The consultation on sugar, which was held at the request of the Government of the Dominican Republic, took place in Geneva on 19 November 1958.

The following countries took part in the consultation:
- Dominican Republic (country requesting the holding of the consultation).
- Brazil, Cuba and Czechoslovakia (countries wishing to attend the consultation).

The European Economic Community was represented by the delegates of the Member States and of the Community Institutions.

The Head of the German delegation, acting as spokesman for the Six, recalled the conclusions reached in April by the Intersessional Committee and accepted by the Six in the letter addressed to the Chairman of the Contracting Parties by the President of the Council of Ministers of the EEC. He also called their attention to the fact that the purpose of the talks was to examine specific cases arising out of the application of the Rome Treaty.

The delegate of the Dominican Republic stated that, in accordance with the conclusions of the Intersessional Committee, he would outline the various problems affecting the sugar trade as a result of the establishment of the EEC without prejudice to the purpose of the contention submitted by both sides as regards the scope of the consultations.

The representatives of Brazil, Cuba and Czechoslovakia supported the statement by the representative of the Dominican Republic.

Speaking on behalf of the non-Six participants, the representative of the Dominican Republic outlined in the annexed statement the facts that had led to the request for consultation.

The spokesman for the Six said that this statement would be communicated to the governments of the Member States and to the Community Institutions. He agreed that the sugar market raised very serious problems affecting not only relations between the Community and third countries but also relations within the Community. It was therefore highly probable that the organization of the sugar market would be one of the primary objectives of the common agricultural policy.

This summary record, prepared by the Council of the European Economic Community, has been translated by the GATT secretariat. The French text has been distributed to the participating governments under the EEC symbol 1257/1/58.
It would be possible at some later date to seek satisfactory solutions to the relations between the Community and third countries as far as the sugar trade was concerned, taking into account the Treaty provisions that due account should be taken of traditional trade flows.

As it was impossible to forecast at this stage the measures that a common agricultural policy might imply in so far as sugar was concerned, the spokesman for the Six was, for the moment, unable to give the assurance requested by the consulting countries or to examine in detail the possible effects of the establishment of the EEC on the sugar trade. He suggested that contact should be maintained with a view to holding further consultations on sugar at a more appropriate moment.

Furthermore, to the extent that the sugar trade between the individual members of the Community and the countries requesting the consultation was governed by a series of bilateral agreements for a considerable time ahead, this delay was not likely to affect adversely the interests of third countries.

Although the representatives of the third countries appreciated the position of the Six, they expressed disappointment with regard to the results of this first consultation. They hoped that a further consultation might be held under the GATT auspices, either before, or during, the Fourteenth Session of the Contracting Parties and that it might then be possible to achieve better results. They also hoped that the Six would be able to supply information on the future policy of the Community in this field, before practical measures were taken.

The representatives of the Six agreed that further consultations should be held in Geneva, under the auspices of GATT, either before or during the Fourteenth Session of the Contracting Parties, and that the exact date of these consultations would be settled by mutual agreement later.
ANNEX I
TO DOCUMENT 1257/58

THE TREATY OF ROME

SUGAR

Submission by the delegations of the Dominican Republic, Brazil and Cuba

1. The Governments of the Dominican Republic, Cuba, Brazil, India and Indonesia, among others, have expressed their apprehension regarding the effect which the stipulations of the Treaty of Rome on sugar will produce on the international trade of this commodity with the European Common Market and with the rest of the world, a trade to which the economy of many underdeveloped countries is geared to a very large extent.

2. The Member States of the European Economic Community represent a very valuable outlet for the "free" world market of sugar, which in 1957 had a volume of 6.3 million tons. Into the Member States of the EEC were introduced from this free world sugar market 1,049,000 tons or 17 per cent of the total supply to the free world market.

3. In the Working Party on the Association of the Overseas Territories with the EEC, which met in the earlier part of the year 1958, the representatives of producing countries other than the Six have expressed their concern over the effects of the stipulations of the Rome Treaty regarding sugar on the free world market. A statement supported by the representatives of all producing countries other than the Six, containing an analysis of the combined adverse effects of the Associated Territories and the French Overseas Departments on the world sugar situation was recorded in an Annex to L/805/Add.5. The arguments contained in this document pertaining to the damage to third countries which necessarily must result from the association of the overseas territories with the Common Market are still valid.

4. It is the considered viewpoint of these Governments, however, that the total damage to the sugar trade of the non-Six producers members of the GATT will be considerably greater than has been expressed in this Annex Report, since the tariff and non-tariff preferences introduced under the Treaty of Rome on behalf of the sugar beet industries of the European Economic Community could not be taken into account in that Report, due to the terms of reference of the Working Party.

5. Hence, this opportunity to consult with the representatives of the Six regarding the total damage which will result from the stipulations of the Rome Treaty to third sugar exporting countries is greatly appreciated, especially so as certain provisions of the new International Sugar Agreement have been agreed upon subject to the outcome of the present consultations.
6. The creation of a new preferential system at a tariff margin of 80 per cent at the end of the transitional period on behalf of the sugar production of the AOT's, combined with the effect of the same new preferences on the production of France's Overseas Departments in Africa and the West Indies throughout the important sugar market of the Six must have serious repercussions on the trade of third sugar exporting countries with the European Economic Community. But that is unfortunately not the whole story. The same new preferences will apply as well to the sugar beet production in the metropolitan area of the EEC and will cause a replacing of the remaining sugar export trade of third countries which is not taken over by the expansion of the overseas sugar cane producers of the Common Market.

7. In brief, since the Common Market tariff on sugar under the Treaty of Rome is fixed, as agreed tariff in List F, at not less than 80 per cent ad valorem, and since the production of each of the metropolitan Member countries is to enter duty free into the territories of the other Messina Powers, it would be unrealistic to assume that the assurance of such an extreme preferential margin in the whole market of the Six would not stimulate production of sugar within the overseas and metropolitan areas of the EEC to such a degree as to replace completely the 1-million ton exports from outside sources at the end of the transitional period.

8. That it is feasible for the European Economic Community to extend production to such a degree is demonstrated by a comparison between pre-war and actual sugar output. In 1934-38 the metropolitan production of the Six amounted to 2,390,000 metric tons; in 1957 the same group of countries produced 4,650,000 metric tons, i.e. an increase of 2,260,000 tons or almost 100 per cent. Overseas the Six Messina Powers increased their sugar production from 209,000 tons in 1934-38 to 490,000 tons in 1957, i.e. the production was expanded by 281,000 tons or 130 per cent. The total increase of sugar production in the European Economic Community and Associated Overseas Territories in comparison with 1934-38 reached the extraordinarily high figure of 2.5 million tons, or double the total sugar output before the war.

9. One cannot argue that the rate of growth in sugar consumption during the next fifteen years within the European Economic Community would interfere with any tendency to self-sufficiency. Assuming an annual rate of consumption increase of 2.5 per cent for the whole of the Community it would mean that an additional sugar demand at the end of fifteen years of 1.8 million tons would have to be met. Together with the replacement of the actual imports of approximately 1 million tons the sugar industry of the European Economic Community and the Associated Territories would have to produce 2.8 million tons above the present level. As pointed out above that amount is not much higher than the increase of sugar production which took place between pre-war and present times.
10. The increase of beet sugar production which can be achieved in a very short period can be seen from the example of Western Germany where within five years between 1949-50 and 1953-54 production rose from 564,157 tons to 1,295,890 tons or 2.3 million tons, an increase of 130 per cent. The record of the French overseas territories and departments shows that the cane sugar production can be easily increased by 100 per cent within five years. From 1949-50 to 1954-55 the cane sugar production in these French areas doubled from 200,000 tons to 400,000.

11. It should be pointed out that the increase of production does not require a corresponding increase of land under cultivation. An increase of yields will contribute much to a higher output. This fact is important as considerable production reserves of this type exist both in Metropolitan France and Italy, as well as in the overseas territories. The high efficiency of beet sugar production in Belgium and the Netherlands which even surpasses that of the United States is a clear demonstration of these production reserves within the EEC.

12. On the other hand it must be pointed out that the official 1957 French Sugar Plan, conceived in anticipation of the coming into force of the Common Market, foresees an enlargement of the sugar beet area by 25 per cent from 320,000 ha. to 400,000 ha. until 1961-62. It would be easy to increase the sugar beet area further in Metropolitan France by reducing for instance wheat production, which exceeds home requirements, in favour of sugar beets.

13. There exists a double incentive for expanding sugar production within the EEC and its Associated Overseas Territories and departments: first, the unusually high preferential tariff which already at the end of the first stage will establish a preferential tariff margin between 18.75 per cent and 24.00 per cent, and second, the non-tariff preferences of the Rome Treaty itself. Sugar is included in Annex II and is therefore subject to the provisions of Articles 39 to 46 of the Treaty, which provide for the introduction of a managed economy in this sector. Sugar is clearly earmarked to become one of the first commodities to be subject to this managed agricultural economy within the EEC. France has already a managed sugar economy with minimum prices, quotas of production and subsidies. Germany has a regimented sugar market and so has Italy. In Belgium and the Netherlands the beet sugar industry is subsidized, which entails some governmental control.

14. In order to harmonize the different managed sugar policies within the metropolitan area of the EEC with the long-term development programmes in favour of the Associated Territories and departments, the European Economic Community has to arrive at a common managed sugar economy based on minimum prices, quantitative import restrictions and long-term contracts for the overseas producers.
15. The top organization of the French sugar industry, the GNIBC is actively engaged in preparatory work regarding the application of Article 40 of the Treaty of Rome with regard to the introduction of an integrated sugar economy of the Common Market. The Confédération Internationale des Bettravers Européens is as well pressing hard for an organization of the European sugar market based on Article 40 of the Treaty. It is our understanding that at the Stresa Conference of the Ministers of Agriculture of the EEC in July 1958, the problem of a managed sugar economy in Europe within the EEC has been discussed as well.

16. Behind the double wall of a high preferential tariff and the application of the non-tariff preferences in Part II of the Treaty of Rome, the sugar production, in Europe and overseas, of the EEC, is bound to be extended considerably. This will not only replace sugar imports from third countries into the Common Market, but could easily lead, as history has shown, to the building up of capacities which would look for outlets in the free world market, in competition with third countries.

17. It must be noted in this context that French sugar exports are subsidized at present and will remain so due to the pressure of its foreign exchange position.

18. The replacing of sugar imports from third countries by sugar coming from the expanded production of the metropolitan areas and the Associated Overseas Territories will be facilitated in the immediate future by certain stipulations in the new International Sugar Agreement. Under Article 15 the stipulation regarding export quotas will not apply to movements of sugar between the Belgo-Luxemburg Economic Union, including the Belgian Congo, France, the Federal Republic of Germany, Italy and the Kingdom of the Netherlands, up to a net amount of 175,000 tons of sugar per year. It is very significant that the European Economic Community took a strong stand in the Geneva Sugar Conference in favour of removing any obligation to restrict the movement referred to in this Article 15 to the amount of 175,000 tons, explaining that it would not be compatible with the letter and the spirit of the Rome Treaty. The other countries parties to the International Sugar Agreement accepted, however, the new stipulation in favour of the Common Market which, by the way, included for the first time Italy, only without prejudice to the consultations on sugar within the framework of GATT.

19. When, for the first time, a clause of this type was inserted in the International Sugar Agreement of 1953, as an anticipated contribution of the international sugar community to the so-called "Green Pool" of Western Europe, France and Belgium could only make a very limited use of it. But with the stipulations of the Rome Treaty it is obvious that this paper quota in favour of the EEC will become a real quota and to that extent reduce the export possibilities of third countries like the Dominican Republic, Cuba, Brazil, Haiti and Peru to the Common Market.
20. During the Sugar Conference in Geneva, it had become already known that Italy has made efforts to secure an outlet in the German market for its excess production which is expected to accrue in the next years. Since the German Minister of Agriculture has declared in the recent meeting of Ministers at the Thirteenth Session of GATT that Germany will convert the bilateral import quotas into global quotas in the year 1960, the stage is set for leaving the German market wide open to the growing production of the other members of the European Economic Community, to the detriment of the suppliers from third countries.

21. The threat of substituting free world market sugar within the European Economic Community with sugar from the overseas territories and the metropolitan areas will be felt generally already at the end of the first period, as the applied preferential margin in the case of Germany and France will amount to 24 per cent and in Benelux to 21.15 per cent. The effect will be an appreciable dislocation of existing patterns of trade of third countries with the Six. Moreover, with the prospects of the full 80 per cent preference before them, and the introduction of a managed sugar economy in the EEC, producers in the overseas territories and metropolitan areas will take steps to increase their production. The pattern for further dislocation of trade in the future would therefore have been set.

22. Finally, it should be pointed out that the combined effects of the very high discriminatory tariff and the preferences of a non-tariff character will make it impossible for the free world market suppliers to expect a participation in any growth of consumption within the market of the Six. They would indeed have only a declining share in the market. This will be particularly important as there is already in sight a surplus of supply of sugar in the free world market over the prospective demand. This development will certainly have depressing effects on world prices in the residual free market which is so important for many under-developed countries which are dependent for their economic well-being on exports of sugar.

It is our serious hope that during the present consultations ways and means can be found to undo the damage resulting from the sugar provisions of the Rome Treaty to third countries, as shown in this paper, and to rescue the under-developed countries from a situation which will jeopardize their whole economic life.