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TAC 135/1

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ACTION:

AMEmbassy BONN	PRIORITY
AMEmbassy BRUSSELS	PRIORITY
AMEmbassy LUXEMBOURG	PRIORITY
AMEmbassy PARIS	PRIORITY
AMEmbassy ROME	PRIORITY
AMEmbassy THE HAGUE	PRIORITY
USMission GENEVA GATT	PRIORITY

BRUSSELS ALSO FOR USEC - PARIS ALSO FOR USRO

REF: a) BONN 2046

b) CIRCULAR 1005

FROM HERTER

1102-POULTRY US
G 13-13 US
GATT
FT 7-2 US
FT 7-2 US

POULTRY

1. We are concerned by Lahr's expression of indignation over suspension of US tariff concessions. We would like to be able give him more satisfactory reply than cold comfort of reiterated assurances that result was governed by technical and not political considerations. But this is the fact, and we can only note sadly that much as EEC became honestly caught up in complexities of poultry CAP, so did we become caught up in complexities of suspension list.

2. Absolutely no substance to charge that Italians (or Belgians) requested and have now received special treatment.

3. We do appreciate helpful role of Germans in general and Lahr in particular on range of issues Lahr cites.

IMCO-POULTRY US
FT 7-2 US
FT 13-13 IN
GER
FT 7-2 US

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Clearances:

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E - Mr. Greenwald

GER - Mr. O'Mahony

AGRIC - Mr. DeFelice (except FYI sentence para 8b)

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4. Difficult to provide requested QTE clear demonstration UNQTE that no other selection of items would have resulted in more equitable burden of suspensions among Six. We suspect Germans will not be satisfied by technical explanations however complete, and we are concerned that to open our decision to detailed review might plunge us deeper into controversy on a variety of points. ~~Therefore~~ ^{Therefore} we strongly advise against using following material.

5. Nevertheless, if essential in Embassy's view, you may review with Lahr original list from which items for suspension were to be withdrawn (CA-1506, Aug 6). German share of \$112 million total was \$29.4 million. Of this, \$12.9 million was trucks. Balance of \$16.5 million consisted of 19 items ranging in trade value from \$4 thousand to \$3.9 million. Any combination of these items that would total \$10.4 million (40% of \$26 million, which would be proportional to German share of total EEC exports to US) would have made package more out of proportion to total exports of other EEC countries to US than it is now, or would have greatly increased third country impact, or both.

6. For example, largest of 19 items was wine (\$3.9 million), but inclusion of wine on list would have serious impact on third countries and would make French share of burden even more out of proportion with normal trade patterns than German share is now. Second largest of 19 items

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is silver halide papers (\$2.7 million), which would disproportionately hit Belgians and also third countries. Imports of third largest item -- stainless steel cloth (\$2.1 million) -- involve US Government procurement, requirements for US defense purposes, some manufacture by US interests abroad and third country interests. Of remaining 16 items affecting Germany, none amounts to as much as \$2 million in trade, and inclusion of any number of them to reach \$10.4 million total would have multiplied problems outlined above.

7. Thus, once original \$1.2 million list established and hearings held, technical considerations led to conclusion that Germany's trade should be included in package in form of trucks. Prior to GATT determination, when we were planning \$46 million package, German share would have been almost exactly proportional (42%) to share of total EEC exports to US. Within limitations of \$26 million package, however, German share inevitably had to be larger. We regret this result, but we are sure FRG happier with 54% of \$26 million package than with 42% of \$46 million package.

8. Re Lahr's suggestion that way must be found to settle matter and your para 5 refertel A, following points can be made:

a. We continue to prefer to avoid suspensions and would gladly consider any significant offer that the EEC makes to reduce its poultry levies. To be significant, reductions would have to be substantially more than 11 pfennig cuts called for in any case under CAP regulations. We do not see that West Berlin reduction or 11 pfennig would offer grounds

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for delay, although they would if combined with adequate guaranteed global access assurances.

b. Alternatively, under GATT rules, EEC may offer compensation on other products. We would consider any such offer, but of course it would be far easier to gain acceptance for it within US government, which will be difficult in any case, if compensation items include significant agricultural product or products. FYI We would be tempted by Hartogh suggestion to have EEC withdraw tariff increases on chemical items made in retaliation against US (See HAGUE'S 935 to Dept) END FYI

c. In any case, timing of suspensions (now scheduled for January 7) cannot practicably be altered, and if suspensions are to be prevented, settlement must be made before that date.

9. If suspensions put into effect, we sincerely hope that all concerned will realize package is best that could be done in unfortunate situation and will accept losses with best possible grace. Thereafter, as promptly as possible, we should move on to less vexed subjects than poultry concentrating on larger issues in Kennedy Round.

10. FYI Fritz Berg has informed Gov Herter that suspension list would be acceptable at least to him if Volkswagon minibuses excluded. See separate telegram to follow ~~XXXXXXXXXXXX~~ for Herter reply. END FYI
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END

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