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EUROPEAN ECONOMIC COMMUNITY PROPOSED REGULATIONS CONCERNING IMPORTS OF FATS AND OILS OF FISH AND MARINE MAMMALS

The following communication, dated 16 August 1976, has been received from the Permanent Delegation of Peru with the request that it be communicated to the GATT Council at its next meeting for consideration as a matter of urgency.

The Permanent Delegation of Peru to the International Organizations having their headquarters at Geneva presents its compliments to the Director-General of the General Agreement on Tariffs and Trade (GATT) and has the honour to refer to the proposal to establish a tax on imports of fats and oils of fish and marine mammals (CCT 15.04 BCD) set forth in the "Action programme (1977-1980) for the progressive achievement of balance in the milk market" (COM(76)300 final) dated 6 July 1976, presented by the Commission to the Council of the European Communities.

2. As already known, this heading is exempt from customs duty and is included in the GSP scheme of the Community.

3. The Peruvian Government views the above-mentioned proposal with great concern because its implementation would have the fundamental effect of transferring to third countries that export these fats and oils and derivatives thereof, the cost of strengthening the competitive capacity of certain milk products. The difficulties of the latter in regard to competition are basically the result of internal factors, in particular high production costs and the high support prices fixed in respect of them. Furthermore, milk products already enjoy substantial subsidies, and the increase in these which has also been proposed by the Commission would concentrate the negative impact of the tax on Community imports of fats and oils and derivatives thereof, and would furthermore affect imports of protein-based feedingstuffs. Lastly, it is hardly necessary to point out that aggregate exports of the products mentioned take a very important place in world trade of the developing countries with the Community, and in particular in the trade of Peru, where they account for a substantial share of our country's exports.

4. It is clear, therefore, that the programme is designed to strengthen the subsidy policy in respect of skimmed milk in powder or liquid form; it penalizes the principal components of margarine so as to weaken the competitive capacity of this product, and likewise it comprises disincentives to the marketing of milk and derivatives thereof.

5. In view of the implications of the above-mentioned proposal, which also concerns CCT heading No. 15.07 BCD, on 23 July last, the Latin American countries accredited to the European Economic Community presented an aide-mémoire, a copy of which is attached, to Sir Christopher Soames, Vice-President for External Relations of the Commission, expressing the grave concern of the countries of the region over the possible application of these measures and pointing out with the utmost clarity the serious damage that would result for the developing countries.

6. On that occasion, the Latin American countries stated that they were confident that the EEC Council, having regard to its commitments and its responsibilities at international level, would take adequate measures to solve the problems of its dairy economy but without affecting the legitimate interests of the Community's trading partners.

7. As is also known, the missions of the ASEAN member countries have presented at Brussels a like request that corresponds to the position of the Latin American countries.

8. For these reasons, Mr. Director-General, the Peruvian Government wishes, through your intermediary, to bring to the attention of the GATT Council, the urgency of ensuring that the proposed measure is not adopted, primarily because it infringes the GATT rules; it runs counter to the principles governing the current multilateral trade negotiations; it is in contradiction with the expressed desire of the Community for the promotion of world trade in general and the trade of the developing countries in particular; and it is not consistent with the efforts for the establishment of a new international economic order.

9. Accordingly, on the instructions of our Government, the Peruvian Delegation brings this situation to your attention and would appreciate your communicating this note and the annex thereto to the GATT Council at its next meeting, for consideration as a matter of urgency.

The Permanent Delegation of Peru expresses its appreciation to the Director-General of GATT for giving his attention to this note and takes this opportunity to present the renewed assurances of his highest consideration.

ANNEX I

Aide-mémoire

1. The Commission has proposed to the Council, in document COM(76)300 final, dated 6 July 1976, a series of measures designed to achieve a better balance in the EEC market for milk products. These measures, which are envisaged in principle for the period 1977-1980, can be divided into three main categories: those designed to discourage an excessive increase in production; those concerning promotion of demand; and those designed to strengthen the competitive capacity of milk products both within and outside the Community.
2. The Latin American countries perceive with serious misgivings that the proposals mentioned include some which, if implemented, could adversely affect the international trade and in particular the exports of the Latin American countries. These proposals concern in particular the introduction of a tax on vegetable oils, other than olive oil, and on fats of marine mammals, and the conversion of part of the dairy herd into meat production.
3. The establishment of a tax on the above-mentioned fats and oils - taking into account the exclusion of olive oil - would have the fundamental effect of transferring to third countries that export these fats and oils or the raw materials thereof the cost of strengthening the competitive capacity of certain milk products. The difficulties of the latter in regard to competition are basically the result of internal factors, in particular high production costs and the high support prices fixed in respect of them. Furthermore, milk products already enjoy substantial subsidies, and the increase in these which has also been proposed by the Commission would concentrate the negative impact of the tax on Community imports of fats and oils and oleaginous raw materials, and would furthermore affect imports of protein-based feedingstuffs. Aggregate exports of these products take a very important place in the trade of the Latin American countries with the Community, representing a value of more than \$1,500 million annually.
4. In addition, the incentive measures to non-marketing of milk and milk products and to the conversion of dairy herds will result in increased beef and veal production, making access to the Community market still more difficult for meat exported by third countries. The Latin American countries view with anxiety this additional threat to their trade interests, which are already seriously affected by the safeguard clause that has for two years past been overshadowing beef and veal exports to the Community.

5. The Latin American countries consider that the proposals mentioned in the preceding paragraphs are in contradiction with the statements made by the Community on various occasions concerning its desire to contribute to the expansion of world trade, and in particular to the exports of developing countries and to the establishment of a more equitable international economic order. If these proposals were to be implemented, they would have serious repercussions on the current multilateral trade negotiations.

6. In particular, the Latin American countries consider that the proposed tax on fats and oils would constitute an infringement of the General Agreement on Tariffs and Trade, since it would directly affect the competitive capacity and the import flows of products on which the EEC has bound duties under the General Agreement.

7. The Latin American countries hope that the EEC, having regard to its commitments and its responsibilities at international level, will find the means to solve the problems of its dairy economy without adversely affecting the legitimate interests of its trading partners.