

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

SCM/Spec/8

24 February 1982

Special Distribution

Committee on Subsidies and Countervailing Measures

SUBSIDIES ON THE EXPORT OF PASTA

Communication from the United States

The following communication, dated 18 February 1982, has been received by the Chairman from the United States Trade Representative.

I have been instructed by my authorities to request that you circulate the attached communication to Signatories of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (the Subsidies Code). You will note that this communication deals with our 2 December 1981 request for consultations with the European Communities under Article 12, paragraph 1, of the Subsidies Code regarding EC subsidies on the export of pasta.

As you know, the European Communities have refused our request for consultations under Article 12. In light of the EC's request that this issue be discussed at a special meeting of the Subsidies Code Committee, I suggest that the GATT Secretariat be asked to circulate this communication in the SCM/Spec series.

2 December 1981

The United States believes that the EC's export subsidies on pasta products manufactured from Durum Wheat are being granted in a manner inconsistent with Article 9 of the Subsidies Code, which prohibits export subsidies on products other than certain primary products.

The export subsidies in question are granted under Council Regulation No. 2727/75 on the Common Organization of the Market in Cereals. Such subsidies were first authorized in Council Regulation No. 120/67 when the Common Organization of the Market in Cereals was unified. Article 16 of that regulation specifically provides that cereals such as Durum Wheat as well as certain products processed from these cereals are eligible for export restitutions. Pasta products are among the eligible products listed in Annex B of the regulation. Council Regulation 3035/80 sets out detailed rules for granting export subsidies on processed cereal products and the criteria for fixing the amount of such subsidies. Annex C of that regulation

specifically cites "macaroni, spaghetti and similar products" as categories to which the rules apply. Moreover, the regulation provides that exporters can apply for advance fixing of this subsidy. We understand that the amount of the subsidy is calculated in relation to the amount of Durum Wheat determined by the Commission to be necessary to produce pasta.

We believe that the subsidies in question are subsidies granted upon the exportation of a non-primary product, and are therefore forbidden by Article 9. While Durum Wheat is a primary agricultural product, clearly the extent of processing required to transform Durum Wheat into marketable pasta products is so substantial as to preclude consideration of pasta as a primary product.

We request consultations pursuant to Article 12(1) of the Subsidies Code at your earliest convenience.