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European Union

Trade Policy Monitoring

EU warns US over FSC case, threatens sanctions in March 2004

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Report Highlights:

The European Trade Commissioner, Pascal Lamy, has announced Commission proposals to start implementing retaliatory tariffs against certain US exports to the EU as part of the US/EU dispute over the FSC scheme. The EU will begin to impose tariffs of 5% on a range of products rising by 1% per month over the following year.

This is designed to try to put pressure on Washington to repeal the current FSC rules which have been ruled illegal by the WTO.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E2]

European Commission has announced proposals to impose tariffs on certain U.S. exports to the EU in the Foreign Sales Corporations (FSC) WTO dispute between the EU and the U.S.

While the Commission has the right under WTO rules to impose up to \$4 billion worth of trade sanctions in the form of higher tariffs, the Commission have adopted the approach of setting a deadline of 1 March 2004 from which date the sanctions will be progressively imposed, starting at 5% in March 2004 and rising by 1% per month to a ceiling of 17% in March 2005.

The proposals now need to be approved by the Council.

This approach is designed to try and put pressure on Washington to adopt legislation that is WTO compliant. The FSC scheme gives US exporters tax breaks that have, been ruled illegal by the World Trade Organization.

According to EU Trade Commissioner, Pascal Lamy, "The Commission hopes to pass a very clear message to the US that their continued failure to implement 3 years after the expiry of the original WTO deadline is unacceptable. I have just been to Washington and have clearly explained our position. Still, we have opted for a measured approach and have actually left the door open for US action before countermeasures are to be applied in March 2004. I hope the US will seize this opportunity".

The full list of targeted products is available at:

<http://mkaccdb.eu.int/dsu/doc/ds108-26.doc>

The agricultural products targeted are listed below.

Visit our website: our website www.useu.be/agri/usda.html provides a broad range of useful information on EU import rules and agricultural policy and allows easy access to USEU reports, trade and other practical information.

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E23086	Grain and Feed Annual	6/02/2003

List of Agricultural Products on the EU's FSC list

CN Chapters	Description chapter					1000 €
1	Live animals					19,823
	01019019 01061100	01061200 01061990	01062000 01063100	01063200 01063990	01069000	
2	Meat and edible meat offal					35,581
	02032211 02032955 02032959	02032990 02044310 02050011	02050019 02083000 02084090	02085000 02089040 02089095	02101981	
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included					4,510
	04021019 04022119 04031091 04039091	04041002 04061020 04062090 04069021	04069069 04069081 04069086 04069087	04081180 04089180 04090000 04100000		
5	Products of animal origin not elsewhere specified or included					12,206
	05010000 05021000 05029000	05040000 05051010 05051090	05059000 05079000 05080000	05090010 05119110 05119910		
7	Edible vegetables and certain roots and tubers					28,542
	07020000 07031019 07061000 07069090 07081000 07082000 07092000	07094000 07095910 07095990 07096010 07096099 07099060 07099090	07102100 07102200 07102900 07108051 07108059 07108085 07108095	07109000 07114000 07115900 07119080 07123100 07123200 07123300	07123900 07129030 07131090 07132000 07133100 07139090 07141099	
8	Edible fruit and nuts; peel of citrus fruits or melons					16,006
	08011100 08011900 08012100 08013200 08030019 08030090 08042090	08043000 08044000 08051030 08052090 08055010 08055090 08059000	08071900 08072000 08091000 08092005 08093010 08093090 08094005	08104030 08111011 08111090 08112031 08119050 08119070 08119080	08121000 08131000 08134095 08135099	
10	Cereals					3,052
	10081000	10082000	10083000			
11	Products of the milling industry; malt; starches; inulin; wheat gluten					907
	11023000 11032040	11062090 11063010	11071099 11081990			
12	Oil seeds and oleaginous fruits; miscellaneous grains; seeds and fruit; industrial or medical plants; straw and fodder					51,765
	12040090 12051090 12059000 12071090 12072090 12074090	12076090 12079920 12079998 12091000 12092280 12092311	12092600 12099910 12101000 12111000 12112000 12113000	12114000 12119075 12122000 12129980 12130000 12141000	12149091 12149099	
15	Animal or vegetable fats and oils and their cleavage products;					23,770

	prepared edible fats; animal or vegetable waxes					
	15010011	15071090	15121991	15153010	15159091	
	15020090	15079090	15131930	15153090	15200000	
	15041010	15081090	15131999	15154000	15211000	
	15041099	15111010	15132991	15155019	15219091	
	15050010	15119099	15141990	15155099	15219099	
	15050090	15121191	15149990	15159040	15220099	
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates					7,119
	16023119	16041411	16052010	16054000		
	16024110	16041416	16052091	16059030		
	16030010	16043010	16052099			
17	Sugars and sugar confectionery					17,035
	17011190	17024010	17049065	17049081		
	17019910	17029099	17049071	17049099		
	17022090	17041019	17049075			
19	Preparations of cereals, flour, starch or milk; pastrycooks' products					22,475
	19011000	19022099	19043000	19053191	19059020	
	19012000	19023010	19049080	19053199	19059030	
	19019091	19023090	19051000	19053211	19059045	
	19021910	19041010	19053111	19053219		
	19021990	19041090	19053119	19053299		
	19022091	19042099	19053130	19059010		
20	Preparations of vegetables, fruit, nuts or other parts of plants					53,577
	20011000	20055900	20060038	20093119	20094999	
	20019070	20056000	20079939	20093199	20097199	
	20019096	20057010	20079958	20093931	20097919	
	20021010	20057090	20079993	20093939	20097999	
	20021090	20059050	20091200	20094110	20098038	
	20031030	20059070	20091998	20094199	20098071	
	20041099	20059080	20093111	20094930	20098097	
21	Miscellaneous edible preparations					9,068
	21011111	21022011	21042000	21069020		
	21011119	21023000	21050010	21069059		
	21021090	21039010	21050091			
23	Residues and waste from the food industries; prepared animal fodder					104,451
	23011000	23040000	23063000	23065000	23099041	
	23012000	23050000	23064100	23066000		
	23031090	23061000	23064900	23070090		
35	Albuminoidal substances; modified starches; glues; enzymes					1,650
	35011050	35011090	35019090	35030080	35071000	
41	Raw hides and skins (other than furskins) and leather					33,043
	41044119	41063210	41071910	41079990	41141090	
	41044919	41063290	41071990	41120000	41142000	
	41051090	41071119	41079110	41131000	41151000	
	41053099	41071190	41079190	41132000	41152000	
	41063110	41071219	41079210	41139000		
	41063190	41071291	41079910	41141010		

Source: <http://mkaccdb.eu.int/dsu/doc/ds108-26.doc>
 DG Trade, European Commission