EXAMINATION OF NOTIFICATIONS UNDER ARTICLE XVI:1

Supplementary Questions Submitted by Australia

The following communication concerning the United States' notification of subsidies (L/6111/Add.17) has been received from the delegation of Australia.

As we observed in our initial question (SCM/W/165), the US notification (L/6111/Add.17) does not address the effects of US sugar policies on world sugar trade.

Has the US Government done any studies on:

- the costs of its sugar programmes for consumers and sugar exporters
- the effect of its sugar programmes on domestic production and prices, world prices and on import levels?

If it has, how do they compare with the findings of the studies by the Australian Bureau of Agricultural and Resource Economics (Discussion Paper 90.4: "1990 and US Sugar Policy Reform") which note that:

- between 1982 and 1988 the price of US raw sugar averaged US$0.213/lb. compared with the world average price of US$0.7/lb. over the same period
- as a consequence of the high raw sugar prices, sugar's share of the US sweetener market fell from 79 per cent in 1970 to 41 per cent in 1988
- in response to US sugar policies, US sugar production has grown from 5.21 million tons in 1983 to 6.40 million tons in 1988, while over the same period imports fell from 2.67 million tons to 1.06 million tons
between 1982 and 1988 US sugar policies imposed a cost of between US$2,300 million and US$2,900 million a year on US consumers and an overall cost of US$780 million a year on the economy as a whole.

US sugar policies caused world prices to be lower by 21-33 per cent between 1982 and 1988.

US sugar policies cost Australia between US$90 million and US$230 million a year over the 1982-88 period, and the world economy (excluding costs to the United States) between US$310 million and US$490 million a year over the same period.

If the US Government has not done any detailed economic studies of the effects of its sugar policies, on what basis could it be confident that its policies are not having the deleterious effects on world sugar trade outlined above?

How does the US explain the fact that one of the two primary aims of its policies - to stabilize domestic production and not to stimulate it - has clearly failed? In the light of this failure, and given the deleterious effects of its sugar policies on consumers and exporters, what steps, if any, will the US be taking to rationalize its policies?