

THE WHITE HOUSE

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FACT SHEET

EC Agricultural Restrictions

The actions announced today result from import restrictions on feedgrains imposed in Spain as of March 1, 1986 by the European Community. The restrictions, in the form of prohibitive variable levies (ranging as high as 200 percent) assessed on feedgrains grown outside of the European Community, have effectively cut off what had been a \$400 million market for U.S. feedgrains. Prior to joining the European Community, Spain had made international commitments under the General Agreement on Tariffs and Trade (GATT) to impose duties no higher than 20 percent on feedgrains.

On March 31, 1986, President Reagan, using his authority under Section 301 of the Trade Act of 1974, stated his intention to respond to agricultural losses suffered by the United States as a result of the enlargement of the European Community to include Spain and Portugal. In May, 1986 the United States announced that in the absence of a settlement by July, U.S. duties would be raised on products of comparable value to those affected by the levies imposed in Spain.

On July 2, 1986, the United States and the European Community agreed to resolve the dispute no later than December 31, 1986. This "interim agreement" was designed to permit continued sales of feedgrains to Spain while negotiations were underway. However, despite repeated efforts, including Cabinet level negotiations in mid-December, the two sides remain far apart on the crucial question of compensation for U.S. farm products.

Details on the action will be contained in a Presidential Proclamation which will be published in the Federal Register before the new duties enter into force. The list of products affected by the action follows. The new duties of 200 percent will apply to imports from all sources. The President has directed that the duties take effect no later than January 30, 1987.

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The second case involves the pending Section 301 case against the Government of Brazil for acts, policies and practices involving restrictions on informatics trade and investment and denial of adequate and effective intellectual property protection. Brazil has recently announced measures to improve the administration of its informatics law and narrow the scope of its market reserve. Specifically, Brazil has agreed to establish an ad hoc group to review specific U.S. company complaints, has promulgated some administrative reforms, and has liberalized the importation of some previously restricted informatics products, subject to periodic revision. As a result of these positive undertakings, the President has decided to suspend the "procedural and administrative reform" parts of the Section 301 case and to monitor Brazil's implementation of those reforms.

The President has also determined that while Brazil's investment environment is improved, it is not yet fully open to US investment opportunities. In addition, the Government of Brazil has recently submitted legislation which provides some intellectual property protection for computer software, but the legislation has numerous features inconsistent with international standards.

The President has, therefore, decided to delay further US remedial action for six months to monitor Brazilian progress in making necessary improvements in the investment climate and to secure passage of intellectual property legislation consistent with international standards. Thus, action on both the investment and intellectual property portions of the Section 301 case will be postponed until July 1, 1987.

In addition the President has instructed United States Trade Representative Clayton Yeutter to conduct a series of public hearings on Brazil's informatics policy and to solicit private sector recommendations as to what further action could or should be taken to foster the opening of the Brazilian informatics market. The scheduled dates of the hearings will be published in the Federal Register 30 days prior to event.

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