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Brussels, 10 August 1986.

JOINT STATEMENT BY AMBASSADOR CLAYTON YEUTTER (U.S.T.R.)
AND EC COMMISSIONER WILLY DE CLERCQ
(RESPONSIBLE FOR EXTERNAL RELATIONS AND TRADE POLICY)

After a further round of intensive negotiations, we have found a basis for a settlement of our long-standing dispute in relation to the EC Mediterranean preferential trade agreements on citrus and a modus operandi for reaching a prompt and mutually satisfactory solution on pasta.

We shall now report to our respective authorities. Subject to their approval, both sides will proceed immediately to dismantle the various trade restrictions on pasta, lemons and walnuts introduced in November 1985. At a later stage, both sides will implement a series of reciprocal measures which will further liberalise EC/US trade.

Moreover, we are pleased to announce that the EC/US agreement on semi-finished steel products, negotiated some weeks ago, can now be implemented.

DRAFT EC/US AGREEMENT ON CITRUS/PASTA**The United States and the European Community:**

- conscious of the important role which continued improvements in their bilateral trading relations play in the effective working of the open multilateral trading system;
- and determined to settle in a mutually satisfactory way the long-standing dispute over the effects of the European Community's preferential agreements in the Mediterranean region (referred to as "the Agreements") (1), as they pertain to access to the Community market for citrus (2);

agree on the following arrangement:

- (A) The United States recognizes that the Agreements provide important opportunities for economic development and political stability in the Mediterranean region. Consequently, the United States expresses its support for the Agreements, and agrees not to challenge them (including further preferences the EC is prepared to grant to these countries under the additional protocols to these Agreements now under negotiation) as inconsistent with Article XXIV of the GATT.
- (B) The United States agrees not to present additional claims in relation to the Mediterranean preferences on citrus taking into account future preferential treatment on these products provided for through the additional protocols now under negotiation.

Subject to the completion of internal legal procedures by both parties (3):

- The European Community will put into effect and bind in the GATT the import measures as provided for in Part A of the Annex.
 - The United States will put into effect and bind in the GATT the import measures as provided for in Part B of the Annex.
- (C) On completion of internal procedures by both parties, the United States will eliminate the increase in the rates of duty on Community pasta imposed since 1 November 1985, and the Community will eliminate the increase in the rates of duty on United States lemons and walnuts applied since 4 November 1985.

(1) Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey, Yugoslavia.

(2) For purposes of this understanding citrus means the following products: fresh sweet oranges, fresh lemons, fresh grapefruit, fresh tangerines, orange juice, lemon juice, grapefruit juice, grapefruit segments, dry pectin.

- (3) Without prejudice to paragraph (D), as soon as the U.S. Government increases the EC quota for cheese falling under TSUS 117.55 by 1,572 metric tonnes and increases the quota under TSUS 950.10 D by 353 metric tonnes reserved for San Jorge and Ilha cheeses, the EC will provisionally apply the autonomous trade measures laid down in the Annex for sweet oranges, Minneolas and Frozen Concentrated Orange Juice. These new quotas for EC cheese and for U.S. Frozen Concentrated Orange Juice will be applied pro rata on a

(D) Both parties agree to proceed in good faith in seeking a prompt solution to their dispute over pasta refunds. Should a mutually satisfactory solution to the dispute not be found prior to the later of (1) U.S. congressional approval of the duty reductions delineated in part (B) of the annex, or (2) July 1 1987, then either party may, at its discretion, choose not to put into effect and/or not to bind in the GATT the import measures in the annex, as would otherwise be required by paragraph (B). If the discretion not to bind in the GATT were exercised, and should the import measures in the annex not be implemented or maintained or should new restrictions be introduced on pasta from the EC, then the other party would have the right to pursue re-negotiation of this agreement, or to terminate it.

During the interim, the U.S. Government will refrain from initiating unilateral action against pasta from the EC and will not pursue the GATT panel case on this product.

(E) **The United States and the European Community agree that the arrangement as specified above resolves definitively the dispute on citrus. On the entry into effect of this Agreement, they will both inform the GATT Council that they have resolved the citrus dispute in a mutually satisfactory way.**

ANNEXImport Measures Referred to in Paragraph BPart A - European Community

<u>Tariff Item</u>	<u>Article</u>
ex. 08.02 A.Ipt.	<p>Sweet oranges, "extra" quality:</p> <p>The duty will be reduced to 10 percent <u>ad valorem</u> for an aggregate quantity of 20,000 metric tons entered during the months of February, March, and April, inclusive.</p>
ex. 08.02 B.IIpt.	<p>Grapefruit hybrids known as "Minneclax":</p> <p>The duty will be reduced to 2 percent <u>ad valorem</u> for an aggregate quantity of 15,000 metric tons entered during the months of February to April, inclusive.</p>
08.02 C	<p>Lemons:</p> <p>The duty will be reduced to 6 percent <u>ad valorem</u> for an aggregate quantity of 10,000 metric tons entered during the period extending from 15 January to 14 June inclusive.</p>
08.02 D	<p>Grapefruit:</p> <p>The duty will be reduced to 1.5 percent <u>ad valorem</u> during the months of November to April, inclusive.</p>
08.05 A.II	<p>Almonds, other than bitter almonds:</p> <p>The duty will be reduced to 2 percent <u>ad valorem</u> for an aggregate quantity of 45,000 metric tonnes entered in any calendar year.</p>
ex. 20.06 A.Ipt.	<p>Groundnuts, roasted, in immediate packings of a net capacity of more than one kilogram:</p> <p>The duty will be reduced to 12 percent <u>ad valorem</u>.</p>

<u>Tariff Item</u>	<u>Article</u>
ex. 20.06 A.IIpt.	Groundnuts, roasted, in immediate packings of a net capacity of one kilogram or less: The duty will be reduced to 14 percent <u>ad valorem</u> .
ex. 20.07 B.II. a) 1pt.	Frozen concentrated orange juice having a degree of concentration of up to 50 degree Brix, in containers of 2 liters or less, excluding blood orange concentrate: The duty will be reduced to 13 percent <u>ad valorem</u> for an aggregate quantity of 1,500 metric tonnes, entered in any calendar year.

Part B - United States

<u>Tariff Item</u>	<u>Article</u>
112.40	Anchovies, prepared or preserved in any manner, in oil, in airtight containers: The duty will be reduced to 3 percent <u>ad valorem</u> for an aggregate quantity of 3,000 metric tons entered in any calendar year.
117.55pt. and 950.10	Cheese: - The EC quota will be increased by 1,572 metric tonnes entered in any calendar year for cheeses falling under TSUS 117.55. - The quota falling under TSUS 950.10 D will be increased by 353 metric tonnes reserved for San Jorge and Ilha cheeses entered in any calendar year.
117.65	Cheese made from sheep's milk, in original loaves and suitable for grating: The duty will be reduced to 0 percent <u>ad valorem</u> .
117.67	Pecorino cheese made from sheep's milk, in original loaves, not suitable for grating: The duty will be reduced to 0 percent <u>ad valorem</u> .
147.29pt.	Satsuma oranges, packed in airtight containers: The duty will be reduced to zero for an aggregate quantity of 40,000 metric tons entered in any calendar year.
148.4440pt.	Olives, in brine, not ripe, not pitted or stuffed, bulk, green: The duty will be reduced to 10 cents per gallon for an aggregate quantity of 4,400 metric tons entered in any calendar year.
148.48.00 (new subcategory)	Olives, ripe, but not pitted or stuffed, green in color only: the duty will be reduced to 15 cents per gallon.
148.5065	Olives, in brine, stuffed, placed packed, in containers each holding not more than 0.3 gallons: The duty will be reduced to 15 cents per gallon for an aggregate quantity of 2,700 metric tons entered in any calendar year.

<u>Tariff Item</u>	<u>Article</u>
148.52	Olives, dried, not ripe: The duty will be reduced to 2.5 cents per pound.
148.56.00 (new subcategory)	Olives, otherwise prepared or preserved, green in color only: the duty will be reduced to 2,5 cents per pound.
161.06	Capers, in immediate containers: The duty will be reduced to 8 percent <u>ad valorem</u> .
161.08	Capers, others: The duty will be reduced to 8 percent <u>ad valorem</u> .
167.15	Cider, fermented, whether still or sparkling: The duty will be reduced to 1.5 cents per gallon.
161.71	Paprika, ground or unground: The duty will be reduced to 1.35 cents per pound.
176.29	Olive oil, weighing with the immediate container under 40 pounds: The duty will be reduced to 2.28 cents per pound on contents and container.
176.30	Olive oil, weighing with the immediate container 40 pounds or over: The duty will be reduced to 1.56 cents per pound.

SIDE LETTER I: FROM MR DE CLERCQ TO MR YEUTTER

The reference to "future preferential treatment" in paragraph (B) of the EC/US arrangement includes treatment through tariffs or tariff quotas. In addition, for the 1990 marketing year and for each subsequent year, the Commission will decide whether the entry price for certain products should be differentiated in order to maintain the traditional trade patterns as among the various Mediterranean exporting countries. Any such differentiation would be carried out within quantified limits and would not be operated so as to impair access under the EC/US arrangement.

SIDE LETTER II: FROM MR YEUTTER TO MR DE CLERCQ

I am pleased we have at long last reached an agreement which resolves the citrus dispute. I appreciate your great personal efforts and those of your team. We can take pride that our solution will liberalize trade on both sides.

I understand that there has been some concern within the Community that the United States has additional claims with respect to other products beyond the citrus issue that may be brought forward now that we have resolved citrus. I am certainly not aware of any such claims at this time. Given that, over the long history of your agreements, the citrus industry is the only U.S. industry that has put forward claims based on the effects of EC preferences for these Mediterranean countries, I have no expectation that we will be encountering new complaints in the foreseeable future.

As you noted during our discussions, it is clear that, except as otherwise provided in our arrangement, both parties reserve their rights. If disputes should arise in the future, either from our concerns or yours, we should first seek solutions through timely consultations.

SIDE LETTER III: FROM MR DE CLERCQ TO MR YEUTTER

With reference to paragraph (D) of the EC/US Agreement on Citrus/Pasta, this is to inform you that, should the United States Government be unable to fulfill the undertakings in the final sentence of the paragraph, or the U.S. Government actually apply new trade restrictions on EC pasta exports, then the Commission would introduce the necessary Community procedures to terminate the Agreement.