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DELEGATION OF THE COMMISSION OF THE EUROPEAN COMMUNITIES

The Head of the Delegation

18 April 1986

The Honorable  
Jesse Helms  
Senate Dirksen Office Building  
Washington, D.C. 20510

*Dear Senator*

I realise that the Senate has already adopted Concurrent Resolution Number 129 regarding the effects of Spain and Portugal joining the European Community. But since a copy of the resolution was sent to me, I feel I should, even at this late stage, attempt to put the record straight.

First, the international trading rules of the GATT are quite clear as to the procedure to be followed when a Customs Union is enlarged. Where duties are increased, compensation must be provided, due account being taken of reduced tariffs on other products. So what is essential is the negotiation of an overall balance. We formally offered such negotiations to the US Administration on March 4.

Moreover, there is absolutely nothing in the rules or, indeed, in previous practice which requires that compensation negotiations should be completed before changes to external tariff arrangements are introduced. This was not done when the Common External Tariff was introduced in 1960 nor in 1973 when Denmark, Ireland and the United Kingdom joined the Community.

Second, to claim that the three measures relating to agricultural imports and to which the resolution refers will have an immediate and adverse effect on US farm exports is simply not the case.

The temporary arrangements for the import of oilseeds into Portugal provide, in fact, for an increase in imports of about 20% this year.

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The previous control system is being phased out whilst Portugal moves to the Community's tariff which is bound at zero with no quantitative restrictions. The latter, incidentally, goes a long way towards explaining why the EC took about one-third of all US soybean exports last year.

As to the reservation of 15.5% of the Portuguese grain market for Community suppliers, this, once again, is a temporary arrangement and should allow us to re-gain a modest foothold in a market from which we had been virtually excluded by the State monopoly which is being dismantled. It is unimaginable that the United States would not act similarly in comparable circumstances. Duties on grain into Portugal and the Community are not bound in the GATT and so there is no claim on them under GATT rules. Furthermore, the provision in the accession treaty that a share be reserved for Community suppliers will not have any practical effect until the end of the year when an assessment of imports will be made.

On the question of the EC applying its variable levy system to Spanish imports of corn and sorghum, here we are convinced that appropriate compensation can be negotiated within an overall package. And, as I mentioned earlier, we have offered negotiations. But here again, there will be no immediate adverse effect since US feed grain exports to Spain were already by the end of February far higher than they were in the same period last year and Spanish silos are bulging with American corn.

The claim that prior enlargements have adversely affected US farm exports to the Community is not supported by trade statistics. Five years after the enlargement in 1973, US Department of Agriculture figures demonstrate that US farm exports to the Community were about 2½ times greater and 10 years after were more than three times greater.

Third and in conclusion I must emphasise that overall the result of the present enlargement will be positive for US exporters. Industrial tariffs will come down in stages from an average of 15% to 5% - one of the lowest in the world. Some immediate benefits have already occurred with more than one hundred restrictive measures removed in Spain which has also abandoned its previous indirect tax system.

I appreciate that political pressures apply here in the US as much as they do in Europe. But I hope that before both sides resort to open commercial conflict, as will be the case if the US introduces the GATT illegal measures announced on 31 March instead of the negotiation that has been offered, in conformity with GATT, by the EC, sight will not be lost of the immeasurable contribution which enlargement has made to the strengthening of Western democracy.

I would very much appreciate the opportunity to discuss this face to face at your earliest convenience.

*Sincerely*

*Roy Denman*

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