The following communication dated 21 March 1977 has been received from the permanent mission of the United States.

The United States International Trade Commission on 17 March reported to President Carter that the domestic sugar industry is being threatened with serious injury by increased imports and recommended that quota restraints be imposed on imports to relieve the threat.

The Commission was evenly divided three to three over whether the annual import quota applied to imports of sugar, syrups, or molasses covered by items 155.20 and 155.30 of the Tariff Schedules of the United States (TSUS) should be set at 4,275,000 short tons, raw value, or 4,400,000 short tons, raw value.

The Commission's report is the culmination of a six-month investigation conducted under the "import relief" provision, Section 201, of the Trade Act of 1974.

Vice Chairman Joseph O. Parker and Commissioners Will E. Leonard, George M. Moore, Catherine Bedell and Italo H. Ablondi formed the majority, finding the United States sugar industry eligible for import relief under the Trade Act of 1974. Vice Chairman Parker and Commissioners Leonard, Moore and Bedell said that the sugar industry is threatened with serious injury by the increased imports of sugar, syrups and molasses covered by items 155.20 and 155.30 of the Tariff Schedules of the United States. Commissioner Ablondi said that the domestic sugar industry is already suffering serious injury from increased imports of such articles. Tariff Schedules of the United States items 155.20 and 155.30 account for virtually all United States imports of the articles concerned in the investigation.
Chairman Daniel Minchew determined that such articles were not being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic sugar industry.

Imports of the other articles concerned in the investigation (those covered by Tariff Schedules of the United States items 155.10, 155.12, 155.15, 155.21, 155.31 and 155.75), were negligible, nil, or declining in relation to total United States imports of sugar, and the Commission determined in the negative in the terms of the Statute or made no determination with regard to those items.

Vice Chairman Parker and Commissioners Moore and Bedell voted for an annual quota of 4,275,000 short tons, raw value, to be applied to imports of sugars, syrups and molasses provided for under Tariff Schedules of the United States items 155.20 and 155.30. Their proposed quota would extend for five calendar years, beginning 1 January 1977, and terminating at the end of calendar year 1981. This quota would be administered on a country-by-country basis; the President would, at his discretion, divide the quota equitably among sugar-supplying countries.

Chairman Minchew and Commissioners Leonard and Ablondi voted for an annual quota of 4,400,000 short tons, raw value, to be applied to imports of sugars, syrups and molasses provided for under Tariff Schedules of the United States items 155.20 and 155.30. These Commissioners were divided as to the duration and administration of the quota.

Commissioners Leonard and Ablondi proposed that the 4.4 million ton annual quota commence at the time of the presidential proclamation that would bring the quota into force, and that it extend for three twelve-month periods thereafter, with the quota year beginning on the anniversary dates of the presidential proclamation. They proposed that the quota be a global quota, distributed equitably among United States importers by the auction of non-transferable import licences. The auction of such licences would occur from time to time, at the discretion of the Secretary of Agriculture and under such rules as the Secretary of Agriculture would propose in order to assure an equitable distribution of the licences. The quota would be auctioned off, and the proceeds of the auction flow to the United States Treasury.

Chairman Minchew proposed that the 4.4 million ton annual quota extend for five calendar years, beginning 1 January 1977, and terminating at the end of calendar year 1981. The proposed quota would be administered on a country-by-country basis, with the 1977 quota determined on the basis of the proportion of imports supplied by each of the sugar-supplying countries during the period 1972/1976. He further proposed that if a country failed to meet its quota, its shortfall would be distributed proportionately among countries which supplied
100 per cent of their quota for that year. Quotas for those countries that did not meet their specified quota levels would remain permanently reduced, by the amount not supplied, while quotas in future years for countries supplying their full quotas remain as augmented.

Sugar is produced from the juice of sugar cane and sugar beets. About 55 per cent of the sugar consumed annually in the United States comes from domestic sources (30 per cent from sugar beets and 25 per cent from sugar cane), and 45 per cent (virtually all cane) comes from foreign sources.

The United States sugar producing industry can be divided into two groups: sugar beet producers and sugar cane producers. Sugar beets are produced commercially in eighteen States on 11,000 to 15,000 farms. California, Minnesota, Idaho, Colorado, Washington, North Dakota, Michigan, Nebraska, Wyoming, and Montana accounted for 89 per cent of the 4.0 million short tons, raw value, of domestic beet sugar produced in crop year 1975/1976. Sugar cane is produced in Florida, Louisiana, Texas, Hawaii, and Puerto Rico and approximately 5,000 farms. Also included in the United States sugar industry are fifty-eight beet sugar processing factories, seventy-six sugar cane mills, and twenty-two cane sugar refiners.

From 1934 through 1974, United States production, imports, and (to a large extent) prices were highly controlled by a series of Sugar Acts, the last of which expired on 1 January 1975.

Since 1971/1972, annual United States production levels on a crop-year basis have varied substantially. Production increased from 6.3 million short tons, raw value, in 1971/1972 to 6.7 million tons in 1972/1973, and then declined steadily to 5.7 million tons in 1974/1975, the year during which the Sugar Act terminated. In 1975/1976, however, production amounted to 7.3 million tons; output in 1976/1977 is estimated at 6.9 million tons.

Annual United States imports of sugar on a calendar year basis have also varied considerably in recent years. In 1971, imports amounted to 5.6 million short tons, raw value, declined slightly to 5.3 million tons in 1973, and then increased to 5.8 million tons in 1974, the last year of the Sugar Act controls. In 1975, imports amounted to 3.9 million tons, but increased in 1976 to 4.7 million tons.

Important foreign suppliers of sugar are the Dominican Republic, Australia, the Philippines, the West Indies, Peru, Brazil, and Central America. United States cane sugar refiners depend upon raw sugar from foreign as well as domestic sources as the raw material for their sugar refining operations.
The ratio of imports to United States production of sugar decreased irregularly from 91 per cent in 1971 to 59 per cent in 1975. It is estimated that the ratio in 1976 will be higher than that in 1975. The ratio of imports to United States consumption also decreased irregularly, from 48 per cent in 1971 to 38 per cent in 1975. However, the ratio increased to 42 per cent in 1976.

The President has sixty days from the receipt of the report to make a decision, i.e., until 16 May 1977.