

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

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Committee on Subsidies and
Countervailing Measures

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REQUEST FOR CONSULTATIONS UNDER
ARTICLE 12 OF THE AGREEMENT

Communication from the United States

The United States Trade Representative has requested that the following communication, sent to the Permanent Delegation of the European Communities on 29 September 1981, be brought to the attention of Signatories.

On instruction from my authorities, I convey to you the request of the Government of the United States for consultations under Article 12 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII (the Code) of the General Agreement on Tariffs and Trade with the Commission of the European Communities concerning subsidies maintained by the European Communities on the export of wheat flour. The United States believes that such export subsidies are being granted in a manner inconsistent with Articles 8 and 10 of the Code, as well as Article XVI of the GATT. The United States further considers that such subsidies cause nullification or impairment of benefits accruing to the United States and serious prejudice to U.S. interests.

As you know, the export subsidies of the EC on wheat flour have been the subject of numerous consultations and discussions between the United States and the EC since 1977, including consultations under Article XXII of the GATT in 1977 and 1980. To the best of our knowledge, these subsidies have been maintained under EC regulations 2746/75, 2727/75, 1968/73, 1052/68, 1041/67, 633/67, 159/67 and 156/67.

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The United States considers that the EC subsidies have resulted in the EC having more than an equitable share of world export trade in wheat flour within the meaning of Article 10 of the Code, as evidenced by the increase in the EC share from an average of 29% share of world commercial exports in the 1959/60 to 1961/62 period prior to institution of EC subsidies to an average 73% share in the 1976/77 to 1978/79 period. In the same period, the displacement effect for U.S. exports is evident in the decline of U.S. exports from 28% to about 10% of world commercial export trade. In earlier consultations, we have provided you with evidence of continuing decline in the average U.S. share and increase in the EC share throughout this period.

On December 2, 1980 and in technical discussions in January and September of this year, the United States has also provided the EC with evidence that EC export subsidies have resulted in prices materially below those of other suppliers contrary to Article 10.3 of the Code. Should you so wish, the United States would be pleased to provide you with additional copies of evidence provided to the EC on all these points in earlier discussions and consultations.

Finally, the United States believes that the absence of effective limitations on the amount of the subsidies and the quantity of exports that may be subsidized causes serious prejudice to U.S. interests and threatens further serious prejudice.

I would suggest that consultations might take place in Geneva on October 26. Please let me know if that date is convenient for your authorities or if you would prefer to work out some earlier, mutually convenient time.

It is regrettable that the many earlier discussions between the United States and the EC on this subject have not resulted in a satisfactory solution. The United States hopes that these consultations will result in limiting or eliminating the subsidies in question.