

European Community

News Release

E.C. AND U.S. RESOLVE DISPUTE OVER COMMUNITY ENLARGEMENT

The European Community has approved an agreement with the United States that resolves a major trade dispute caused by the enlargement of the Community to include Spain and Portugal. This agreement is conditional on formal U.S. approval.

The accord outlines a plan for the Community to compensate the United States for lost corn and sorghum sales resulting from Spain's entry into the Community on January 1, 1986.

"With this solution we have put an end to a conflict which threatened to degenerate and could have been damaging for both partners," Willy De Clercq, E.C. Commissioner for External Relations, said in Brussels.

The immediate dispute centered on the replacement of Spain's 20 per cent import duty on corn and sorghum with the E.C.'s variable levy, which is presently substantially higher.

The United States had claimed U.S.\$ 400 million in compensation for lost sales to Spain and was set to impose 200 per cent duties on a range of European products if the conflict was not resolved by January 30. The Community had declared its intention to retaliate by increasing duties on corn gluten feed and rice from the United States.

The agreement includes the following elements :

- The Community will extend to Spain and Portugal E.C. tariffs that are "bound" at a low level under the General Agreement on Tariffs and Trade. These include zero tariffs on soybean products and corn gluten feed. A bound tariff was negotiated in previous trade rounds and cannot be changed without compensation.
- The Community will ensure that Spain imports 2 million metric tons

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of corn, and 300,000 tons of sorghum annually from non-E.C. sources. It will accomplish this by setting reduced-levy quotas and, if necessary, by direct purchases on the world market under the E.C. Commission's authority. Spanish imports of grain substitutes - corn gluten feed, citrus peels and pellets and brewing residues - will be deducted from the quantities set for corn and sorghum. This arrangement will apply from 1987 through 1990.

- The Community will reduce customs duties on some industrial and processed agricultural products, including Bourbon, some fruit juices, cigars, certain polyesters and bromides.
- Portugal will no longer reserve 15% per cent of its grain market for E.C. suppliers as provided in the enlargement treaty. Because of its objections over this requirement, the United States last year imposed nonrestrictive quotas on E.C. wine, apple juice, candy and chocolate. It has now agreed to relax those quotas.

The negotiations between the Community and the United States took place under Article 24/6 of the General Agreement on Tariffs and Trade which covers the obligations of an enlarged customs union to its trading partners. While Mr. De Clercq said the E.C. and U.S. still disagree on the interpretation of that article, the agreement is an acceptable one.

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