COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.12.2004
COM(2004) 822 final

2004/0282 (ACC)

Proposal for a

COUNCIL REGULATION

amending and suspending the application of Regulation (EC) No 2193/2003 establishing additional customs duties on imports of certain products originating in the United States of America

(presented by the Commission)

EXPLANATORY MEMORANDUM

The World Trade Organization (WTO), in a number of rulings issued upon application of the European Communities ("the EC") , has found the Foreign Sales Corporation subsidy scheme of the United States of America ("the US"), as such and as amended by the Foreign Sales Corporation and Extraterritorial Income (FSC-ETI) legislation to provide an illegal export tax subsidy to US firms to the tune of roughly US $ 4 billion per year (as of year 2000). Following those rulings, on 7 May 2003 the EC was granted by the WTO the right to impose countermeasures, in the form of additional import tariffs of up to 100% *ad valorem* on imports of certain goods from the United States (selected after consultation of the public, Member States and the Commission services), up to the amount of the US illegal subsidy. Consequently, on 8 December 2003 the EC adopted Council Regulation (EC) No. 2193/2003 establishing additional customs duties on imports of certain products originating in the United States of America[1].

Council Regulation No. 2193/2003 provides for the repeal of the countermeasures upon the United States' full implementation of the recommendation of the WTO Dispute Settlement Body[2].

Legislation foreseeing the repeal of the FSC-ETI legislation has now been adopted by the US (The American JOBS Creation Act of 2004 – "the repeal Act"). The repeal of the FSC subsidy scheme represents a major and welcome step towards solving a long standing dispute. The repeal Act, however, includes transitional and grandfathering provisions which appear to be WTO incompatible. In particular, the repeal Act provides that FSC/ETI benefits will still be available to US exporters up to the end of 2006 (at the level of 80% and 60% for 2005 and 2006 respectively) and in some cases for an unlimited period thereafter. A WTO dispute settlement procedure on the repeal Act has, therefore, been initiated. The WTO dispute settlement procedure will rule on the WTO compatibility of the transitional and grandfathering provisions of the JOBS Act. In light of prior Appellate Body rulings, it can be expected that the WTO will rule that such provisions in the JOBS Act are WTO incompatible.

The Commission considers it appropriate to suspend the application of current EC countermeasures while the WTO dispute settlement proceedings are ongoing, and this despite the US refusal to do the same in respect of its retaliation against the EC on hormone beef. There are 3 reasons for this proposed suspension: 1) As a sign of recognition that the US has, to an extent, decided to live up to its international obligations in this case; 2) As an encouragement to the US to continue to do the same in other (current) cases of US non-compliance (such as Byrd, hormones); 3) For systemic reasons (that is countermeasures should not be applied in the absence of a WTO ruling).

These dispute settlement proceedings are expected to be concluded in 2005. It should be noted that the suspension of countermeasures is an autonomous act, which in no way affects the EC right to maintain countermeasures pursuant to the authorisation already granted by the DSB. Thus, countermeasures will be reintroduced by 1st January 2006 (or later if dispute settlement proceedings have not been concluded by then) at 60% of the currently authorised level unless the EC decides otherwise.

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[1]   OJ No. L 328, 17.12.2003, p. 3.
[2]   Article 3 of Council Regulation No. 2193/2003.

The purpose of reintroducing countermeasures is to induce the US to fully comply with its WTO obligations and, in particular, to take action to eliminate the distortion of competition arising from the maintenance of FSC/ETI subsidies. Therefore, prior to the reintroduction of countermeasures, the Commission shall present a report to the Council on the outcome of dispute settlement proceedings as well as on any other development. Obviously countermeasures should not be reintroduced if competent WTO institutions have found that the repeal Act is WTO compatible or if a mutually agreed solution is found which would remove the continued violation.

It is, therefore, proposed to suspend Council Regulation 2193/2003 (until 31 December 2005, or until 60 days after the WTO confirms the WTO-incompatibility of the remainder of the FSC subsidy, whichever comes later) and re-introduce countermeasures - at a reduced level so as to reflect the reduced FSC/ETI benefits made available to US exporters - as from 1 January 2006, unless the Council following a proposal from the Commission decides otherwise before that date.

Suspension of the countermeasures requires action by the Council under Article 133 of the EC Treaty. A new Council Regulation, therefore, suspending Council Regulation 2193/2003 needs to be adopted following a proposal from the Commission.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission[3],

Whereas:

(1)   On 7 May 2003, the Community was authorised by the Dispute Settlement Body of the World Trade Organisation (WTO) to impose countermeasures up to a level of USD 4,043 million in the form of additional 100% *ad valorem* [changed to italics] duties on certain products originating in the United States of America. Consequently, on 8 December 2003 the Community adopted Council Regulation (EC) No 2193/2003 establishing additional customs duties on imports of certain products originating in the United States of America.[4]

(2)   It is considered that, following the adoption of the American Jobs Creation Act of 2004, the application of additional duties should be suspended and only take effect again on 1 January 2006 or 60 days after the Dispute Settlement Body of the WTO confirms, whichever date is later, the incompatibility of certain aspects of the abovementioned Act with WTO law.

HAS ADOPTED THIS REGULATION:

Article 1

1.   The application of Regulation (EC) No 2193/2003 is hereby suspended.

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[3]   OJ C …, …, p. ….
[4]   OJ No. L 328, 17.12.2003, p. 3.

Article 2

2.   Regulation (EC) No 2193/2003 shall be applicable again with effect from 1 January 2006 or 60 days after the confirmation by the Dispute Settlement Body of the WTO, whichever date is later, that certain aspects of the American Jobs Creation Act of 2004 of the United States of America are inconsistent with the United States' WTO obligations.

3.   Before the expiry of that deadline, the Commission shall publish a notice in the Official Journal of the European Union that such confirmation has been given.

4.   Article 2.1 of Regulation (EC) No 2193/2003 is amended as follows:

"1. A 14% ad valorem duty additional to the customs duty applicable under Council Regulation (EEC) No. 2913/92[5] shall be imposed on the products originating in the United States of America listed in the Annex to this Regulation."

Article 3

5.   The Annex to Regulation (EC) No 2193/2003 is replaced by the Annex set out in the Annex to this Regulation.

Article 4

6.   This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

7.   Article 3 shall apply with effect from the date Regulation (EC) No 2193/2003 becomes applicable again in accordance with Article 2(1).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

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[5]   OJ No L 302, 19.10.1992, p.1.

ANNEX

The products on which additional duties are to apply are identified by their eight-digit CN codes. The two-digit CN Chapters are given for information purposes only., The description of these codes can be found in Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff (as last amended by Commission Regulation (EC) No 1810/2004, OJ L 327, 30.10.2004, p. 1).

CN Chapters	Description chapter			
1				
	01019019	01061200	01063100	01063990
	01061100	01061990	01063200	01069000
2				
	02032211	02032990	02083000	02089040
	02032955	02044310	02084090	02089095
	02032959		02085000	02101981
4				
	04021019	04041002	04069069	04081180
	04022119	04061020	04069081	04089180
	04031091	04062090	04069086	04090000
	04039091	04069021	04069087	04100000
5				
	05010000	05040000	05059000	05090010
	05021000	05051010	05079000	05119110
	05029000	05051090	05080000	05119910

7					
	07020000	07094000	07102100	07109000	07123900
	07031019	07095910	07102200	07114000	07129030
	07061000	07095990	07102900	07115900	07131090
	07069090	07096010	07108051	07119080	07132000
	07081000	07096099	07108059	07123100	07133100
	07082000	07099060	07108085	07123200	07141099
	07092000	07099090	07108095	07123300	
8					
	08011100	08043000	08072000	08111011	08131000
	08011900	08044000	08091000	08111090	08134095
	08012100	08052090	08092005	08112031	08135099
	08013200	08055010	08093010	08119050	
	08030019	08055090	08093090	08119070	
	08030090	08059000	08094005	08119080	
	08042090	08071900	08104030	08121000	
10					
	10081000	10082000	10083000		
11					
	11023000	11062090	11071099		
	11032040	11063010	11081990		

12				
	12051090	12079920	12099910	12129980
	12059000	12079998	12111000	12130000
	12071090	12091000	12112000	12141000
	12072090	12092280	12113000	12149090
	12074090	12092311	12114000	
	12076090	12092600	12122000	

15					
	15010011	15071090	15131930	15154000	15211000
	15020090	15079090	15131999	15155019	15220099
	15041010	15081090	15141990	15155099	
	15041099	15111010	15149990	15159040	
	15050010	15119099	15153010	15159091	
	15050090	15121191	15153090	15200000	

16				
	16023119	16041411	16052010	16054000
	16024110	16041416	16052091	16059030
	16030010	16043010	16052099	

17				
	17011190	17024010	17049065	17049081
	17019910	17029099	17049071	17049099
	17022090	17041019	17049075	

19					
	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					
	20011000	20056000	20079939	20094110	20098038
	20019070	20057010	20079993	20094199	20098071
	20021010	20057090	20093111	20094930	20098097
	20021090	20059050	20093119	20094999	
	20031030	20059070	20093199	20097199	
	20041099	20059080	20093931	20097919	
	20055900	20060038	20093939	20097999	
21					
	21011111	21022011	21042000	21069020	
	21011119	21023000	21050010	21069059	
	21021090	21039010	21050091		
23					
	23011000	23050000	23064100	23066000	
	23012000	23061000	23064900	23070090	
	23031090	23063000	23065000	23099041	
33					
	33012310	33012931	33074100		

34					
	34012010	34060011	34060019	34060090	
35					
	35011050	35011090	35019090	35030080	35071000
41					
	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	
42					
	42010000	42022210	42029180	42032910	42050000
	42021110	42022900	42029211	42032991	42061000
	42021190	42023100	42029215	42032999	42069000
	42021291	42023210	42029298	42033000	
	42021990	42023290	42031000	42034000	
	42022100	42029110	42032100	42040010	
43					
	43039000				

44					
	44011000	44071038	44083931	44112990	44182010
	44012100	44071091	44083935	44122210	44182050
	44012200	44072490	44083955	44122291	44182080
	44013010	44072690	44083985	44122299	44183010
	44013090	44072905	44083995	44122300	44183091
	44020000	44072969	44091011	44122920	44183099
	44031000	44072983	44091018	44122980	44185000
	44032031	44072985	44092011	44129210	44189010
	44032039	44072995	44092091	44129291	44189090
	44032099	44079131	44092098	44129299	44190090
	44034100	44079200	44102100	44129920	44201011
	44034910	44079930	44102900	44129980	44209091
	44034995	44079950	44103100	44140010	44209099
	44039210	44079996	44103200	44140090	44211000
	44039951	44081015	44103300	44151090	44219091
	44042000	44083121	44103900	44152020	
	44071015	44083125	44111110	44152090	
	44071031	44083130	44111910	44181050	
	44071033	44083921	44112110	44181090	

48					
	48010000	48042110	48061000	48102980	48169000
	48024010	48042190	48062000	48103100	48181090
	48024090	48042910	48064010	48109210	48184011
	48026180	48042990	48064090	48109290	48184013
	48030010	48044110	48081000	48109990	48184019
	48041190	48051200	48092010	48111000	48201010
	48041911	48051910	48092090	48131000	48202000
	48041915	48051990	48099000	48143000	48204010
	48041919	48052400	48101420	48149090	
	48041931	48052500	48101480	48162000	
	48041990	48059320	48101910	48163000	
49					
	49070010				
52					
	52079000				
54					
	54061000				

57					
	57011010	57019090	57023900	57025900	57032019
	57039010	57021000	57024100	57029100	57039090
	57013180	57023110	57024200	57029290	57049000
	57011090	57023210	57029210	57029900	57050010
	57019010	57023290	57025100	57031000	57050090
61					
	61011090	61041200	61044900	61081100	61141000
	61012010	61041300	61045100	61082100	61152019
	61012090	61041900	61045200	61082900	61152090
	61019010	61042100	61045300	61083100	61159100
	61019090	61042200	61045900	61089200	61169100
	61021010	61042300	61046100	61112090	61169200
	61022090	61042900	61059090	61113090	61171000
	61031100	61043100	61062000	61119000	61172000
	61033100	61043200	61069090	61121100	61178010
	61033200	61043900	61071200	61121200	61178090
	61033900	61044100	61071900	61121900	61179000
	61034100	61044200	61072100	61123190	
	61041100	61044400	61079200	61124990	

62					
	62011100	62032990	62042380	62069010	62113100
	62011900	62033100	62043290	62069090	62113241
	62019100	62033210	62043310	62071100	62113342
	62019900	62033290	62043919	62071900	62113900
	62021210	62033310	62043990	62072100	62114100
	62021290	62033390	62044100	62072200	62123000
	62021310	62034110	62044990	62079100	62132000
	62021390	62034190	62045100	62081100	62141000
	62021900	62034233	62045200	62082100	62142000
	62029100	62034259	62045300	62082200	62143000
	62029200	62034331	62045910	62082900	62144000
	62029900	62034919	62045990	62089200	62149010
	62031200	62034990	62046110	62089900	62149090
	62031910	62041100	62046233	62092000	62152000
	62031990	62041200	62046950	62093000	62159000
	62032210	62041300	62051000	62099000	62179000
	62032280	62041990	62059010	62102000	
	62032310	62042100	62059090	62111100	
	62032380	62042210	62061000	62111200	
	62032911	62042280	62062000	62112000	

63					
	63012090	63023990	63031100	63049300	63061900
	63019090	63024000	63031200	63049900	63062100
	63021000	63025100	63039100	63052000	63062200
	63022100	63025390	63039210	63053289	63064900
	63022290	63025900	63039290	63053290	63069100
	63022990	63029100	63039990	63053399	63069900
	63023100	63029310	63041910	63059000	63090000
	63023210	63029390	63041990	63061100	63109000
	63023290	63029900	63049200	63061200	
64					
	64019210	64029100	64035911	64052091	64069910
	64019290	64029931	64035950	64052099	
	64019900	64029991	64035991	64061011	
	64021210	64031200	64039196	64061019	
	64021290	64032000	64039996	64061090	
	64022000	64033000	64042010	64062010	
	64023000	64034000	64042090	64062090	
69					
	69021000	69059000	69119000	69120090	69141000
	69022091	69060000	69120010	69131000	69149010
	69041000	69101000	69120030	69139010	
	69049000	69109000	69120050	69139093	

70					
	70021000	70052935	70109051	70132951	70169080
	70031990	70052980	70109053	70132959	70181011
	70033000	70053000	70109055	70132991	70181019
	70042099	70071920	70109057	70132999	70181030
	70049010	70071980	70109061	70133110	70181051
	70049092	70080081	70109067	70133190	70181059
	70049098	70080089	70109071	70133200	70181090
	70051025	70101000	70112000	70133910	70189090
	70051030	70102000	70131000	70133991	70193100
	70051080	70109041	70132111	70133999	70199030
	70052130	70109043	70132119	70139190	70200030
	70052180	70109045	70132191	70159000	
	70052925	70109047	70132199	70161000	
71					
	71012100	71059000	71132000	71162090	71189000
	71012200	71069220	71141900	71171910	
	71031000	71081380	71151000	71171999	
	71039100	71101980	71161000	71179000	
	71039900	71110000	71162011	71181010	
	71049000	71131100	71162019	71181090	

72					
	72022910	72082700	72163291	72189911	72249018
	72022990	72083900	72163310	72192110	72249090
	72023000	72085299	72163390	72192190	72251910
	72024910	72089000	72165010	72192210	72253010
	72024950	72091500	72165099	72192290	72253090
	72025000	72091690	72166110	72192300	72254040
	72026000	72091790	72166190	72193100	72254060
	72028000	72091899	72166900	72201100	72255000
	72029100	72092500	72171010	72210010	72269120
	72029200	72092690	72171039	72210090	72269191
	72029300	72092790	72171050	72221119	72269199
	72029930	72111900	72171090	72221910	72279095
	72029980	72139990	72172030	72223051	72283020
	72031000	72141000	72172050	72223091	72283089
	72061000	72142000	72172090	72224010	72284010
	72071116	72143000	72173049	72241010	72284090
	72071210	72149110	72173090	72241090	72285020
	72071919	72163211	72179090	72249003	72291000

73					
	73021021	73053100	73089010	73158290	73221900
	73021023	73053900	73102111	73160000	73231000
	73030010	73061011	73102191	73170020	73239100
	73030090	73063021	73102199	73170061	73239200
	73041010	73063059	73121079	73181100	73239410
	73041030	73063071	73121082	73181290	73239490
	73043959	73063090	73121084	73181300	73239910
	73043991	73065099	73121086	73191000	73239991
	73043993	73066032	73121088	73192000	73242100
	73043999	73066034	73142090	73209010	73251050
	73044910	73066091	73143100	73211110	73251092
	73045112	73066099	73143900	73211200	73261100
	73045191	73069000	73144110	73218110	73261910
	73045932	73072310	73144190	73218190	73262030
	73045993	73079311	73152000	73218290	
	73051100	73079319	73158100	73218300	
	73051900	73084010	73158210	73219000	
74					
	74011000	74032100	74072110	74091100	74152100
	74031100	74032200	74072210	74092100	74152900

74031200	74032300	74072290	74111019	74181900
74031300	74050000	74081100	74112190	74191000
74031900	74071000	74081990	74112900	74199100

76				
	76012010	76042910	76071910	76129098	76152000
	76012099	76051100	76082030	76141000	
	76020011	76051900	76082091	76149000	
	76020019	76061193	76101000	76151100	
	76041090	76061210	76121000	76151910	
	76042100	76071110	76129010	76151990	

82				
	82011000	82023900	82075030	82119180	82152010
	82012000	82051000	82076030	82119200	82152090
	82013000	82053000	82078011	82119400	82159100
	82014000	82055100	82079010	82141000	82159910
	82015000	82055910	82100000	82142000	82159990
	82019000	82074010	82111000	82151020	
	82023100	82074090	82119130	82151030	

83				
	83011000	83030090	83061000	83091000	
	83013000	83051000	83062100	83099010	
	83030030	83059000	83062910		

84					
	84021200	84194000	84322100	84501119	84615011
	84031010	84198191	84322930	84512110	84615019
	84031090	84198927	84333090	84513030	84623991
	84073210	84201010	84342000	84514000	84629110
	84073290	84209110	84378000	84518010	84641090
	84073310	84219130	84379000	84521019	84642020
	84073491	84221100	84383000	84521090	84642095
	84081011	84229010	84384000	84522100	84649020
	84081019	84231010	84401020	84522900	84659110
	84081024	84238110	84401030	84531000	84659300
	84081028	84238130	84401040	84532000	84659500
	84081039	84238150	84411030	84543010	84659910
	84081049	84238190	84411040	84551000	84661010
	84081091	84238210	84413000	84552200	84662091
	84081099	84238290	84425029	84553010	84669120
	84082031	84243005	84431200	84563011	84672210
	84082035	84243090	84431910	84563019	84672910
	84082051	84248191	84431931	84573090	84681000
	84082055	84251190	84431935	84581920	84691200
	84089036	84251991	84431939	84581940	84692000
	84089099	84261100	84432100	84581980	84693000
	84109010	84261900	84439010	84589120	84702100
	84128010	84262000	84440010	84589180	84702900
	84137040	84263000	84451100	84589900	84703000

	84137050	84269110	84451300	84591000	84704000
	84137070	84269990	84453090	84592100	84721000
	84137080	84271010	84454000	84593100	84732190
	84142091	84271090	84461000	84593900	84742010
	84146000	84272011	84462100	84594010	84743200
	84161010	84272019	84462900	84594090	84751000
	84163000	84272090	84463000	84595100	84773000
	84181099	84282030	84471210	84595900	84778019
	84182151	84283991	84471290	84596110	84798930
	84182159	84284000	84481100	84596910	84798960
	84182191	84285000	84481900	84602911	84801000
	84182199	84286000	84483100	84602919	84803090
	84182200	84289079	84483310	84603100	84805000
	84182900	84295210	84483390	84603900	84806010
	84183091	84301000	84484200	84609090	84806090
	84184091	84306900	84484900	84613090	84807110
	84185011	84311000	84485110	84614011	84818011
	84185019	84313910	84485190	84614071	84859010
	84185099	84321010	84485900		
	84191100	84321090	84501111		

85					
	85022092	85161011	85192100	85271391	85281295
	85043400	85161019	85193100	85271900	85281298
	85053000	85162100	85193900	85272170	85299051
	85061091	85162910	85194000	85272198	85366110
	85061095	85162950	85199200	85273111	85393210
	85063090	85163200	85199339	85273119	85393250
	85064090	85164010	85199389	85273198	85434000
	85066090	85164090	85199912	85273290	85438915
	85068011	85165000	85201000	85273920	85445920
	85068015	85166010	85202000	85273980	85451910
	85073093	85166051	85203211	85279092	85462091
	85074090	85166059	85203219	85281220	85481021
	85079091	85166070	85203230	85281254	85481029
	85091090	85166080	85203299	85281256	85481099
	85094000	85166090	85203311	85281258	
	85099090	85167100	85203319	85281262	
	85101000	85167200	85203390	85281266	
	85121000	85167920	85211030	85281270	
	85142080	85167970	85229093	85281281	
	85152910	85171910	85232010	85281290	
	85153918	85172200	85254019	85281291	
	85158091	85181020	85271290	85281294	

95					
	95010010	95033090	95039032	95059000	95066910
	95010090	95034910	95039034	95061110	95067010
	95021010	95034930	95039035	95061129	95067030
	95021090	95034990	95039037	95061200	95069910
	95029100	95035000	95039051	95061900	95072010
	95029900	95036010	95039055	95064010	95073000
	95031010	95036090	95042010	95064090	95033030
	95031090	95037000	95042090	95065100	95039010
	95032090	95038010	95049010	95065900	95051090
	95033010	95038090	95051010	95066210	95066290

FINANCIAL STATEMENT	
	DATE XXX 2004

1.	BUDGET HEADING: 1.2.0		APPROPRIATIONS:	
2.	TITLE: **COUNCIL REGULATION suspending Regulation 2193/2003 establishing additional customs duties on imports of certain products originating in the United States of America**			
3.	LEGAL BASIS:**Article 133**			
4.	AIMS: **Suspend Regulation 2193/2003 establishing additional customs duties** on certain US products as a result of the US adopting a law repealing the FSC/ETI scheme until WTO compliance procedures are completed.			

5.	FINANCIAL IMPLICATIONS	12 MONTH PERIOD (EUR million)	CURRENT FINANCIAL YEAR 2004 (EUR million)	FOLLOWING FINANCIAL YEAR 2005 (560 million EUR)
5.0	EXPENDITURE - CHARGED TO THE EC BUDGET (REFUNDS/INTERVENTIONS) - NATIONAL AUTHORITIES - OTHER	**Nil**	**Nil**	**Nil**
5.1	REVENUE - OWN RESOURCES OF THE EC (LEVIES/CUSTOMS DUTIES) - NATIONAL	Nil	Nil	Nil

		2004	2005		
5.0.1	ESTIMATED EXPENDITURE	**Nil**	**Nil**		
5.1.1	ESTIMATED REVENUE	Nil	Nil		
5.2	METHOD OF CALCULATION: 560 million EUR. Estimated maximum revenue increase through additional duties on certain US products multiplied by trade value (that will not be collected in 2005)				

6.0	CAN THE PROJECT BE FINANCED FROM APPROPRIATIONS ENTERED IN THE RELEVANT CHAPTER OF THE CURRENT BUDGET?	Not Applicable
6.1	CAN THE PROJECT BE FINANCED BY TRANSFER BETWEEN CHAPTERS OF THE CURRENT BUDGET?	Not Applicable
6.2	WILL A SUPPLEMENTARY BUDGET BE NECESSARY?	NO
6.3	WILL APPROPRIATIONS NEED TO BE ENTERED IN FUTURE BUDGETS?	NO
OBSERVATIONS:		