PROCLAMATION NO. 4463 OF SEPTEMBER 21, 1976:

MODIFICATION OF TARIFFS ON CERTAIN SUGARS, SYRUPS, AND MOLASSES

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

1. By Proclamation 4334 of November 16, 1974, the President modified Subpart A, Part 10, Schedule 1, of the Tariff Schedules of the United States (19 U.S.C. 1202, hereinafter referred to as the "TSUS") to establish, effective January 1, 1975, following expiration of the Sugar Act of 1948, a rate of duty and quota applicable to sugars, syrups, and molasses described in items 155.20 and 155.30 of the TSUS.

2. The President took the action described in recital 1 pursuant to the authority vested in him by the Constitution and Statutes of the United States, including Section 201(A)(2) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(A)(2)) and in conformity with Headnote 2 of Subpart A of Part 10 of Schedule 1 of the TSUS, which was added to the TSUS by Proclamation No. 3822 of December 16, 1967 (82 Stat. 1455), to carry out a trade agreement concluded pursuant to Section 201(A) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(A)) consisting of the 1967 Geneva Protocol to the General Agreement on Tariffs and Trade, including annexed thereto "Schedule XX," a Schedule of the United States Trade Concessions, together with the final Act authenticating the results of the 1964-67 trade conference held under the auspices of the Contracting Parties to the General Agreement.

3. Headnote 2, Subpart A, Part 10, of Schedule 1 of the TSUS, which is based upon said trade agreement, provides in relevant part as follows:
"(I) That, if the President finds that a particular rate not lower than such January 1, 1968, rate, limited by a particular quota, may be established for any articles provided for in item 155.20 or 155.30, which will give due consideration to the interests in the United States sugar market of domestic producers and materially affected Contracting Parties to the General Agreement on Tariffs and Trade, he shall proclaim such particular rate and such quota limitation,...

"(II) That any rate and quota limitation so established shall be modified if the President finds and proclaims that such modification is required or appropriate to give effect to the above considerations;..."

4. Section 201(A)(2) of the Trade Expansion Act authorizes the President to proclaim the modification or continuance of any existing duty or other import restriction or such additional import restrictions as he determines to be required or appropriate to carry out any trade agreement entered into under the authority of that Act.

5. I find that the modifications hereinafter proclaimed of the rates of duty applicable to items 155.20 and 155.30 of the TSUS, as established by Proclamation 4334, are appropriate to carry out the portion of a trade agreement referred to in recitals 2 and 3, and give due consideration to the interests in the United States sugar market of domestic producers and materially affected Contracting Parties to the General Agreement on Tariffs and Trade.

Now, therefore, I, Gerald R. Ford, President of the United States of America, acting under the authority vested in me by the Constitution and Statutes, including Section 201(A)(2) of the Trade Expansion Act of 1962 and in conformity with Headnote 2, Subpart A of Part 10 of Schedule 1 of the TSUS, do hereby proclaim until otherwise superseded by law:

A. That part of Proclamation 4334 of November 16, 1974, which establishes a rate of duty inconsistent with that provided for in paragraph B. below is hereby terminated.

B. The rates of duty in rate column numbered 1 for items 155.20 and 155.30 of Subpart A, Part 10, Schedule 1, of the TSUS, are modified, and the following rates are established:
155.20--------1.9875 cents per pound less 0.028125 cents per pound for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.284375 cents per pound.

155.30--------dutiable on total sugars at the rate per pound applicable under item 155.20 to sugar testing 100 degrees.

C. The provisions of this proclamation shall become effective with respect to articles entered, or withdrawn from warehouse, for consumption on and after the date of this proclamation and shall remain in effect until the President otherwise proclaims or until otherwise superseded by law.
Since July the price of raw sugar has steadily declined and is now below the cost of production for most U.S. sugar producers. At current price levels many U.S. sugar-beet and sugarcane producers are unable to operate profitably. I have watched these developments with growing concern, mindful of the important contribution that our sugar industry makes to the national economy. Consequently, when prices plummeted in August, the interagency task force on sugar policy was reconstituted to update the supply, demand and price outlook for the remainder of 1976 and to consider the policy implications of these projections.

The task force has now completed its review and has reported to me its analysis of the problem and the policy options.

After reviewing the work of this task force, and determining the views of members of Congress from the affected areas, I have decided to give my full support to the request of the Senate Finance Committee for an escape clause investigation by the U.S. International Trade Commission under Section 201 of the Trade Act of 1974. I fully agree with the Finance Committee that this matter requires a full and complete examination by the USITC. Further, because of the urgency of the problem for America's sugar producers, I am asking the USITC to expedite its review and to report its findings as soon as possible.

In addition, in view of the depressed state of the sugar industry, I have decided, pending completion of the USITC investigation, to raise the duty on imported sugar from .625 cents per pound to 1.875 cents per pound effective immediately. Increased custom duties will offer domestic producers some protection from imports while the USITC investigation is underway. I emphasize that this is an interim measure which I will review following receipt of the findings of the USITC and that I am not prejudging the eventual findings and recommendations of the USITC with respect to the question of injury or possible remedial measures.