

EXPRESSING THE SENSE OF THE SENATE WITH RESPECT  
TO REMOVAL OF DISCRIMINATORY EEC PREFERENCES  
AGAINST U.S. CITRUS EXPORTS

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MARCH 30, 1971.—Ordered to be printed

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Mr. LONG, from the Committee on Finance,  
submitted the following

## REPORT

[To accompany S. Res. 89]

The Committee on Finance, having considered the short- and long-term effects of certain agreements negotiated by the European Economic Community involving discriminatory preferential tariff concessions on citrus fruits, reports favorably a resolution expressing the sense of the Senate with respect to the prompt removal of such discriminatory preferences and action to be taken by the United States if such discriminatory preferences are not promptly removed.

### PURPOSE OF THE RESOLUTION

This resolution calls on the President to promptly make every effort to obtain the removal of the discriminatory import preferences maintained by the European Economic Community with respect to citrus fruits and, should such efforts not succeed, to exercise, within 60 days of the date of this resolution his authority to increase U.S. import duties or impose other import restrictions against products entering the U.S. market from the European Economic Community.

## GENERAL STATEMENT

## BACKGROUND

On September 1, 1969, the European Economic Community entered into discriminatory agreements with Tunisia and Morocco, granting to those countries an 80 percent reduction in the European Community's common external tariff on fresh oranges and lemons. Contrary to accepted principles in international trade, these duty reductions were not given to all trading nations. In return, these two countries gave certain discriminatory concessions to the European Common Market. These actions are a clear violation of trade agreements and they impair concessions granted to the United States in trade agreements negotiated under the trade agreements program.

Because these discriminatory arrangements also would have adversely affected the trade of Spain and Israel, the EEC granted a 40-percent reduction in its common external tariff on oranges and lemons to these countries. Recognizing the illegality of these preferences to Spain and Israel, the EEC requested a waiver from its most-favored-nation obligations under the GATT. The United States and a number of other countries opposed this. When it became apparent that the waiver would not be granted, the European Community withdrew its request and said it would withdraw the duty reductions to Spain and Israel. However, these preferential concessions to Spain and Israel were withdrawn only after the major part of the U.S. citrus shipping season was over and for all practical purposes the withdrawal was not effective. Moreover, on October 1, 1970, as part of broader agreements the European Community reinstated the 40-percent preference for oranges and lemons from Spain and Israel, and gave a preference to Israel for grapefruit. These preferences also violate trade agreements negotiated with the United States.

EEC TARIFF PREFERENCES, DURING U.S. MARKETING SEASON FOR CITRUS FRUITS

[In percent]

	Oranges		Lemons		Grapefruit	
	Applicable rate	Preference margin	Applicable rate	Preference margin	Applicable rate	Preference margin
United States.....	15	None	8	None	6	None
Morocco.....	3	80	1.6	80	6	None
Tunisia.....	3	80	1.6	80	6	None
Spain.....	9	40	4.8	40	6	None
Israel.....	9	40	4.8	40	3.6	40

<sup>1</sup> Oranges, Apr. 1 to Oct. 15<sup>2</sup> Post Kennedy round rate

## IMPACT OF DISCRIMINATORY PREFERENCES ON CITRUS FRUITS

The effect of these preferential rates has already been felt by U.S. exporters of citrus fruit. It is anticipated that in the future the effects will be much greater.

In the 1969-70 season the European Community increased its import tonnages of fresh oranges from Morocco, Tunisia, Spain, and

Israel by 19 percent over the previous year while, during this same period, U.S. shipments of oranges to the Community declined by 33 percent. On a dollar basis U.S. exports of fresh oranges to the Community declined by \$4.7 million in 1969-70 as compared with the previous year. Thus, the countries receiving the preferences gained considerably in their trade while U.S. sales were cut by one-third. Other countries not party to the preferential arrangements such as Brazil and Cyprus also have suffered a decrease in their orange exports to the Community. An end to the discrimination is urgently needed as about two-thirds of total U.S. orange exports to the Community move during the brief span of only 4 months—April, May, June, and July. These 4 months, therefore, are highly critical for U.S. shippers. If the preferences are not removed immediately, U.S. exporters will suffer from a repetition of the experience of last season which showed a pattern of greater-than-usual imports into the EEC of fresh oranges from Morocco, Tunisia, Spain, and Israel, an extension of the shipping season from these sources into the U.S. season, and a decline, both relative and absolute, in U.S. sales in an expanding Community market.

#### BROADER IMPLICATIONS OF EEC PREFERENCES

The European Economic Community has now entered into special preferential arrangements with no less than 28 nations. The Community is expanding into a worldwide discriminatory trading bloc which could ultimately include countries from Latin America and the Far East as well as most of Europe. These discriminatory arrangements are snowballing to the point where the United States will find its access to world markets severely restricted.

The special preferential arrangement entered into with these nations, including the Mediterranean countries involve two-way discrimination. The European Community exacts trade concessions from the country to which it grants preferential import concessions. Thus, U.S. exports are subject to double injury.

The citrus fruit problem involves the important principle of non-discrimination in international trading relations. Further erosion of this principle will surely break up the world into competitive trade blocs each seeking to outdo the other in granting special discriminatory preferences to third countries. This has very clear, but uncomfortable, consequences for the political cohesion of the free world.

The committee is concerned that existing U.S. statutes, international agreements, and institutional arrangements are not being adequately employed to deal with these pressing current problems in international trade. The executive branch must be more aggressive in protecting the trading interests of the United States from unfair trade practices such as the discriminatory bilateral trade agreements negotiated by the European Community.

#### REMEDIES AVAILABLE UNDER EXISTING LAW

The Congress has provided certain remedies to cope with the problem of discrimination in international trade. Specifically, in 1962 the

Congress enacted Section 252 of the Trade Expansion Act which provides, *inter alia*,

(a) Whenever unjustifiable foreign import restrictions impair the value of tariff commitments made to the United States, oppress the commerce of the United States, or prevent the expansion of trade on a mutually advantageous basis, the President shall—

(1) take all appropriate and feasible steps within his power to eliminate such restrictions,

(2) refrain from negotiating the reduction or elimination of any United States import restriction under section 201(a) in order to obtain the reduction or elimination of any such restrictions, and

(3) notwithstanding any provision of any trade agreement under this Act and to the extent he deems necessary and appropriate, impose duties or other import restrictions on the products of any foreign country or instrumentality establishing or maintaining such foreign import restrictions against United States agricultural products, when he deems such duties and other import restrictions necessary and appropriate to prevent the establishment or obtain the removal of such foreign import restrictions and to provide access for United States agricultural products to the markets of such country or instrumentality on an equitable basis.

Section 338 of the Tariff Act of 1930, provides, *inter alia*,

(a) **ADDITIONAL DUTIES.**—The President when he finds that the public interest will be served thereby shall by proclamation specify and declare new or additional duties as hereinafter provided upon articles wholly or in part the growth or product of, or imported in a vessel of, any foreign country whenever he shall find as a fact that such country—

(1) Imposes, directly or indirectly, upon the disposition in or transportation in transit through or reexportation from such country of any article wholly or in part the growth or product of the United States any unreasonable charge, exaction, regulation, or limitation which is not equally enforced upon the like articles of every foreign country; or

(2) Discriminates in fact against the commerce of the United States, directly or indirectly, by law or administrative regulation or practice, by or in respect to any customs, tonnage, or port duty, fee, charge, exaction, classification, regulation, condition, restriction, or prohibition, in such manner as to place the commerce of the United States at a disadvantage compared with the commerce of any foreign country.

(b) **EXCLUSION FROM IMPORTATION.**—If at any time the President shall find it to be a fact that any foreign country has not only discriminated against the commerce of the United States, as aforesaid, but has, after the issuance of a proclamation as authorized in subdivision (a) of this section, maintained or increased its said discriminations against the

commerce of the United States, the President is hereby authorized, if he deems it consistent with the interests of the United States, to issue a further proclamation directing that such products of said country or such articles imported in its vessels as he shall deem consistent with the public interests shall be excluded from importation into the United States.

(c) **APPLICATION OF PROCLAMATION.**—Any proclamation issued by the President under the authority of this section shall, if he deems it consistent with the interests of the United States, extend to the whole of any foreign country or may be confined to any subdivision or subdivisions thereof; and the President shall, whenever he deems the public interests require, suspend, revoke, supplement, or amend any such proclamation.

(d) **DUTIES TO OFFSET COMMERCIAL DISADVANTAGES.**—Whenever the President shall find as a fact that any foreign country places any burden or disadvantage upon the commerce of the United States by any of the unequal impositions or discriminations aforesaid, he shall, when he finds that the public interest will be served thereby, by proclamation specify and declare such new or additional rate or rates of duty as he shall determine will offset such burden or disadvantage, not to exceed 50 per centum ad valorem or its equivalent, on any products of, or on articles imported in a vessel of, such foreign country; and thirty days after the date of such proclamation there shall be levied, collected, and paid upon the articles enumerated in such proclamation when imported into the United States from such foreign country such new or additional rate or rates of duty; or, in case of articles declared subject to exclusion from importation into the United States under the provisions of subdivision (b) of this section, such articles shall be excluded from importation.

(e) **DUTIES TO OFFSET BENEFITS TO THIRD COUNTRY.**—Whenever the President shall find as a fact that any foreign country imposes any unequal imposition or discrimination as aforesaid upon the commerce of the United States, or that any benefits accrue or are likely to accrue to any industry in any foreign country by reason of any such imposition or discrimination imposed by any foreign country other than the foreign country in which such industry is located, and whenever the President shall determine that any new or additional rate or rates of duty or any prohibition hereinbefore provided for do not effectively remove such imposition or discrimination and that any benefits from any such imposition or discrimination accrue or are likely to accrue to any industry in any foreign country, he shall, when he finds that the public interest will be served thereby, by proclamation specify and declare such new or additional rate or rates of duty upon the articles wholly or in part the growth or product of any such industry as he shall determine will offset benefits, not to exceed 50 per centum ad valorem or its equivalent, upon importation from any foreign country into the United States of such articles; and on and after

thirty days after the date of any such proclamation such new or additional rate or rates of duty so specified and declared in such proclamation shall be levied, collected, and paid upon such articles.

The citrus fruit industry has actually sought relief through the remedy provided by section 252 described above. In June of 1970, the industry petitioned the President for action under this provision. In August of 1970 a hearing was granted the industry. The Trade Information Committee which includes representatives of the Departments of State, Commerce, Treasury, Agriculture, Labor, Defense, Interior, and the Office of Special Trade Representative unanimously agreed that discrimination existed in this case. However, despite this unanimity no relief has been obtained for the U.S. citrus fruit industry.

The executive branch has discussed the matter with our European trading partners but has been totally unsuccessful in obtaining any guarantee that the discrimination will be removed. Apparently, the European Economic Community either does not believe the executive branch will impose retaliatory measures against the goods of the Community entering into this country or does not care if it does. In any event they are unwilling to remove the discriminatory preferences granted to the Mediterranean countries.

#### SENATE HEARING

Concerned about the lack of relief, the Subcommittee on Agricultural Exports of the Senate Agriculture Committee held a complete hearing on this matter. That hearing brought out the unanimity in the executive branch on the question of discrimination and on the urgent need for its removal. It also brought out the widespread support the citrus industry had from the rest of the U.S. agricultural community legitimately concerned about the highly discriminatory and protectionist agricultural policies adopted by the European Community.

#### COMMITTEE RESOLUTION

Consequently, the Committee on Finance, which has legislative jurisdiction over the trade agreements program, approved this resolution, without objection.

The committee resolution expresses the intent of the Senate that the President should within a period of 60 days obtain the removal of the discriminatory preferences on citrus fruits or retaliate. The committee intends this to include full retaliation against the goods entering into this country from the European Economic Community. Such retaliation should take into account not only the existing loss of U.S. exports but also the loss in potential growth in future exports which we could reasonably expect in the absence of the discrimination. The committee does not feel that retaliation should affect the trade of innocent countries.