

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

DS28/4

5 November 1992

Limited Distribution

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EUROPEAN ECONOMIC COMMUNITY - PAYMENTS AND SUBSIDIES PAID TO  
PROCESSORS AND PRODUCERS OF OILSEEDS AND RELATED ANIMAL-FEED PROTEINS

Follow-up on the Panel report (DS28/R)

Communication from the United States

The following communication, dated 5 November 1992 and addressed to the Director-General, has been received from the Office of the United States Trade Representative in Geneva with the request that it be circulated to all contracting parties.

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The United States has always viewed the General Agreement as a contract among the contracting parties. It is a contract which is, and must always be, based on mutually advantageous and reciprocal arrangements governing the contracting parties' trading relations. This is the General Agreement's essential value. In the circumstances where a contracting party refuses to extend the General Agreement's contractual reciprocity to another contracting party, the GATT expressly contemplates the re-establishment of the equilibrium in the trading relationship through withdrawal of concessions.

The United States considers that it has exhibited extraordinary patience and largely unreciprocated flexibility in trying to arrive at a negotiated settlement to our long-running dispute with the European Community over EC oilseed subsidies. We have taken this approach despite a very difficult domestic political environment in which demands were constant for immediate and firm action against the EC. We have been tireless in our efforts, including extended negotiations at Ministerial level. Unfortunately, these efforts have not produced a solution to the dispute.

Five years ago, we began our efforts at seeking relief from EC oilseeds subsidies which we consider denied US exporters the trading opportunities they are guaranteed under GATT's contract. We have pursued our complaint in good faith in the GATT. We have prevailed in two panel proceedings and have been supported by a large number of other contracting parties. However, the EC has repeatedly made clear that our exporters cannot expect relief from the effects of EC subsidies and that the EC will not take action necessary to restore the equilibrium in our contractual trading relationship.

In light of the continuing impasse, and in order to avoid a complete discrediting of the General Agreement, the United States is left with no choice but to take at least a limited step to restore the balance unilaterally upset by the Community so many years ago.

United States Trade Representative Carla Hills will be announcing later today in Washington that the United States intends to impose a 200 per cent ad valorem tariff on imports from the EC valued at some 300 million dollars annually effective 5 December 1992. The specific products in question are imports from the EC member States of white wine, rapeseed oil, and wheat gluten. Imports of these products from non-EC sources will not be subject to higher duties.

I want to stress the restraint inherent in this announcement. First, the United States continues to hope that the next thirty days can be used to avert tariff increases. Our delay also provides time for binding GATT arbitration of the value of the impairment suffered by the United States should this be accepted by the EC. Second, our action will affect trade amounting to less than one-third of the estimated one billion dollars in annual trade damages suffered by our exporters as a result of the EC oilseeds régime.

The United States hopes that the EC will not make the mistake of misinterpreting our restraint in this action. The action is designed to leave room for a negotiated solution. If negotiations fail, we will have to take further action. In the event that the EC takes any action to further impair the access of US exporters to the Community market -- action which would be completely without justification or authority -- the United States will respond.

Through its actions in this dispute, the European Community has completely and totally frustrated the operation of the GATT's multilateral dispute resolution mechanism. The EC's actions have seriously undermined the credibility of the General Agreement and called into question its value as a contract among trading partners. While I have repeatedly emphasized the United States' desire to resolve this question amicably in the GATT's multilateral framework, it now falls to the European Community to review its position and to honour its international obligations under the GATT contract.