NOTE BY THE SECRETARIAT

The following text has been submitted by the delegation of Brazil as a basis for discussion for the section on Sugar in the Committee's report.

I. General characteristics of the market

Of all commodities studied by Committees II and III of GATT, sugar is certainly the one whose sales in the world markets are most strongly affected by the present preferential systems. More than half of world exports in 1958, totalling 13,600,000 tons, was absorbed by the closed markets; as a consequence, only 6,300,000 tons were left for the so-called free market which is governed by the International Sugar Agreement. Not only are the markets of the United States and the Commonwealth closed, but the countries members of the former OEEC have also constituted what is in practice another closed market, by reason of the generalized discrimination with respect to imports from third countries. Furthermore, not a few of the countries which enjoy the benefit of preferential systems participate, in addition, in the so-called free market under the International Sugar Agreement and hence their sales compete powerfully with the exports of the other exporting countries, most of which are Latin American cane sugar producers. This competition, incidentally, is possible only because of the application of a great variety of systems for the protection of the output of sugar beet, as has been demonstrated by the consultations conducted in this Committee.

In 1961, the export quotas of the European industrialized countries, under the International Sugar Agreement, total 657,000 tons. We would point out that we are speaking only of the competition offered by these countries in the free international market; we do not take into account the opportunities in each internal market which have been lost by the traditional sugar exporters, for whom the maintenance of trade with the above-mentioned industrial countries is a matter of vital necessity.

II. Production, consumption and related factors

During the period from 1950 to 1958, there was a considerable imbalance between sugar production and consumption. The increase in consumption did not keep pace with the increase in production, and wide price swings occurred in the world market which had serious repercussions on the economies of the traditional exporters. The increase in domestic production in the importing countries, many of which have become self-sufficient, was the chief reason why the former exporters were unable to benefit by the increase in consumption noted during this period.

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According to the Statistical Bulletin of the International Sugar Council (issue of January 1961), production has been tending upwards in all regions; it should be noted that the production of beet sugar, which is heavily protected in the countries trying to become self-sufficient, is rising even faster perhaps than that of cane sugar, the output of cane sugar being controlled in many countries owing to the constant decline in the opportunities for selling to former import markets. For example, in 1958 the share of the output delivered to the international trade was only 3 per cent higher than the 1938 level, although production increased almost 100 per cent during this same period.

Such figures prove how widespread are the policies having the object of making the industrialized beet-sugar producing countries, which used to be traditional importers, self-sufficient. The most striking example in Europe is offered by the Federal Republic of Germany, whose production, expressed in thousands of metric tons, rose from 0.56 in 1939 to 0.83 in 1952 and to 1.39 in 1959, while its imports declined from 0.53 in 1952 to 0.27 in 1959, self-sufficiency being attained in 1959 when production, expressed as a percentage of domestic consumption, reached 103 per cent, by contrast with only 61 per cent in 1952. Many other examples could be cited. The only reason why we mention the Federal Republic is that we attach great importance to its trade with many developing countries which are traditional sugar exporters. Its agricultural policy in this sector has manifestly led to an appreciable deterioration in the trade with the countries in question. In addition, we ought to refer to the measures applied recently in several countries for extending the subsidized producing areas; this is what happened in the United States in October 1960. Every measure of this kind means, in fact, fewer export opportunities for countries whose resources are exploited more rationally.

III. Extension of protectionist measures of a non-tariff nature

In the course of the consultations held by this Committee it became clear that all the former importing countries are resorting to non-tariff devices to protect their sugar production. The statistics prepared by the secretariat show that 63 per cent of imports are subject to quantitative restrictions, 32 per cent to deficiency payments and 26 per cent to import charges. Only 4 per cent of imports are not subject to non-tariff measures. So far as exports are concerned, 78 per cent are not protected by any non-tariff devices and hence are subject to the normal rules of trade.

It may be said that the consultations have disclosed all the known non-tariff devices, whether they are applied singly or in combination with very complex techniques, sometimes going as far as a ban on imports. In many countries, imports, in so far as authorized, are used, through import charges, as a source of revenue for programmes to promote home production. This is also
the technique contemplated in the draft common agricultural policy, to which we shall refer later. In many cases, the guaranteed minimum prices for national production are three or four times the commodity's price in the international market. Frequently, in cases where domestic production is insufficient, sugar imports are charged with the difference between the domestic and the international market price, the profits so obtained being added to government revenue. If operations of this kind were translated into terms of normal tariff protection, the duty so charged would reach levels of more than 500 per cent. This is the simplest and most convincing explanation why tariff negotiations are useless for some exporters of agricultural commodities.

At the Committee's last meeting, the Brazilian delegation (see draft report) expressed its fear that the common agricultural policy of the EEC might be established on bases that might perhaps be even more protectionist than those now prevailing in the six member countries. Unfortunately, there is every indication that our fears were well founded, for if the EEC draft is approved in the form in which it was proposed, the prospects of selling to the Common Market will virtually vanish. The EEC sugar market would then be regulated in the strictest possible way and the 80 per cent duty applicable to sugar under the common external tariff would be without effect. In addition, the present export policy of Belgium, France and the Netherlands will be formally endorsed and strengthened by the common agricultural policy. We do not propose in this context to discuss the details of the EEC draft. We do, however, wish to appeal once more to the Community to submit its agricultural policy for this Committee's consideration before putting it into effect.

IV. Effects of non-tariff devices on trade

During its discussion on other commodities, the Committee was unanimous in recognizing that it was difficult to estimate to what extent non-tariff devices affected trade. In our opinion, however, sugar is perhaps the commodity best suited for an analysis of this kind, if one bears in mind, in the light of the principle of the most rational utilization of existing resources in the producing countries, the great disparity between the economic factors which influence the production of cane sugar and beet sugar.

We would thus have two distinct situations which might serve as a guide in studying the effects of non-tariff measures.

1. Markets lost by the cane sugar exporters in countries which are striving for self-sufficiency through highly protectionist measures.

Reasons of a political, social and even strategic nature are pleaded to justify certain systems of exaggerated protection. Without discussing the value of such arguments, we might simply consider whether they are a truly so cogent as to justify the policies of self-sufficiency or whether a certain margin of access to these markets should be left for the exports of countries which exploit their resources more economically.
2. Volume of the subsidized commodity which enters the international market.

We think that in this case the argument based on political, social or strategic reasons is untenable. In our opinion, the right way to estimate the effects of non-tariff devices on international trade would be simply to go through the list of the beet-sugar producing countries which appear as exporters in the International Sugar Agreement.