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TARIFFS AND TRADE

Committee on Subsidies and
Countervailing Measures

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REQUEST FOR CONSULTATIONS UNDER ARTICLE 12
OF THE SUBSIDIES CODE IN RELATION TO EC
EXPORT ON GLACÉ CHERRIES

The following communication, dated 7 April 1993, has been received from the Permanent Mission of Australia.

It is Australia's understanding that the EEC grants a subsidy on glacé cherries which is contingent upon exports.

Australia understands that the facts of the matter are as set out below.

Glacé cherries are produced from provisionally preserved cherries, which in turn are produced from fresh cherries. Fresh cherries are preserved in a solution, for example, by sulphur dioxide. The provisionally preserved cherries are drained and infused with sugar syrup, artificial colouring and flavouring to produce glacé cherries. Glacé cherries are commonly used in the manufacture of confections and bakery products, or are sold in retail packs.

The EEC grants a subsidy on the export of glacé cherries. Currently the export subsidy is granted at a level of 30.22 ECU/100 Kg (Commission Regulation (EEC) No. 2831/92). This subsidy is calculated in accordance with the provisions of Article 12(1) of Council Regulation (EEC) No. 426/86.

Fresh cherries do not receive direct production support in the EEC through an intervention system, nor are export refunds payable on fresh cherries. No production aids for processing have been paid since 1989. The export subsidy is therefore unrelated to any internal support programme.

The provisions of Article 12(1) of Regulation 426/86 are not merely intended to bridge a price difference between internal and world prices but also to contain an inducement to ensure an export flow of economically significant quantities of glacé cherries. In order to achieve such an export flow, the subsidy is set at a level to undercut world prices, and the inequitable and damaging impact of the export subsidy is apparent. In

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the absence of the export subsidy, there would be no penetration of the Australian market despite the relatively low level of Australian tariffs on glacé cherries.

The EEC export subsidy is also targeted and discriminatory in that no subsidy is granted on exports to North American markets. The predatory nature of the subsidy is further demonstrated by reference to EEC exports in 1991 when Australia was the largest export market for the EEC products. Minimal quantities were exported to North America.

Under the Code, export subsidies may only be paid in respect of primary products, as defined in paragraph 2 of footnote B to Article XVI of the General Agreement as amended by footnote 29 to Article 9 of the Code, that is "any product of farm, forest or fishery, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in international trade."

Australia wishes to discuss with the European Communities with consistency of the export subsidy payments on glacé cherries with the provisions of Article 9 of the Subsidies Code.

Australia therefore requests that the European Community authorities enter into consultations with Australia under the provisions of Article 12 of the Subsidies Code with the aim of clarifying the facts of the situation and arriving at a mutually acceptable solution.