

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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REPORT OF THE WORKING PARTY ON CITRUS FRUIT

1. The Working Party was established by the Council at its meeting on 10 September 1969 to examine the request by the European Economic Community for a waiver from its obligations under Article I of the General Agreement in order to reduce the customs duties in respect of certain citrus fruit originating from Israel and Spain and to report to the Council.
2. The Working Party met on 24-25 September, 3-4 and 28 November 1969 under the chairmanship of Mr. J.E. Larsen (Denmark).
3. The Working Party had before it the request by the European Economic Community for a waiver of obligations under Article XXV:5 (Annex I hereto). In the course of its deliberations, two further documents were submitted: a note by the Commission of the European Communities on the system governing the importation of citrus fruit into the European Economic Community (Annex II hereto), and a statement by the United States on the trade impact of the system outlined by the Commission of the European Communities (Annex III hereto).
4. The deliberations of the Working Party showed that there was a distinct divergence of views between the European Economic Community on the one hand, and the great majority of the non-beneficiaries who took part in the discussion on the other. The differences in opinion related to the question whether the import régime and the preferential tariff treatment it included would have an effect on the trade of third countries, as well as to the prejudicial effect such preferences would have for the integrity of the General Agreement. The non-beneficiary citrus-producing third countries held the view that their trade interests, both on a short-term and on a long-term basis would suffer. They, together with most members of the Working Party, did not consider the reasons given by the European Economic Community in defence of the application to be sufficiently weighty to justify the granting of the waiver for which the Community had applied.
5. In these circumstances the Working Party did not endeavour to prepare the draft text of a waiver. The report therefore limits itself to setting out the facts of the case as well as the views expressed on trade effects, legality, and principle.

Examination of preferential regime and its effects on trade

6. The representative of the European Economic Community justified the system of price discipline comprising a 40 per cent tariff reduction on Israeli and Spanish citrus fruit imports in terms of the application of a similar system with an 80 per cent reduction, introduced on 1 September for citrus fruit imports from Morocco and Tunisia

to replace the advantages which the latter countries enjoyed in the French market. In view of the fact that the preference granted to Morocco and Tunisia was subject to price discipline, this system of conditional preference could not operate in respect of those two countries unless the Community's other two major suppliers for the same marketing period came under the same discipline. The 40 per cent reduction in the Common Customs Tariff on Spanish and Israeli citrus fruit therefore tended towards a two-fold objective, namely by bringing those countries into the price discipline system to enable the system to function and thereby to ensure market stabilization at remunerative prices which would be beneficial to other marginal suppliers as well. By according to all four countries preferential treatment conditioned by a system of price discipline, the European Economic Community hoped to have fulfilled its obligations to Morocco and Tunisia without adversely affecting the interests of other suppliers, while at the same time contributing to price stabilization in the Mediterranean basin and thereby in the citrus fruit market in general.

7. The representative of the European Economic Community further stressed the importance of bringing Israel and Spain into the system of price discipline, and consequently the conditional preference system, because, along with Morocco and Tunisia, they were part of the Mediterranean export market where analogous production and marketing conditions existed. The four beneficiaries exported most of their oranges to the Community during the winter period when they accounted for 95 per cent of the market; while other suppliers exported to the Community mostly during the summer period when they accounted for most of the market.

8. The system was seen by the Community as essentially a pragmatic solution to the problems before the Community, designed to compensate beneficiaries without harming the trade interest of other suppliers.

9. The representative of the European Economic Community said that the advantage of the system was that it induced the countries benefiting from it to adhere to a trade discipline which stabilized prices and thereby indirectly benefited third country suppliers. Preferential treatment for beneficiaries was conditional upon their respecting, during the period when reference prices were in effect, a minimum offer price which was considerably higher than the reference prices applicable to all exporters to the Community; otherwise they would lose their preference and be treated like all third countries.

10. The representative of the European Economic Community considered therefore that the system was basically a financial transfer from the Community to the beneficiaries rather than a trade advantage. To that extent the request for a waiver from the provisions of Article I was motivated essentially by reasons of a formal nature. Moreover, since the minimum offer price for beneficiaries was considerably higher than the reference price applied to other suppliers, the system gave the latter a sizeable trade margin over the former.

11. The reference price system for lemons was applied throughout the year. For other citrus fruit reference prices were applied for certain periods of the year (see page 4 of Annex II). For oranges reference prices were applied during that period of the year when beneficiaries constituted almost the only exporters; for that period of the year when reference prices were not applied, traditionally high market prices precluded any danger of price collapse.

12. In order to facilitate the Working Party's understanding and appreciation of the operation of the system and the reasons underlying it, the Commission of the European Communities circulated an explanatory note to members which is attached hereto in Annex II.

13. The representatives of Israel and Spain explained their respective situations to the Working Party. Israel and Spain together supplied 50 per cent of all oranges imported by the European Economic Community. The 40 per cent tariff reduction which had been unilaterally granted by the Community to Israel and Spain was only a partial compensation for the preferential treatment given to Morocco and Tunisia and it required respecting a rigid price mechanism. The representative of Israel said that the 40 per cent reduction could only properly be examined after, and in the light of, the preferences for Morocco and Tunisia. Fresh citrus fruits were Israel's most important net currency earner and 44 per cent of her total exports of these products went to the Community. Israel's position was difficult enough since 70 per cent of her citrus exports were sold to member countries of the European Economic Community whose duties for these products had undergone an absolute increase with the establishment of the Common Tariff. Regarding Spain, 75 per cent of its citrus fruit exports went to the Community and these had a yearly value of US\$140 million to US\$150 million. It was important to note that the Community exported to Spain three times the value of what it imported from Spain.

14. Following the explanatory statements by the representatives of the European Economic Community, Israel and Spain, members of the Working Party discussed the system at length.

15. Some members said they were unable to see how third country suppliers could possibly benefit from preferences granted to other suppliers. Preferences would serve as an incentive to beneficiary countries to sell more citrus fruit to the Community and to increase new plantings in the near future. Access to the market for third country suppliers would therefore diminish and that would mean that the benefit from price stabilization would also be reduced. In any case, most members who spoke during the meeting did not see why contracting parties supplying citrus fruit to the Community should benefit only indirectly from preferential reductions of tariffs that were bound in GATT and that had been paid for in previous negotiations. In this connexion, the representative of the European Economic Community stated that the direct benefits resulting from the bound duties were not in any way brought into question; on the contrary, in addition to the direct benefit there was to be the indirect benefit accruing to other suppliers as a

result of the stabilization and valorization system. The United States representative did not accept the observation of the Community representative either with respect to the retention of direct benefits of the GATT binding or the receipt of indirect benefits.

16. Some members pointed out that preference beneficiaries were free to forego the preferential reductions and the attached minimum price discipline system if it proved advantageous to do so. Therefore, beneficiaries could choose between two alternatives and could thereby offer better contract terms to importers than third country suppliers. The representative of the European Economic Community agreed that while this was theoretically possible, the system was precisely intended to encourage preference beneficiaries to maximize prices of their products and stabilize the market. One could not believe that it would be in the interest of beneficiaries to start a price war since it would mean abandoning the financial transfer involved in the preferences. Demand for citrus fruit was very inelastic in the Community, and the Mediterranean countries regularly co-ordinated their sales policies so as not to saturate the market.

17. Concerning the concrete trade effects of the preferences on third country exporters to the European Economic Community, the representatives of these countries and the representative of the Community had divergent opinions. The former said important volumes of their citrus exports to the Community would be affected. The representative of the Community, on the other hand, said that the exports of third countries that could be affected would not be above US\$10 million to US\$20 million in the most unfavourable circumstances.

18. With reference to the explanatory note from the Commission of the European Communities on the system governing the importation of citrus fruit from third countries into the European Economic Community (Annex II), the representative of the United States made a statement on the trade impact of the system on his country and other third country exporters (attached hereto in Annex III).

19. One member said that the price discipline system was no guarantee that no third country suppliers would be harmed. His country's prices for citrus fruits were usually above Community reference prices and certainly not below the prices offered by preference beneficiaries. Therefore, the trade effects of the preference would be important; a slight rise in the prices of his country's citrus fruit could render them uncompetitive vis-à-vis preferentially taxed oranges.

20. One member said that taking into consideration that the citrus fruit market had been very competitive in the past few years and that marketing costs were high, it would be reasonable to predict that small reductions in gross selling prices would result in proportionately much greater effects on the net payment to the producer. Consequently, there was cause for concern when the competitive conditions in the market were being weighted in favour of preference beneficiaries.

21. Some members said that since the Community was a large market the commercial measures taken there would necessarily have unstabilizing effects on other markets. For example, this would be the case if a rise in citrus fruit prices and a decrease in consumption in the Community forced preference beneficiaries to divert their exports to non-traditional markets.

22. It was the opinion of four members that their citrus fruit exports to the Community overlapped in an important way during the reference price period with those from Israel and Spain and would therefore suffer directly and immediately from the discriminatory treatment given to the latter. Moreover, some Israeli and Spanish citrus exports coincided with those from third country suppliers during periods when the price reference system was not in force; during this period the preferential tariff reductions would directly confer price advantages to Spanish and Israeli oranges.

23. The representative of the European Economic Community agreed that the system was not perfect and that, theoretically, certain problems could arise. However, the system was a pragmatic approach to the problem the Community had to deal with and it was soundly based on a careful study of trade trends and past experience in the market. Eighty per cent of orange exports from Israel and Spain to the Community took place during the period when reference prices were in force and during the rest of the year they were marginal suppliers with the exception of the month of November when prices for the last three years were well above those offered when reference prices were in effect. Nevertheless, if problems of disequilibrium were to arise, the Community would be compelled to seek an appropriate solution. Provisions to this effect could be included in the terms of the waiver being requested.

General considerations

24. The representative of the European Economic Community stressed the necessity of granting tariff preferences to Israel and Spain in order to maintain balanced and competitive conditions in the Mediterranean area and the traditional currents of trade in products forming such a vital part of the export earnings of the two countries. The Community itself would not obtain any benefits of a trade policy nature from such measures, which were purely unilateral in character. In fact, a financial transfer was taking place in favour of the two countries. In all other cases where requests for waivers had been examined, contracting parties had dealt with them on the merits of each case and he cautioned against the danger of a departure from that course in the future. The Community would certainly be willing, as other countries who had obtained waivers, to follow the usual procedure of consultations if serious repercussions were felt, and to hold regular reviews in order to ensure that the balance of rights and obligations under the General Agreement was not upset in any way.

25. Most members of the Working Party, however, considered that the preferences in question were not necessary. Both Israel and Spain were highly efficient producers and were planning to expand their production considerably. To exclude a very limited number of countries, which were traditional suppliers and which had even negotiated tariff bindings in return for their own concessions, was not compatible with the basic principles of equality in treatment embodied in the General Agreement. The argument that the Community had a special responsibility for maintaining economic stability in the Mediterranean area bore no relationship with the multilateral obligations of the Community member countries as parties to the General Agreement. Moreover, the acceptance of this argument would imply the recognition of a discriminatory policy extremely prejudicial for developing countries which had important traditional commercial ties with the Community and which did not belong to the Mediterranean area. Some countries pointed out that should this contention by the Community be accepted, the network of selective, regional preferences could lead to the establishment of spheres of influence around the preference-granting countries. Bilateralism in the field of tariffs would be the result of such a deviation and Article I on most-favoured-nation treatment, which formed the cornerstone of the General Agreement, would be most seriously weakened. The economic and political repercussion of the preferences under examination should not be underestimated. The consequences of selective preferences for the implementation of a system of generalized preferences which was conceived in order to introduce uniformity in the field of preferences should also be taken into account. The association agreements, as well as the problem presently being examined, had demonstrated the urgent need for the CONTRACTING PARTIES to establish rules guiding the introduction of preferences on a general non-discriminatory basis for all developing countries.

26. Some members stated that the interest of developing countries in the maintenance of non-discriminatory multilateral trade should far outweigh the benefits resulting from a few selected preferences. It would be safer for the two countries concerned if a course was adopted compatible with GATT, i.e. the extension of the tariff cuts on a multilateral basis. Should trade damage be inflicted on the two countries, then the matter could be reviewed in this light.

27. Some representatives were under the impression that if the preferences had been extended to all developing countries in a non-discriminatory manner, their governments might have considered granting their support to the application by the European Economic Community for a waiver.

28. Representatives of several countries asserted that the request by the European Economic Community could not be seen in isolation. The Community had signed important association agreements and were currently negotiating preferential arrangements with other countries. The possibility that still other countries, or groups of countries, would want to negotiate similar discriminatory agreements which would be harmful to the interests of other contracting parties could not be overlooked.

29. Members of the Working Party regretted that the preferences had been put into force on 1 September without waiting for the outcome of the examination by GATT of the application for a waiver. They pointed out that such an early introduction of preferences created a de facto situation which was without precedent.

30. Representatives of certain developing countries appreciated the efforts of the EEC to stabilize market conditions for citrus fruits. At the same time, however, they believed that stabilization should take place at a world-wide level.

31. While supporting the idea of organizing the Mediterranean market and the maximizing of prices for citrus fruits, one member of the Working Party stated that it seemed to him that this aim could be realized through a non-preferential system. One could, for example, in the case of oranges limit the application of the system of price discipline and reduced duties to the period of the year particularly important for Mediterranean producers. The conditional reduction would then be accorded to all exporting countries. In this way, it would be possible to respect the principle of the most-favoured-nation clause, to sufficiently organize the market and limit the financial transfer to third countries to reasonable dimensions. With regard to lemons, this member of the Working Party considered that preferences could not be justified by the existence of association agreements with Morocco and Tunisia since the two countries exported only negligible quantities to the market of the Community. Furthermore, unlike in the case of oranges, one could not speak of a regional and seasonal market. For that reason, the organization of the market should preferably be sought through co-operation with the principal suppliers. Some members considered that these suggestions were worth further consideration.

32. One member of the Working Party could not understand why his country, which was a member of the Association of Mediterranean Citrus Growers and which was during a part of the year the main supplier of lemons to the Community and also an exporter of oranges, should be excluded from the preference system. The representative of the European Economic Community stated that they would examine this particular case.

33. The representative of the European Economic Community said that an extension of the tariff cuts on a most-favoured-nation basis would lead to financial transfers in a way that would not be justified. A world-wide stabilization arrangement would be welcomed, but the Community could not be expected to assume the sole responsibility, and meanwhile the Community's intention had been to solve the problems with which it was confronted and which constituted in his opinion exceptional circumstances in the sense of Article XXV:5. With regard to the objections raised against regional preference systems, he maintained that a general discussion of the merits or demerits of such systems fell outside the terms of reference of the Working Party which should not deviate from the methods of work which the CONTRACTING PARTIES had always used up to now when granting waivers. The representative of the Community also recalled that there was a link between the preferences in favour of Israel and Spain and the Agreements of Association with Morocco and Tunisia.

34. Some members considered that it would be premature to take a final position with regard to the preferences until the association agreements with Tunisia and Morocco had been examined in GATT. Others, however, argued that the Working Party should consider on its own merits the case before it.

ANNEX I

Request by the European Economic Community for
a Waiver of Obligations under Article XXV:5

I have the honour to inform you that EEC proposes to apply a reduction of 40 per cent of the customs duties under the Common Tariff in respect of certain citrus fruits from Israel and Spain. The citrus fruits in question are those listed under tariff headings ex 08.02 A, ex 08.02 B and ex 08.02 C.

During the period of application of a reference price in the Community, the benefit of the tariff reduction is subject to a minimum offer price higher than such reference price.

The motive underlying this arrangement is the need to maintain balanced competitive conditions and to try to stabilize the citrus fruit market in the Mediterranean area; other Community suppliers should benefit indirectly. In view of the purpose intended, namely to stabilize the market, the Community considers it essential that these provisions should come into force simultaneously with the implementation of the Agreements establishing an Association between EEC and Morocco and Tunisia.

I should therefore be grateful if you would kindly inform the CONTRACTING PARTIES of this request by the Community for authorization to waive the most-favoured-nation clause (Article I) in virtue of Article XXV:5.

ANNEX II

System Governing the Importation of Citrus Fruit
into the European Economic Community

Under Article 11, paragraph 2, of Regulation No. 23 (O.J. No. 20 of 20 April 1962), as amended by Regulation No. 65/65/EEC (O.J. No. 86, 20 May 1965), reference prices applicable to the whole Community may be fixed annually for all fruit and vegetables, the market for which is organized in common in this sector. Reference prices for citrus fruit, in particular, are in fact fixed annually.

The reference price of a given product is equal to the arithmetic mean of the production prices in each Member State (taken over the three years prior to the date on which the reference price is fixed), this mean being increased to take account of marketing charges. It should be noted that the production prices of Member States are based on the representative markets situated in the production zones in which prices are lowest and that the amount fixed to cover marketing costs is intended to bring the reference price and the price of products imported from third countries at the same marketing stage into line.

The Commission also fixes an entry price for each product imported from a third country, on the basis of the average prices on the representative import markets for the product in question from a given country of origin, selecting the lowest of these prices and deducting the customs duties as set down in the Common Tariff, other import taxes and transport charges¹ from those markets to the Community's frontier posts.

When the entry price for a given product is lower than the reference price, a countervailing charge equivalent to the difference between the two prices is levied on importation.

¹An all-in transport cost is calculated in accordance with the provisions of Regulation No. 163/65/EEC (O.J. No. 200 of 20 November 1965).

It should be pointed out that this system also applies to imports of citrus fruit from countries which enjoy preferential treatment with regard to such products, including more particularly Spain and Israel.

Furthermore, the preferential treatment accorded to these countries by the Community is conditional upon their respecting a minimum offer price considerably higher than the reference price. When reference prices¹ are applied this offer price² must, after deduction of transport costs and import taxes other than customs duties, be equal to or higher than the reference price plus the duties chargeable under the Common Tariff on this reference price (i.e. 20 per cent of the reference price) and a fixed charge of 1.20 AU per quintal. If the countries in question offer their products at a price lower than this minimum they are treated like all other third countries, and full customs duties under the Common Tariff, in addition to the countervailing charge, where applicable, are levied on their imports.

The advantage of this system is that it compels the countries benefiting from it to adhere to a trade discipline which enables a price collapse to be avoided. In view of the percentage of the Community's total supplies accounted for by these countries, it will be clear that other suppliers can but benefit from the system, since the prices of their products are stabilized in the absence of any threat to market prices from the large suppliers. It would therefore be true to say that this system, far from being detrimental to the countries to which it is not applicable, is to a large extent beneficial to them. This is even more so because as the attached sample calculation shows, it gives them a sizeable trade margin over the countries whose prices are subject to this system because of the gap between the prices at which such countries must offer their goods in order to benefit from preferential treatment and the price at which other countries may offer theirs without having to pay the countervailing charge.

In this respect it should be noted that reference prices are applicable during those periods of the year when the supply on the markets of the Community is highest and when there is consequently a danger of a price collapse. When the reference prices are not in force, market prices preclude this danger.

Lastly, it should be pointed out that the conditional preference system set up by the Community is that best suited to the problems which the Community had to solve and to the interests of its citrus fruit suppliers. The Community had to compensate Morocco and Tunisia for the loss of the advantages which they had

¹For sweet oranges
For mandarines, satsumas, clementines,
tangerines etc.
For lemons

1 December to 30 April

1 November to end February
Throughout the year

²The offer price is, of course, that which is current on the above-mentioned representative markets of the Community.

previously enjoyed on the French market before the establishment of the Community. In this context, the problem of citrus fruit could obviously not be overlooked having regard to its importance for the countries in question. Under these circumstances the Community considered that the conditional preference which it granted to these countries was the only system capable of providing adequate compensation for those concerned while not inflicting losses on the Community's citrus fruit producers or harming the trading interests of other suppliers, as has been shown, and thereby, in the final analysis, best conforming to the spirit of the General Agreement. The system is really more of a financial transfer from the Community to the two countries in question than a trade advantage which would be almost totally obliterated by the existing conditions. And it was because the system provided for both price maintenance and financial transfer that Morocco and Tunisia have felt it to be advantageous.

This system could not, however, work unless the Community's main suppliers, Israel and Spain, were also associated with it and thus subject to the price system. In the absence of such a system these countries would, by taking advantage of the trade margin which they would have had, have been able either to capture the market or to force Morocco and Tunisia to bring their prices into line, which would have caused them to lose their tariff preference.

In view of these several considerations, the Community feels justified in concluding that it has solved the problems before it by meeting to the greatest possible extent the interests of all parties concerned, including third countries which supplied citrus fruit and were not included in the conditional preference system.

ANNEX

For the sake of clarity, the brief account given above did not touch on the problem of adaptation coefficients for, in so far as they are simply a means of applying the reference price system and are therefore applicable to all imports regardless of their origin, they can in no way increase or reduce the preference granted to certain countries.

Adaptation coefficients are intended to put the prices of imported products on a comparable footing with those of products originating within the Community for which reference prices are fixed.

CITRUS FRUIT IMPORT SYSTEM

A. <u>Tariff system</u>	B. <u>Periods of application of reference prices</u>
Common Tariff duties	
(1) heading 08.02 A	
I. Fresh sweet oranges	
(a) from 1 April to 15 October 15% (bound)	
(b) from 16 October to 31 March 20%	from 1 December to 30 April
II. Others	
(a) from 1 April to 15 October 15% (bound)	
(b) from 16 October to 31 March 20%	
(2) heading 08.02 B	
Mandarines and satsumas; clementines, tangerines and other similar citrus hybrids 20%	from 1 November to end February
(3) heading 08.02 C	
Lemons 8%	throughout the year (June-May)

SAMPLE CALCULATION

(Working hypothesis based on figures for the 1968-1969 season)

A. Price reference system

B. Conventional price system

Basic data		
- reference price	17	AU/100 kg.
- transport costs	0.60	
- duty paid by third countries (20%)	2.60	
- preferential duties (12%)	1.56	
- other taxes (14%) on product cleared through customs	2.18	
- other taxes (14%) on product preferentially cleared through customs	2.04	

(a) Wholesale price = 20.35 AU/100 kg.

(b) Wholesale price = 22.04 AU/100 kg.

- in order not to be subject to the countervailing charge, the entry price of the product must be higher than or equal to the reference price (17 AU)

- in order to benefit from the tariff reduction the wholesale price less transport costs and taxes other than customs duty must be equal to or higher than 17 AU (reference price) + 3.40 (full Common Tariff on this price) + 1.20 (safety margin) i.e. 21.60

Wholesale price = 20.35×1.1^1 22.38
less:

Wholesale price = 22.04×1.1^1 24.24
less:

- customs duty	2.60
- transport costs	0.60
- other taxes	<u>2.18</u>
	17.00

- transport costs	0.60
- other taxes	<u>2.04</u>
	21.60

¹This example shows that in order to benefit from the tariff reduction the product subject to the price system must be sold on the Community market at a minimum of 22.04 AU/100 kg. whereas the minimum price at which payment of the countervailing charge is avoided is only 20.35 AU/100 kg. i.e. a difference of \$1.69 per quintal.

This difference offers those countries not subject to the price system a trading margin over those countries which benefit from conditional preference.

ANNEX III

United States Statement on the Trade Impact of the
System Outlined in the Note by the Commission of the
European Communities

Oranges

1 May-1 December: During the period 1 May to 1 December EC reference prices are not in effect. Beneficiaries, therefore, receive 40 per cent tariff reduction unconditionally. United States main shipping season is during late spring months. Therefore, the competitive advantage granted Spain and Israel will squeeze United States suppliers hardest during their prime months of May, June and July. Same effects will be felt in November, when Mediterranean suppliers re-enter market after summer low.

1 December-30 April: During period 1 December to 30 April, when EC maintains reference prices for oranges, 40 per cent tariff preference is subject to minimum offer price. According to EC calculations submitted to GATT secretariat, such a minimum offer price would be approximately \$1.69 per quintal above "basic" reference price. Below reference price all suppliers would become subject to compensatory taxes. EC contends that this margin might benefit third country suppliers outside the Mediterranean citrus scheme. This implies that third country exporters can fine tune their prices within this very narrow range. Since United States export pricing is subject to the free play of supply and demand, this is a highly unreasonable contention. The normal range of prices on EC markets in a day's trading is far greater than \$1.69 per quintal, e.g., Paris wholesale market. Also, narrow price margin between minimum offer price and basic reference price is subject to change seasonally. Elements used in calculating offer price vary. Competing suppliers would not be able to calculate beforehand the margin within which they can compete. For example, reference price is different for three basic groups of oranges, and adjustment coefficients utilized vary by groups and by the period. Transport charges also vary by mode and port of entry. These elements of variation in calculation of the minimum offer price make marginal pricing below Mediterranean suppliers impossible for all practical purposes.

Lemons

EC reference price system for lemons is year around. During 1969-70 season, lemon reference prices varied seasonally from 12.8 cents per kilogramme in March to 18.4 cents per kilogramme in October. Since market prices have been considerably higher than these reference prices, addition of 1.2 cents per kilogramme and full CMT of 8 per cent will not result in a minimum offer price that would be anywhere near as high as actual market prices. The granting of 40 per cent tariff preference gives

Israeli or Spanish supplier a clear-cut competitive advantage over us and other third country suppliers. Moreover, the minimum offer price is closer to the basic reference price than with oranges because the full CXT in question is 8 per cent (compared to 20 per cent for oranges). The margin within which third country suppliers can undersell Mediterranean suppliers is thus even narrower than is the case with oranges.

With respect to the danger of Mediterranean over-production of citrus: the Commission says that the citrus scheme will best protect the interests of Mediterranean citrus suppliers. An FAO study based on recent plantings of citrus in the Mediterranean basin, concludes that production will increase substantially to 1975 and beyond. With incentive provided by these preferences trend to increase citrus output will accelerate resulting in a heavy surplus. Since the EC maintains minimum price levels, world trade would have to absorb excess amount of Mediterranean citrus. This would harm all citrus exporters to non-EC markets and reduce citrus prices world-wide.