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Nations criticize EU on WTO sugar ruling

By Bradley S. Klapper, Associated Press Writer

SEP. 20 10:00 A.M. ET Australia, Brazil and Thailand have accused the EU of failing to comply with a World Trade Organization decision that its subsidies to sugar producers were illegal, according to a document made public Tuesday.

In a request to the WTO's dispute settlement body, the countries said reported plans by the European Union to expand sugar exports this year would be in violation of an April ruling which ordered Brussels to reform its sugar regime to eliminate illegal export aid. WTO rules cap the amount of sugar Brussels can sell abroad to 1.3 million metric tons (1.4 million U.S. tons).

Australia, Brazil and Thailand -- citing reports that the EU was seeking to expand sugar exports this year to 7.2 million metric tons (7.9 U.S. tons) from 5 million metric tons (5.5 U.S. tons)-- "strongly cautioned" the 25-nation bloc and asked the WTO's dispute settlement body to address Brussels' compliance with the ruling at its Sept. 27 meeting.

Such expansion "would serve to increase its subsidized sugar exports, and would be undertaken in the clear knowledge that exports of sugar in excess of the (EU's) scheduled commitment levels constitute prohibited export subsidies under the WTO Agreement on Agriculture," the statement said.

"It would also be harmful to the interests of other WTO sugar producing members, including many developing countries," it said.

The appellate body's decision in April said European sugar exporters were getting more in government handouts than is allowed under trade rules. It also said EU subsidies were bringing down the price of sugar on the world market and making it impossible for producers in other countries to compete.

EU Trade Commissioner Peter Mandelson said at the time the 25-nation bloc would work with its member states to comply with the ruling ahead of a WTO meeting in December, where negotiators hope to produce an accord which could lead to a binding trade liberalization treaty by the end of 2006.

To comply with the ruling, Brussels also must reduce its export aid to below euro500 million (US$607 million) from its current level of euro2 billion (US$2.43 billion), the three countries say.

EU sugar prices are more than four times higher than the global market rate and are protected by massive import tariffs.

Brussels also pays out export subsidies to get millions of tons of sugar a year off its market, helping to keep EU prices high and support Europe's farmers.

EU producers do not receive direct payments for the 3 million metric tons (3.3 million U.S. tons) they export beyond this quota, but the complainants alleged that payments for the "quota sugar" effectively subsidize the rest, and that sugar producers can buy sugar beets at less than the cost of production.

Since sugar is so expensive to produce in the EU, opponents of European policy argue, producers wouldn't be able to sell it elsewhere unless they were subsidized.