

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.SB/SN/23/Add.1

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STANDSTILL

Notification

Addendum

The following comments, dated 11 June 1993, have been received from the Office of the United States Trade Representative with the request that they be circulated as an addendum to a standstill notification by Chile (MTN.SB/SN/23, 7 October 1992).

7. Comments by the participant maintaining the measure:

The one-time use of the U.S. Export Enhancement Program (EEP) for canned fruit in June of 1992 was in reaction to the European Community's failure to adhere to the United States/European Community Canned Fruit Agreement. The United States found in 1991 that, contrary to the terms of this Agreement, the European Community had over-subsidized its canned fruit industry for the 1991-92 market year by a million dollars.

The Canned Fruit Agreement settled a United States complaint in the GATT against European Community production aids. The GATT panel report finding in favour of the United States is contained in GATT document L/5778. Under the Agreement, the European Community agreed to limit the amount of its subsidies to its peach and pear canners so as not to subsidize processing operations. The Community agreed to only compensate its canners for the higher price of domestic raw product. Further, the Agreement specifically requires the European Community to exchange views with the United States immediately prior to the annual fixing of processing subsidy levels.

In late 1991, the United States notified the European Community that it disagreed with its proposed support level for canned fruit processors. However, the Commission published its final support level while in receipt of an urgent request for consultations with the United States. The United States was not merely insisting on a procedural technicality; the excess subsidy to EC processors negatively affects the competitiveness of U.S. processors.

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GATT SECRETARIAT

UR-93-0026

The Export Enhancement Program initiative taken in response to the European Community's action was designed to leave ample opportunity for non-subsidizing suppliers to export goods at traditional levels. In contrast, the European Community's export subsidy program for agricultural products - which is many times larger than the U.S. program - fails to include methods to protect the interests of non-subsidizing countries.

It is the view of the United States that the only answer to the problem of trade-distorting agricultural export subsidies raised by Chile is a successful conclusion to the Uruguay Round.