

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(90) 690 final

Brussels, 20 December 1990

Proposal for a

## COUNCIL DECISION

on the conclusion of the exchange of letters complementing the Agreement between the European Economic Community and the United States of America under GATT Article XXIV.6.

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. The agreement concluded in January 1987 between the EC and the US under GATT Article XXIV:6 (enlargement of the Community) made provisions for:
  - acceptance by the EC of the extension of GATT bindings by EC 10 to Spain and Portugal
  - reductions in duties for agricultural and industrial goods entering the EC during a transition period (1987-90), as compensation for the withdrawal of Spanish and Portuguese concessions.
  - a special arrangement for the annual import into Spain of 2 million tonnes of maize and 0,3 million tonnes of sorghum up until 1990 (along with a mechanism to reduce these abovementioned quantities according to the level of imports of certain cereal substitutes).

2. The agreement also states that a major review shall be initiated by July 1990 "with the objective of determining at that time what new actions, if any, might be appropriate". The agreement specifies that the review should take into account:
  - general trade developments, particularly US exports to Spain and Portugal;
  - agreements on agriculture reached in the Uruguay Round.
  - the status of implementation of the Treaty of Accession.

3. In July and September, representatives of the US and the EC met to initiate the "review of the situation". During these consultations, the EC maintained that the benefits gained by the US with the lowering of tariffs in Spain and Portugal following their accession to the EC far outweigh the disadvantages resulting from the introduction of variable levies on maize and sorghum. The EC considered new action as unnecessary.

The US holds that it has rights to continuing full compensation, particularly for the loss of tariff bindings on maize and sorghum to the Spanish market. In the absence of an extension to the time-limited provisions of the Agreement, the US officially announced that "without agreement on compensation, (...) the United States will find necessary (...) to suspend certain tariff concessions effective December 31, 1990".

Accordingly, a list of tariff bindings to be withdrawn was published in the Federal Register and was notified to GATT on 30 November.

Duties on the items on the list (with an annual trade value of about \$420 mio) can then be increased to prohibitive levels at any time after 1 January 1991 unless a settlement is found beforehand.

4. The EC officially informed the US side of its willingness to continue consultations and resolve the problem within the framework of or in the light of the conclusion of the Uruguay Round.

5. As the Round was not concluded prior to the expiry of the time-limited provisions of the agreement, it is not possible to formally complete the Review right now because all the elements called for under the Review are not available, including agreements reached on agriculture in the Uruguay Round. Under the circumstances, an interim solution is recommended which extends those provisions for one year. This period will be used to find a permanent settlement to the pending problem.
6. Accordingly, it is proposed to conclude an exchange of letters, with the United States.
7. Such an exchange of letters maintains the current budgetary commitments under the existing agreement. (see Fiche Financière)
8. It is recommended that the Council approve the draft exchange of letters annexed hereto.

(PT/HTS/082)

Proposal for a COUNCIL DECISION

on the conclusion of the exchange of letters complementing the Agreement between the European Economic Community and the United States of America under GATT Article XXIV.6.

THE COUNCIL OF THE EUROPEAN COMMUNITIES

having regard to the Treaty establishing the European Economic Community and in particular Article 113 thereof,

Having regard to the proposal from the Commission,

Whereas the Agreement between the European Economic Community and the United States of America for the conclusion of negotiations under GATT Article XXIV.6<sup>(1)</sup> calls for a review, whereas the review has not concluded before certain time-limited provisions expire;

Whereas consultations took place with the United States in an attempt to find a solution to the trade dispute existing between the Community and United States;

Whereas the said consultations have resulted in a draft exchange of letters which is in the Community's interest to approve it.

HAS DECIDED AS FOLLOWS :

Article 1

1. The exchange of letters complementing the Agreement between the European Economic Community and the United States of America for the conclusion of negotiations under Article XXIV.6 of the GATT is hereby approved on behalf of the Community.
2. The text of the exchange of letters is attached to this Decision.

Article 2

The President of the Council is hereby authorized to designate the person empowered to sign the exchange of letters referred to in Article 1, in order to bind the Community.

Done at Brussels ,

For the Council

The President

Dear Ambassador Hills:

I have the honor to refer to recent consultations between representatives of the European Community and the United States pertaining to the 1986 accession of Portugal and Spain into the European Community and to the "Agreement for the Conclusion of Negotiations Between the United States and the European Community under GATT Article XXIV.6," dated 30 January 1987, together with its annexes.

In connection therewith, I wish to confirm the agreement reached between the European Community and the United States to extend until 31 December 1991 all of those rights and obligations in the Agreement which would otherwise expire on 31 December 1990. This extension shall be without prejudice to the continuation in force of those rights and obligations in the Agreement which do not expire on 31 December 1990.

In particular, the European Community and the United States have agreed, inter alia, that: (1) the reduction of duty rates on an autonomous basis of the products listed, and in the manner described, in Annex I of the Agreement shall be maintained through 31 December 1991, (2) the commitment in paragraph II.C of the Agreement to ensure a minimum annual level of imports of corn and sorghum into Spain through 31 December 1990, in accordance with the modalities set forth in Annex II of the Agreement, shall be extended through 31 December 1991, and (3) this extension of the agreement is without prejudice to the legal interpretations of Article XXIV of either party and both parties reserve full GATT rights including those which would otherwise be time-limited.

The European Community and the United States further agree to resume the review referred to in paragraph III of the Agreement not later than during June 1991 in order to achieve a final and mutually satisfactory understanding prior to 30 September 1991.

I have the further honor to propose that if this understanding is shared by your government, this letter and your affirmative letter in reply shall constitute an agreement between the European Community and the Government of the United States which shall enter into force on the date of your reply.

Sincerely,

  

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Dear,

I have the honor to acknowledge receipt of your letter dated December..., 1990, which states :

" I have the honor to refer to recent consultations between representatives of the European Community and the United States pertaining to the 1986 accession of Portugal and Spain into the European Community and to the "Agreement for the Conclusion of Negotiations Between the United States and the European Community under GATT Article XXIV.6," dated 30 January 1987, together with its annexes.

In connection therewith, I wish to confirm the agreement reached between the European Community and the United States to extend until 31 December 1991 all of those rights and obligations in the Agreement which would otherwise expire on 31 December 1990. This extension shall be without prejudice to the continuation in force of those rights and obligations in the Agreement which do not expire on 31 December 1990.

In particular, the European Community and the United States have agreed, inter alia, that: (1) the reduction of duty rates on an autonomous basis of the products listed, and in the manner described, in Annex I of the Agreement shall be maintained through 31 December 1991, (2) the commitment in paragraph II.C of the Agreement to ensure a minimum annual level of imports of corn and sorghum into Spain through 31 December 1990, in accordance with the modalities set forth in Annex II of the Agreement, shall be extended through 31 December 1991, and (3) this extension of the agreement is without prejudice to the legal interpretations of Article XXIV of either party and both parties reserve full GATT rights including those which would otherwise be time-limited.

The European Community and the United States further agree to resume the review referred to in paragraph III of the Agreement not later than during June 1991 in order to achieve a final and mutually satisfactory understanding prior to 30 September 1991.

I have the further honor to propose that if this understanding is shared by your government, this letter and your affirmative letter in reply shall constitute an agreement between the European Community and the Government of the United States which shall enter into force on the date of your reply."

I have the further honor to confirm that the foregoing understanding is shared by my Government and that your letter and this letter in reply constitute an agreement between the European Community and the Government of the United States which shall enter into force on this date.

Sincerely,

Carla A. HILLS

# FICHE FINANCIERE

(FORM/90/FF/060)

1. LIGNE BUDGETAIRE : CREDITS :

2. INTITULE DE LA MESURE :  
Proposition d'une décision du Conseil concernant la conclusion de l'échange de lettres complémentaires à l'accord entre la CEE et les USA sous l'article XXIV.6 du GATT.

3. BASE JURIDIQUE : Article 113 du Traité CEE

4. OBJECTIFS DE LA MESURE :  
Reconduction de l'accord conclu en janvier 1987 entre la CEE et les USA sous l'article XXIV.6 du GATT.

5. INCIDENCES FINANCIERES	PERIODE DE 12 MOIS Mio ECU	EXERCICE EN COURS (91) Mio ECU	EXERCICE SUIVANT (92) Mio ECU
5.0 DEPENSES A LA CHARGE - DU BUDGET DES CE (RESTITUTIONS/INTERVENTIONS) - DES BUDGETS NATIONAUX - D'AUTRES SECTEURS	226	p.m.	226
5.1 RECETTES - RESSOURCES PROPRES DES CE (PRELEVEMENTS/DROITS DE DOUANE) - SUR LE PLAN NATIONAL	184	p.m.	184
	1993	1994	1995
5.0.1 PREVISIONS DES DEPENSES	-	-	-
5.1.1 PREVISIONS DES RECETTES	-	-	-

5.2 MODE DE CALCUL :  
Voir annexe

6.0 FINANCEMENT POSSIBLE PAR CREDITS INSCRITS AU CHAPITRE CONCERNE DU BUDGET EN COURS D'EXECUTION NON

6.1 FINANCEMENT POSSIBLE PAR VIREMENT ENTRE CHAPITRES DU BUDGET EN COURS D'EXECUTION NON

6.2 NECESSITE D'UN BUDGET SUPPLEMENTAIRE NON

6.3 CREDITS A INSCRIRE DANS LES BUDGETS FUTURS OUI

OBSERVATIONS :

Il est fait l'hypothèse que ces importations auront lieu entre janvier et mars 1992 (ce qui s'est passé pour les campagnes précédentes).  
En conséquence, l'impact financier tombera sur l'exercice 1992.

ANNEXE A LA FICHE FINANCIERE

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MODE DE CALCUL

Etat des recettes

	<u>Mio ECU (B)</u>
Maïs	: 1,4 Mio tonnes x 100 ECU/t x 1,192 (DT) = 166,9
Sorgho	: 0,2 Mio tonnes x 90 ECU/t x 1,192 (DT) = 21,5
Réduction tarifs	: 10 % sur 40 Mio ECU de commerce = - 4,0
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T O T A L	+ 184,4

arrondi à 184 Mio ECU

Dépenses

Maïs	: 1,4 Mio tonnes x 124 ECU/t x 1,147 (DT) = 199,1
Céréales fourr.	: 0,2 Mio tonnes x 116 ECU/t x 1,143 (DT) = 26,5
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T O T A L	225,6

arrondi à 226 Mio ECU

Les quantités importées de maïs et sorgho tiennent déjà compte des déductions faites des produits de substitutions importés en Espagne.

Il est fait l'hypothèse que ces importations conduiront à une augmentation des exportations communautaires de 1,6 Mio tonnes de céréales.

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# DOCUMENTS

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