EUROPEAN COMMUNITIES - REFUNDS ON EXPORTS OF SUGAR

Article XVI:1 Discussions

Report to the Council
(draft)

Addendum

AMENDMENTS PROPOSED BY EEC

Paragraph 3 to be replaced by:

At the outset of the discussions, the representative of the EEC reported that world market prices for sugar were currently higher than the EEC intervention price, and consequently the Community was not giving exports refunds on sugar but rather was applying an export levy on parts of its exports. The interest of the present discussion is to be seen in the perspective of an eventual drop in world market prices in the future. In this context, he believed that the stimulus to sugar production in EEC that followed the period of high world market prices in 1974/1975 would not be repeated, following the present high price period.

Paragraph 4 to be replaced by:

The representative of the EEC recalled that since 1978/79, increases in EEC sugar support prices had been modest and below rises in inflation and production costs. He believed that the Community price policy on sugar would remain prudent in the future. A decision by the EEC Council on prices for 1981-82 would come sometime later in the spring of 1981.

Paragraph 6 to be cancelled.
Paragraph 7 to be replaced by:

The EEC representative explained that the amount of the EEC export refund on sugar was intended to cover the difference between the EEC intervention price on the one hand and the world market price on the other. In determining the latter, he stated that the EEC relied on average price quotations on the Paris and London Exchanges. He expressed the EEC wish to co-operate with other exporting countries to improve the Community's knowledge of prices on the world market or on different specific export markets, so as to avoid the risk of the EEC over-compensating the difference between the internal price and the world market price.

After paragraph 10, insert following new paragraph:

10 bis. The EEC representative noted that most of the points raised concerned the proposal of the Commission to the EEC Council for the new sugar market organization, which was a matter not to be discussed by the Working Group, because not falling in its competence.

Paragraph 11 to be replaced by:

At the second meeting of the Working Party, the EEC presented a document (Spec(81)5) elaborating further the EEC position. In this document (Annex III), which is annexed to the present report, the EEC noted that with regard to the possibility of limiting the refund on exports of sugar from EEC, account must be taken of the Community rules for the sugar market, which include a price system, a production quota system and a production levy.

As far as the amount of EEC export refund on sugar is concerned, the only real possibilities for influencing it depended on the levels of the EEC fixed internal prices and the world market prices for sugar. A
theoretical possibility for limiting the export refund would require uni­
lateral action by the EEC to fix its internal prices at a specified level.
A second theoretical possibility would depend on determining world prices as
precisely as possible and in this context the EEC was prepared to co-operate
with the other sugar exporting countries.

As for the possibility of limiting the quantities for which an export
refund might be granted, the EEC pointed out that the B quota was the only
means of influencing the volume of exports with refunds. Such a quota had
been reduced from 35 per cent to 27.5 per cent of the A quota since the
1978/79 marketing year. The EEC also drew attention to the decision taken
by the EEC Council in April 1980 and put into effect by Regulation (EEC)
No. 1592/80, according to which all expenses related to refunds of sugar
produced in the EEC in excess of internal consumption would be covered by
levies on producers.

This means that there will be no more any net outgoing by FEOGA for
financing export refunds for sugar produced in EEC. In other words, in
economic terms exports will not benefit of any aid.

After paragraph 12, add the following new paragraph:

As to undertakings on the level of internal support prices for sugar or
on the limitation of quantities of sugar eligible for export refunds, the
EEC representative underlined that the contracting parties have no specific
obligations, under Article XVI:1, for such kinds of undertakings.

The EEC representative has already indicated the measures taken by EEC
in the field of internal prices and B production quota, having an effect on
the single amount as well as on the global amount of export refunds.
Paragraph 14 to be replaced by:

The EEC representative stated that under the co-responsibility principle agreed to by the EEC Council in April 1980, the entire financial burden involved in exporting surplus quota sugar would fall on Community producers. Except for the re-exports of ACP sugar, there would be no net outgoings from Community budgetary funds involved. The EEC representative gave a description of how the system would operate, inter alia, in response to specific questions raised by the representatives of Brazil and the United States.

Paragraph 15:

It is suggested to delete the last phrase regarding the likelihood of EEC Council approval of a proposal that the Working Group is not competent to discuss.

After paragraph 15, add the following new paragraph

The EEC representative thought that the problem of ACP sugar should be dealt with separately. As is well known, the EEC imports 1.4 million tons per year of ACP raw sugar at guaranteed prices and exports an equivalent amount of white sugar. It should be noted that such raw sugar, in the case of it being exported directly by ACP countries on the international market would compete anyway with the raw sugar of other exporting countries.

After paragraph 22, add the following new paragraph:

With respect to the system of export refunds on sugar, it should be recalled that the Panel considered it to be a form of subsidy within the meaning of Article XVI.
Such a form of export subsidy, applicable to a primary product such as sugar, is subject to the provisions of Article XVI:3. Accordingly, there is no incompatibility between the mere existence of such a system and the provisions of the General Agreement.

The provisions of Article XVI:3 concerning observance of an "equitable share" determine the limits within which the application of any form of export subsidy remains consistent with the General Agreement. Any subsidization that observes those limits is, therefore, consistent with the provisions of Article XVI:3.

The fact that the Panel considered the system of export refunds on sugar as constituting a threat of prejudice in terms of Article XVI:1, cannot lead to any conclusions that could nullify the scope of Article XVI:3.

Paragraph 24, replace the last phrase by:

This report puts the views of delegations on record as concisely and precisely as possible, so as to enable the Council to consider the results of the discussion in the Working Party in the light of the rights and obligations according to GATT rules.