COMMISSION OF THE EUROPEAN COMMUNITIES

COM(73) 1177 final

Brussels, 12 July 1973

Memorandum from the Commission to the Council
on the future sugar policy of the Community, on imports
of sugar from the developing countries specified in
particular in Protocol No 22 to the Act of Accession
and on the Community's position at the second session
of the United Nations Sugar Conference

I. INTRODUCTION

1. Because of the deadlines set out beneath the Community must define its future sugar policy as regards its international position vis-à-vis the International Sugar Agreement, its obligations towards developing countries - which are set out inter alia in Protocol No 22 to the Act of Accession - and its internal arrangements applicable from the 1975/76 marketing year as soon as possible.

Deadlines

2. Firstly, the International Sugar Agreement expires at the end of 1973. A conference to negotiate a new agreement opened in Geneva under the auspices of UNCTAD during May (first session) and will continue during September and October (second session).

Secondly, the present Commonwealth Sugar Agreement expires on 31 December 1974 and the second Yaounde Convention one month later. Negotiations for the future Convention of Association and special arrangements to be applied to sugar produced by the countries concerned are scheduled to begin in August 1973.

Finally, the Community's internal sugar policy, which at present takes the form of temporary production arrangements, is valid until the end of the 1974/75 marketing year only. Given the peculiarities of the sugar market - in particular the fact that contracts are concluded before sowing commences - new production arrangements must be finalized before September 1974.

3. Because of the close relationship between future internal policy on the one hand and the International Sugar Agreement and Arrangements with a number of developing countries on the other, the Council must lay down general guidelines for the sugar policy as a whole before the end of July 1973[1] so that the Community may:

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[1]See also Doc R/1291/73 (AGRI 412), Annex (page 6).

(a) make a useful contribution to the second session of the negotiations for the new International Agreement;

(b) open negotiations with the sugar-producing countries specified in particular in Protocol No 22 to the Act of Accession as planned;

(c) work out the details of its own internal policy in good time, i.e. lay down all the necessary detailed rules for its application before September 1974.

Points of departure

4. International Sugar Agreement

The present International Sugar Agreement, which expires on 31 December next, is being renegotiated under the auspices of UNCTAD.

The Community has often claimed that it is prepared to support the policy embodied in the Agreement. If it now wishes to play a constructive part in the Geneva negotiations and make a real contribution to the new Agreement, it must accede as a net importer.

In view of the need to develop production in and exports by developing countries, if supplies on the world market are normal, the Community should pursue a production and marketing policy which would keep its exports well below its imports.

5. Commonwealth Sugar Agreement

There has been a preferential agreement between the United Kingdom and a number of trade associations in sugar-exporting Commonwealth countries since 1951. This Agreement, which provides guarantees as regards quantities and prices, has been an important factor in the economic development of these supplying countries. It covers a total of approximately 1 675 000 metric tons (expressed in terms of white sugar) for importation into the United Kingdom; this figure includes the 330 000 metric tons supplied by Australia, the only developed exporting country which is party to the Agreement. Bearing in mind both of the letter and spirit of Protocol No 22 to the Act of Accession and the Joint Declaration of Intent on the development of trade relations with the developing independent Commonwealth countries in Asia, and in particular the provisions regarding India, and not forgetting the sugar interests of the AASM (Madagascar and the Congo-Brazzaville) and the OCT (Surinam), existing commitments representing approximately 1 400 000 metric tons[1] (expressed in terms of white sugar) must be taken into consideration in the forthcoming negotiations.

[1] See Annex.

6. Internal situation of the enlarged Community

Total human consumption in the enlarged Community increased from 9 million metric tons in 1968/69 to 9.5 million metric tons in 1972/73.

Since *per capita* consumption is already relatively high and its annual growth rate is very low, total human consumption in the Community is unlikely to exceed 9.8 million metric tons in 1975/76.

The enlarged EEC's sugar production from an area of approximately 1 410 000 hectares fluctuated between 8.2 and 9.7 million metric tons over the 1968/69 to 1972/73 marketing years. Assuming normal productivity and allowing for the increased area under beet in 1973/74 (1 555 000 hectares), normal existing production may be estimated at between 9.8 and 10 million metric tons. The enlarged Community is therefore self-sufficient in sugar on the basis of the present area under beet.

Over recent years the level of sugar production has been determined by the quota arrangements applied in the Community as originally constituted and by the United Kingdom's obligations towards certain countries party to the Commonwealth Sugar Agreement. Articles 39 and 110 of the Treaty must serve as a basis for the Community's future policy. This means:

- that beet and cane producers must be in a position to produce under conditions, and in particular price levels, which will ensure them of a reasonable standard of living and that supplies must reach consumers at reasonable prices and in the best competitive conditions;
- that the harmonious development of world trade must be guaranteed, in particular by taking account of future commitments under the International Sugar Agreement and towards developing countries.

II. FUTURE INTERNAL POLICY

A. The present system

7. It would seem appropriate first of all to review experience acquired under the quota system which has been in force since 1968.

Regulation No 1009/67/EEC laid down transitional measures introducing a system of production quotas designed:

(a) to limit total production;
(b) to maintain existing production within certain limits even in the regions which are less suited to beet growing;
(c) to increase production in the regions best suited to beet growing to encourage specialisation within the Community;
(d) to keep the financial burden within bounds.

8. It can now be said, after five years experience, that:

(a) it has been possible to limit total production in the Community as originally constituted to 110 to 120% of consumption;
(b) in the regions which are less suited to beet growing, production has been kept just below the level of the basic quotas;
(c) there has been a significant move to regional specialization. In the regions best suited to beet growing, production has risen to 120 to 140% of the basic quota and 140 to 160% of the reference production (1961/62 to 1965/66). Finally, the trend towards specialization among beet-producing holdings has continued. Since 1968 the total number of beet producers has fallen by approximately 30%, making it possible to improve the structure of production and allowing new producers to enter the market;
(d) the effect of the differentiated price guarantee (viz. the charging of a production levy on sugar produced in excess of the basic quota and the absence of any price guarantee for sugar produced in excess of the maximum quota) has been that losses associated with the disposal of surpluses have, for several years now, been a charge on the producers themselves.

B. Future sugar policy

9. It is clear from what has been said above that sugar production must be limited to some extent. It will be difficult to achieve this by fixing a uniform price for all production within the desired output because producers' reactions to changes in price levels are virtually unpredictable.

Experience acquired in this field, estimated production costs and other agricultural prices combine to suggest that the price likely to hold production down to the specified level would be at least 25% lower than the present price.

10. Given yield per hectare, production costs and alternative crops, the consequences, for each region of the Community, of fixing a single price at such a level may be summarized as follows:

- sugar production would increase in the regions best suited to beet growing;
- production would drop sharply; or might even cease, in the regions less suited to beet growing. Thus, sugar production in the French Antilles could disappear; production in Réunion and in Italy would fall very sharply, as would production in several Northern regions of the Community. The ending of, or any significant reduction in, cane or beet cultivation would of course have very adverse consequences for the sugar industry, with all the difficulties which this would entail from the social and investment point of view.

Finally, the development of the Community is such that there can be no question at the present time of a decision being taken at Community level which would mean that, within a short space of time, all or a substantial part of the sugar industry would disappear and that beet would cease to be grown in a number of regions.

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11. The difficulties which would arise for regions less suited to beet growing would not be solved merely by fixing a single price and, as a corollary, placing a ceiling on Community production, and consequently spreading any losses due to the disposal of surplus production over total production.

Control of production by means of a quota system

12. Experience acquired under the present quota system, and the difficulty of controlling production by fixing an equilibrium price, seem to point to the necessity of controlling production by means of a quota system.

It would be advisable however, as at present, to limit application of such a system to a specified period.

It would seem appropriate to limit the period of application to 5 years.

13. The bases for a new system of production quotas are to be found in Regulation No 1009/67/EEC.

Article 22 specifies in particular that:

- existing production arrangements, including the provisions concerning national basic quantities, their distribution between factories or undertakings and price differentiation, are to be repealed with effect from 1 July 1975; and
- definitive arrangements may not involve any discrimination between Community producers.

Consequently, under the new system, quotas should be allocated directly to the undertakings involved, no basic quantities being fixed for Member States. Quotas should be established for all undertakings on the basis of their

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production over an identical reference period. Regional specialization should be encouraged by reserving production in excess of the basic quotas for the regions best suited to beet growing, within the allowed maximum for total production.

The aims of the new quota system may be summarized as follows:

(a) the fixing of a price level for production within the basic quotas, which would mean that a certain amount of beet would still be grown in regions other than those best suited to its production;

(b) the possibility of increasing production above the level of the basic quotas in the regions best suited to beet growing;

(c) limiting production to a level determined by potential outlets within the Community, account being taken of commitments under Protocol No 22 of the Act of Accession, and the possibility of exporting to the world market.

(a) <u>Measures for maintaining a certain level of production in existing beet-growing areas</u>

14. If one of the aims of the quota system is to be achieved, the price level for production within the basic quotas ("A" sugar beet or sugar) must be kept at a level corresponding to that applied at the present time. Basic quotas would be calculated on the basis of the total production of each sugar undertaking over an identical reference period. The sum of the basic quotas to be allocated should be limited to approximately 8.4 million metric tons[1], representing the difference between Community consumption in 1975/76 and imports under Protocol No 22 to the Act of Accession. The reference period mentioned above could be 1968/69 to 1972/73 inclusive. Under these conditions each undertaking's basic quota would be equal to its reference production multiplied by a coefficient to be determined. However if, on the basis of this calculation, the basic quota for an undertaking in one of the new Member States of the Community were to prove lower than the basic quota now applicable, the latter should be selected under the new system, in view of the differing initial positions of the Community as originally constituted and the new Member States. Furthermore, if the new basic quota for other Community undertakings were to

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work out lower than their present basic quotas, it should be possible for them to opt for the latter quota by abandoning production in excess of the basic quota under the conditions specified in paragraph 18.

In the light of the above, the coefficient to be used for the purpose of calculating basic quotas could be put at approximately 0.93.

15. Given the peculiarities of the sugar market and the purpose of the quota system, provision should be made for each undertaking's quota being jointly administered by beet producers and the sugar manufacturer. In the event of undertakings being merged, the quotas granted to the individual undertakings concerned would be combined only if the interests of beet producers were safeguarded.

(b) Measures to promote specialization

16. The price for beet produced in excess of the basic quotas ("B" sugar beet or sugar) would be fixed at such a level that:

- only those undertakings and regions best suited to beet growing would be induced to produce "B" sugar beet;
- total production would remain within the limits determined by potential outlets.

This could be achieved by charging a production levy which would be fixed before each marketing year for beet and sugar production in excess of the basic quotas. In this way, the ex-works price would remain uniform for all sugar production up to the level of the maximum quotas and a single Community market would be guaranteed.

17. To avoid a blockage of production at undertaking level, it is essential that it should be possible to adjust the basic quotas allocated. One way of doing this would be to allocate 85% of an undertakings's basic quota on a definitive basis and the remaining 15% on a temporary basis. This would ensure a certain amount of flexibility as regards the total level of quotas and their distribution and would make it possible for newcomers to begin sugar production.

18. Furthermore, to promote regional specialization, special steps must be taken to restrict the production of "B" sugar beet in areas less suited to beet growing.

The following arrangements could be made for undertakings abandoning "B" production:

- undertakings whose basic quota calculated in accordance with paragraph 14 worked out lower than their present basic quota could be allowed to opt for their present quota;
- provision could be made, within certain limits, for a negative carry-over (as against the positive carry-over which is applicable at present) if the undertaking's production falls short of the basic quota;

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- provision could be made, within certain limits, for sugar carried over to be covered by arrangements for off-setting storage costs.

If these measures were approved, a considerable number of Community producers could be expected to opt for abandoning "B" production. The option could be for a specified period and could be renewed for each new period.

(c) Measures for limiting production to potential outlets

19. The international undertakings to be given by the Community will in any event mean that production will have to be limited to potential outlets. This would appear to call for the fixing of a maximum quota for each undertaking in addition to the basic quota. Production in excess of the maximum quota could not as a general rule[1] be disposed of either inside or outside the Community and would consequently be carried over to the following marketing year.

The coefficient, which would be the same for the whole Community, relating maximum quotas to basic quotas, would be calculated on the basis of:

- potential outlets;
- probable production within:
  (a) the basic quotas;
  (b) the maximum quotas.

Thus the level of these maximum quotas could be 115% to 118% of the basic quotas for the first marketing year (1975/76). This percentage could be increased in subsequent marketing years in line with the annual 1 to 1.5% increase in human consumption.

Furthermore, the level of the maximum quotas would have to be reviewed, if at the end of a marketing year, total production in that marketing year falls short of potential outlets or there is shortage on the world market.

[1]There would be no restriction in the event of a world shortage viz., if prices on the world market rose above a certain level which would be marked by the abolition of export quotas under the International Sugar Agreement.

Finally, sugar produced in excess of the maximum quotas and carried forward to the following marketing year should, within certain limits, benefit from arrangements for offsetting storage costs.

III. IMPORTS OF SUGAR FROM THE DEVELOPING COUNTRIES SPECIFIED IN PARTICULAR IN PROTOCOL NO 22 TO ACT OF ACCESSION

20. The negotiation of import arrangements for sugar from the developing countries specified in Protocol No 22 to the Act of Accession and from India must be viewed in the light of the existing commitments to these countries. At present the Community imports a total of 1 345 000 metric tons from the developing countries which are party to the Commonwealth Sugar Agreement and a total of 4 000 metric tons from Surinam.

The prices currently obtained by the supplying countries of the Commonwealth Sugar Agreement are £61 per metric ton for the Caribbean Islands and £57 per metric ton for the other countries (fob stage - exporting country).

The forthcoming negotiations will centre around tonnage of sugar and the reference price.

Bases of the coming negotiations

21. If, within the framework of the negotiations with existing members of the CSA, the question of tonnages is to be discussed in the spirit of Protocol No 22, the tonnages to be allocated to some of the sugar-exporting AASM must be fixed in the light of their production, their consumption and the proportion of their exports effected under special arrangements.

On the question of prices, two yardsticks are to hand, namely: current prices under the CSA and the lowest price applicable in the Community.

Contractual and mutual obligations

22. To meet the interests of supplying countries, particularly with regard to the investment necessary in the sugar industry, the Community should guarantee to purchase the tonnages in question. As against this, since the Community's future internal policy might render the importation of a fixed quantity

of sugar necessary in the event of a bad harvest, it is essential that the contracting countries should be obliged to deliver sugar under the new agreement. If a contracting country failed to meet its commitments for reasons of force majeur one or more of the other contracting countries should be required to make up the shortfall from their export availabilities. An assurance of this kind should be given by producing/exporting member countries under the OCAM sugar agreement and under the existing CSA.

The present Commonwealth Sugar Agreement does in fact impose such an obligation on supplying countries, just as it requires the United Kingdom to purchase these quantities.

The purchase guarantee offered by the Community should be backed up by commercial measures. In exceptional cases intervention agencies could be required to buy in the sugar offered in accordance with the terms of the agreement.

Finally, to encourage industrialization in exporting countries, the Community should make the necessary arrangements to facilitate importation of any white sugar offered by these countries.

Import arrangements

23. The disposal of sugar from developing countries depends to a large extent on future refining capacity in the Community.

This sugar can be refined in specialized refineries (i.e. establishments which only refine raw sugar into white sugar) or in sugar factories where refining is a side-line, their main activity being the production of white sugar from beet. It goes without saying that refining costs in "specialized" refineries are higher than in "side-line" refineries. A very considerable proportion of the refining capacity of "specialized" refineries will be required to refine imported raw sugar.

24. For this reason the following arrangements should be introduced for importing the sugar in question:

The sugar would be purchased at the cif world market price, with the proviso that this purchase price could not exceed the lowest price applicable in the Community. A levy would be imposed to raise the price of the sugar to the level of the threshold price. A repayment would be made to the sugar refining industry so that the white sugar produced could compete on the internal market without effecting the marketing of Community-produced sugar.

25. Because of the difference between refining costs in "specialized" refineries and in "side line" refineries, the repayment referred to above must vary with the type of undertaking refining the sugar.

To reserve a certain quantity of sugar to free competition between all factories, refining quotas should be fixed for "specialized" refineries for the purpose of applying the repayments. These quotas could represent 85% to 90% of the total quantity to be refined in the Community[1]. When these quotas are being established allowance must be made for the quantity of refined raw sugar imported from the French overseas departments. As in the case of the production quotas, 85% of these refining quotas should be allocated on a definitive basis and the remaining 15% on a temporary basis.

26. If (in exceptional cases) these measures failed to ensure that the sugar in question is imported into the Community, the exporting country would have the right to offer that sugar to Community intervention agencies. Prior notice would have to be given so that appropriate Community measures could be taken. A tendering procedure would seem to be the most appropriate method of selling the sugar within the Community.

1 This percentage would be correspond to ratio which shall exist between the sugar produced in the Community within the basic quotas and total production, i.e. representing the part of production for which Community sugar producers are accorded full guarantees.

27. Export earnings would be stabilized by means of non-refundable loans where actual export earnings of beneficiary countries fall below a reference level.

The reference level would be calculated by multiplying the quantities allocated to each country under the Agreement to be negotiated by a reference price to be determined by reference to the present negotiated price under the Commonwealth Sugar Agreement which is most favourable to the developing countries.

If, as a result of low world market prices, a drop in quantities available for export or a combination of the two, actual export earnings fall below the reference level calculated above, the Community, without prejudice to paragraph 22 will, under the general arrangements for stabilizing export earnings introduced under Protocol No 22, make non-refundable compensation available to exporting countries to bridge the gap between the reference level and the actual level.

Procedures for the transfer and utilization of such loans will be negotiated with the beneficiary countries.

IV. COMMUNITY PARTICIPATION IN THE INTERNATIONAL SUGAR AGREEMENT

28. The second session of the United Nations Sugar Conference, charged with the task of preparing an International Agreement to replace the 1968 Agreement which expires on 31 December of this year, will be held in Geneva from 10 September to 10 October.

On 17 April the Council agreed to adopt, on the basis of a communication from the Commission, directives for participation by the Community and its Member States in this second session of the Conference. This part of the document is therefore aimed at enabling the Council to take the appropriate decisions.

29. The Commission believes that the attitude to be adopted by the Community at this decisive stage of the Conference should take the following basic factors into consideration:

(a) The 1968 Agreement no longer corresponds to the present market situation and needs substantial amendment (in particular with regard to prices and the level of quotas). All exporting and importing countries therefore consider that an extension of the present Agreement, even in an amended form, does not meet their requirements. They consider that the time is now ripe for the negotiation of a new five-year international agreement. This being so, the Community cannot continue to support an extension of the existing Agreement in the face of the express desire of almost 80 countries to negotiate a new one.

(b) Statements made by most delegations show that they feel that the successful outcome of the Conference and the operation of an effective international sugar agreement depend on the Community. Any possible solution presupposes, in their view, that the Community accedes to the Agreement and conforms to the agreed rules.

(c) Statistically speaking, the present situation on the world market and the Community market can be summarized as follows:

(i) World market

World production was considerably in excess of consumption during the second half of the period 1960/1970, leading to increased world stocks and very low prices on the world market. Since the 1970/71 marketing year the opposite has applied. Consumption has outstripped production to bring stocks down to a minimal level and prices on the world market have risen accordingly. In 1968/69 world market prices represented a quarter of the Community price but by 1970/71 they had quadrupled and are now around the same level as the Community price.

(ii) Community market

Production in the old Six and in Denmark and Ireland had always been in excess of domestic consumption; the United Kingdom has always had a deficit. The world shortage and the resulting high prices caused production in and exports by the enlarged Community to increase, particularly over the three last marketing years. At the same time Community imports fell slightly.

The enlarged Community, which had a deficit over the 1968/69 to 1970/71 marketing years, is now self-sufficient as evidenced by average production in 1971 and 1972. This increase in Community production helped considerably to cover import requirements from the world market and meant that the Community did not help to accentuate the increase in world prices, a development which would have been very prejudicial, inter alia, to importing developing countries.

(iii) Trends

In the past, world consumption has increased at an annual rate of 3% to 3.5%. Although this trend is being slowed down by high prices on the world market, world production would need to increase at an annual rate of at least 3% to meet demand. Since the possibility of stepping up sugar production in developing countries within a short period of time is relatively limited, a sharp reduction in production by developed countries would only make the world shortage more acute.

Finally, it must be remembered that the Community is now the world's largest exporter of white sugar, the other exporting countries supply raw sugar.

30. For these reasons the Commission believes that it would be possible for the Community to accede to the new agreement - if it is satisfactory for the Community and for the present contracting countries - provided the Council decided that Community production should not in principle exceed internal consumption less the tonnage imported under Protocol No 22 to the Act of Accession (1.4 million metric tons) plus 800 000 metric tons to be exported to the world market. Under these conditions the Community would have the status of net importer under the Agreement; its imports would exceed its exports by at least 600,000 metric tons.

31. The Community must also define the role it intends to play in contributing to stabilization of the free market.

Thus:

(a) in the event of a shortage on the world market, the Community should be allowed to dispose of any surpluses on the world market, in other words, to become a net exporter without any quantitative limitations. A shortage is deemed to exist when prices rise above the level beyond which export quotas no longer apply.

(b) the Community should also make clear that it intends to give the same undertakings as exporting members with regard to conditions of sale to countries which are not members of the agreement and the supply guarantees due to the other importing members, provided that importing countries agree to observe a minimum purchase price when prices are low on the world market.

(c) furthermore, the Community should contribute to price stabilization by requesting that storage measures to promote such stabilization be taken by exporting countries and by developed importing countries.

(d) the Community should hold out for realistic price levels which take account in particular of production costs in regions whose sugar production is necessary to cover import needs on the world market and of the prices now in force under the special arrangements of the International Sugar Agreement.

32. Since the second session of the Conference opens on 10 September 1973, the Commission would draw the Council's attention to the need for the early adoption of the directives to be given to the delegation.

The Community's position on all matters other than those dealt with in this part of the document (price levels, etc.) would be adopted in accordance with normal procedures.

<u>ANNEX</u>

(a) **Tonnage currently imported from developing countries under the Commonwealth Sugar Agreement**

	(1000 t, expressed in terms of white sugar)
West Indies and Guyana	696
Mauritius	375
Fiji Islands	138
East Africa	7
British Honduras	20
India	25
Swaziland	84
	1 345
[Southern Rhodesia	23[1]]

(b) **Tonnage currently imported from Surinam:**

4 000 t

(c) **Tonnage likely to be imported from the sugar-producing/exporting AASM**

Madagascar	13 000 t
Congo	38 000 t

(d) Grand total of (a) (b) and (c)

1 400 000 t

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[1] In abeyance

Proposal for a
COUNCIL RESOLUTION
of

on the future sugar policy of the Community, on imports of sugar from the developing countries specified in particular in Protocol No 22 to the Act of Accession and on the Community's position at the second session of the United Nations Sugar Conference

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

I. Has agreed as follows:

(1) Common organization of the market in sugar as from 1 July 1975 :

(a) A basic quota shall be fixed for each sugar undertaking in the Community by multiplying its production over the period 1968/69 to 1972/73 by a coefficient of 0.93 which shall be identical throughout the Community. However, the basic quotas to be allocated to undertakings in the new Member States shall not be lower than the basic quotas applicable under existing production arrangements. Eighty-five per cent of each basic quota shall be allocated on a definitive basis and fifteen per cent on a temporary basis.

(b) A maximum quota shall be fixed for each sugar undertaking in the Community. The level of this maximum quota,which shall be in proportion to the basic quota for each undertaking, shall be fixed annually on the basis of potential outlets and probable production within the basic and maximum quotas.

(c) Production in excess of the maximum quota shall not be disposed of either inside or outside the Community and shall therefore be carried over to the following market year.

(d) However:

(i) it may be decided after the event to increase the level of the maximum quotas fixed before the relevant marketing year began, provided that actual production within the maximum quotas does not exceed potential outlets;

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(ii) No marketing restrictions shall apply if there is a shortage on the world market. A shortage shall be deemed to exist if the world market price exceeds the level specified in 3(b).

(e) The level of sugar and beet prices applicable to production within the basic and maximum quotas shall be so fixed that:

(i) only those undertakings and areas which are best suited to beet growing would be induced to produce B beet and B sugar;

(ii) total production would remain within the limits determined by potential outlets.

A production levy fixed before each sugar marketing year shall be applied to beet or sugar produced in excess of the basic quotas.

(f) Where, for a given period, an undertaking opts for the fixing of a maximum quota equal to the basic quota, the latter shall not be lower than that applicable before 1 July 1975. Moreover, within certain limits, a negative carry-over may be applied if production falls short of the basic quota.

(g) Within certain limits, sugar carried forward shall be covered by the system for offsetting storage costs.

(h) The beet producers and sugar manufacturers concerned shall administer the undertaking's quota.

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2. <u>Arrangements applicable to sugar imported from the developing countries, specified in Protocol No 22 to the Act of Accession and from India:</u>

(a) The Community shall offer to import an annual quantity of 1 400 000 metric tons, expressed in terms of white sugar, from these countries.

(b) The tonnage specified in (a) shall be allocated among the countries concerned on the basis of:

- the tonnage exported at the negotiated price under the Commonwealth Sugar Agreement;
- the tonnage exported on other terms under the Commonwealth Sugar Agreement;
- the tonnage exported under other special arrangements;
- the present and foreseeable importance of sugar production and sugar exports for the economy of the country concerned.

(c) The Community shall ensure that this quantity is purchased by adopting commercial measures and, in exceptional cases, by obliging intervention agencies to purchase the sugar at the world market price. The purchase price shall not, however, be higher than the lowest price applicable in the Community. In return, the countries given this guarantee shall undertake to deliver the agreed tonnages to the Community.

(d) Up to 85% to 90% of the tonnage of imported sugar specified above plus the tonnage imported from the French overseas departments shall be allocated among "specialized" refineries in the Community as refining quotas which will qualify for a specific repayment reflecting processing costs in that industry; 85% of these quotas shall be allocated on a definitive basis and the remaining 15% on a temporary basis.

(e) Where beneficiary countries offer white sugar for importation into the Community, the Community shall take the necessary steps to secure the admission of such white sugar.

(f) Under the general arrangements to stabilize export earnings, the Community shall guarantee by means of non-refundable loans the stability of earnings accruing to beneficiary countries from exports of sugar to the Community. These loans shall equal the difference between a reference level and the actual level of earnings.

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3. <u>Community participation in the second session of the United Nations Sugar Conference</u>

(a) The Community would participate in a new sugar agreement as a net importer. It would undertake to limit its exports so that its imports would exceed its exports by at least 600 000 metric tons.

(b) However, in the event of a world shortage, there should be no quantitative restriction on exports from the Community. A shortage shall be considered to exist on the world market when export quotas cease to apply.

II. Invites the Commission:

1. To present to it, before 1 December 1973, proposals for regulations on future production arrangements, established in accordance with the elements agreed upon above;

2. To conclude, within the framework of the negotiations for the renewal of the Association, an agreement based on the principles and factors agreed upon above with the sugar-exporting countries referred to in I.2;

3. To participate, in accordance with the usual procedure, in the second session of the United National Sugar Conference under the conditions specified in I.3