Working Party on EEC Citrus Waiver Request

**UNITED STATES STATEMENT ON THE TRADE IMPACT OF THE SYSTEM OUTLINED BY THE EC COMMISSION IN SPEC(69)122**

**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 CXT 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.