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European Community Concessions

Grain Storage

The European Community will add 1.5 million metric tons of wheat to its normal carryover stocks. This is in addition to 2.4 million tons already earmarked for storage. For the crop year 1972/73, the Community will make a further stockpiling effort in the area of grains. The amount of the stockpiling will be determined by the situation of the market at the time, and will be the subject of discussions as needed.

In 1971, European grain crops were exceptionally heavy. European grain supplies would have a depressing impact upon the international market situation if entirely moved into use or exports during the remaining months of the current season. The Community decision to add to stocks will help to balance supply and demand. Also, in view of the actions already being taken by other major grain trading countries to prevent market instability both in the current season and for the year ahead, the Community undertakings are consistent with its responsibilities in the international grain trade. Since surplus amounts of EC wheat are regularly used for animal feed in replacement of feed grains, the Community storage measures can affect the trade situation for both wheat and feed grains.

In the 1970/71 season, the Community imported almost 9.0 million metric tons of wheat and feed grains from the U.S., valued at approximately \$500,000,000. The EC normally takes 15 to 20 percent of total world grain exports and, in addition, is itself a major exporter of soft wheat, wheat flour, and feed grains.

Grain Prices

The Community has agreed that in the practical implementation of its export restitution systems for grains for the balance of the current 1971/72 crop year, it will take care that the system does not result in trade diversion in favor of the Community.

*from Office of the Special Representative
for Trade -
Feb 11, 1972.*

This undertaking recognizes that excessively high restitutions can disrupt trade patterns and cause grain exporting countries such as the United States to lose traditional market outlets. EC corn and barley exports compete with corn and barley from the U.S. mainly in other markets of Western Europe, such as Spain and the United Kingdom. They are also a potential source of competition in Eastern Europe and developing markets elsewhere. Community wheat exports also compete in Western European markets such as the United Kingdom and are a potential source of competition in a large number of other traditional U.S. markets outside of Western Europe as well. The EC general export restitutions as of February 1972, are \$46.00 per metric ton for wheat, \$37.00 for barley, and \$22.00 for corn.

Tobacco

The European Community declares that in establishing the fiscal system necessary for the institution of a common market for manufactured tobacco products, it is its intent to ensure that the fiscal imposition to be introduced be neutral, that it conform with the necessity of broader competition, and that it will be reasonable and balanced for all interests concerned. The Community is ready to have discussions with the United States at an appropriate time on the question of fiscal harmonization on tobacco products.

The EC common tax system is still in the initial stages of formulation. It is to be implemented in stages and be in effect by 1980, and will consist of some combination of specific and ad valorem elements, for example, the first stage formula adopted by Germany last July contains a 25 percent ad valorem element and a 75 percent specific element. To the extent that there is an ad valorem element in the final formula, the retail price of cigarettes manufactured from high quality U.S. type tobacco will be increased relative to the retail price of cigarettes manufactured from less expensive tobaccos available from EC member states and associates. Therefore, the higher the ad valorem element, the greater the manufacturer's incentive to shift away from using high quality U.S. leaf and toward cheaper tobaccos grown elsewhere in the world.

Nearly one-third of U.S. tobacco exports now goes to the EC. This proportion would approach 60 percent in an enlarged Community since it would then include both our best customers, the UK and Germany.

U.S. tobacco exports to the EC plus the four applicants were valued at \$328 million in FY 1970 and \$327 million in FY 1971.

Citrus Fruit

The European Community has agreed that it will reduce the common external tariff on fresh oranges from 15 percent ad valorem to 5 percent during the months of June through September in 1972 and again in 1973. The common external tariff is the schedule of customs duties on imports from the United States and other countries that do not benefit from special preferential rates of duty. Preferential rates apply to oranges imported from Mediterranean countries such as Spain, Israel, Morocco, and Tunisia.

The European Community also agreed that beginning April 1, 1972, and continuing until the end of 1973, the common external tariff on grapefruit will be reduced from 6 percent ad valorem to 4 percent. A preferential rate applies to grapefruit imported from Israel.

The effect of these changes is to reduce the trade advantage that lower preferential duties give to imports from the Mediterranean area and to expand the market for oranges and grapefruit in the EC. Exports of U.S. oranges to the EC in FY 1971 totalled over \$8 million. Exports of grapefruit to the EC totalled over \$2 million in FY 1971.

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Declaration

Within the framework of their negotiations, the United States and the European Community have agreed to communicate the following Declaration to the Director General of the GATT for transmittal to the contracting parties. Other contracting parties are invited to associate themselves with this Declaration to the extent and at the moment they would deem appropriate.

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The United States and the Community recognize the need for proceeding with a comprehensive review of international economic relations with a view to negotiating improvements in the light of structural changes which have taken place in recent years. The review shall cover inter alia all elements of trade, including measures which impede or distort agricultural, raw material and industrial trade. Special attention shall be given to the problems of developing countries.

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The United States and the Community undertake to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973 (subject to such internal authorization as may be required) with a view to the expansion and the ever greater liberalization of world trade and improvement in the standard of living of the people of the world, aims which can be achieved inter alia through the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade. The Community states that in appropriate cases the conclusion of international commodity agreements are also one of the means to achieve these aims. The United States states that such agreements do not offer a useful approach to the achievement of these aims.

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The negotiations shall be conducted on the basis of mutual advantage and mutual commitment with overall reciprocity, and shall cover agricultural as well as industrial trade. The negotiations should involve active participation of as many countries as possible.

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The United States and the Community agree to initiate and support in 1972 an analysis and evaluation in the GATT of alternative techniques and modalities for multi-lateral negotiation of long term problems affecting all elements of world trade.

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The United States and the Community will seek to utilize every opportunity in the GATT for the settlement of particular trade problems, the removal of which would lessen current frictions, and will strive for further progress with respect to those matters now being discussed in the GATT Committee on trade in Industrial Products and the GATT Agricultural Committee. They agree that progress in GATT in solving specific problems in 1972 could facilitate the way in the GATT for a new major initiative for dealing with longer term trade problems.