

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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EC COMMISSION REGRETS RAISING OF US DUTIES ON IMPORTED BRANDY

*The Spokesman of the Commission of the European Communities
released the following statement today at noon Brussels time.*

"The Commission regrets the US Government decision to raise the duty on imports of brandy from the Community. The Commission does not consider this decision justified and has made known its views on this point to the US Administration. The Commission, for its part, has done all it can to promote a more positive and liberal outcome and to avoid the present situation where both the Community exporters of brandy and US exporters of turkey are worse off than they would otherwise have been."

Background

1. In December 1963, in what was then termed the "chicken war" between the Community and the United States, US customs duty was raised from \$1.25 to \$5 on brandy entering at FOB (free on board) prices of more than \$9 per proof gallon.
2. In the closing stages of the General Agreement on Tariffs and Trade (GATT) XXIV:6 negotiations in 1974, the US negotiators let it be known that they intended to make an autonomous gesture of goodwill towards the Community following the satisfactory conclusion of these negotiations by easing the 1963 increase in the duty on brandy. No formal US commitment in this sense was given, and no return concession whatsoever was promised or hinted at by the Community.
3. The Article XXIV:6 negotiations were duly ended, to the expressed satisfaction of the US Administration. When, however, the duty on brandy came to be adjusted, an entirely new element was introduced. President Nixon's proclamation of July 16, 1974, raised the threshold price for the higher rate of duty from \$9 to \$17 per proof gallon (i. e. brandy entering at below \$17 paid the pre-December 1963 duty of \$1.25). But the purpose of this liberalization was declared to be to encourage "the resolution of outstanding trade disputes between the US and the EEC, including the removal of unreasonable restrictions on poultry from the US maintained by the EEC.
4. The Community made clear immediately at the time that it could take no responsibility for this US statement and that in its view the matter of the Community's protection for poultry was one for which it was reasonable to expect the US to seek a solution in the Multilateral Trade Negotiations (MTN) which were then under way. The Community has on several occasions since made clear that it was willing to negotiate about poultry in the MTN.
5. Nevertheless, US pressure for a unilateral poultry concession from the Community mounted to the point at which, earlier in 1976, it was made a condition *sine qua non* for the maintenance of the change in the duty on brandy. The Community has done what it could to handle this matter amicably and in a liberal fashion. The semi-automatic increase in supplementary import levies on turkey parts which would normally have been dictated by market conditions in recent months has been held back, as has an upward correction in the technical coefficient used to derive the sluice-gate price for turkey breasts. The Commission has held technical talks with the US authorities to explain the operation of the supplementary levy, in an effort to dispel unjustified concern among US exporters. Finally, the Commission declared its readiness to reduce the protection for turkey drumsticks and thighs by about 15 per cent if the US would in return eliminate the increased duty which it imposed on imports of potato starch and dextrine as part of the "chicken war" of 1963.
6. These attempts at conciliation have now been dismissed by the US authorities, who have raised the duty on bulk brandy valued at over \$9 per gallon from \$1 to \$3 per gallon; and on bottled brandy valued at over \$13 per gallon from \$1.25 to \$3 per gallon.
7. While US poultry exports to the Community over the past five years have more than doubled in volume, Community exports of brandy to the US have risen in volume by less than one-fifth.