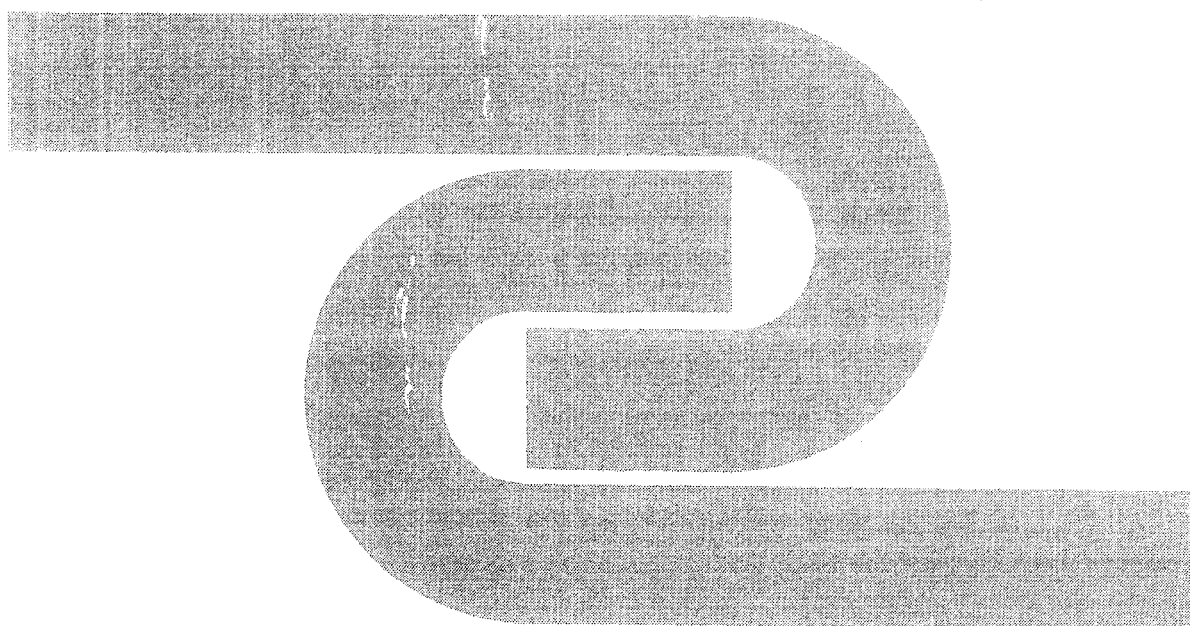


ECONOMIC AND SOCIAL COMMITTEE  
OF THE EUROPEAN COMMUNITIES

**RELATIONS BETWEEN THE  
EUROPEAN COMMUNITY AND  
THE UNITED STATES**



Brussels 1983

The European Communities' Economic and Social Committee,  
chaired by Mr François CEYRAC, approved this Opinion at its  
209th Plenary Session, which was held on 6 and 7 July 1983.

The preliminary work was done by the Section for External  
Relations, having Mr Hans-Werner STARATZKE as Rapporteur.

This publication is also available in :  
Danish, Dutch, French, German, Italian and Greek.

A bibliographical slip can be found at the end of this volume.

Texts appearing in this document may be reproduced freely in  
whole or in part so long as their source is mentioned.

Catalogue Number : ESC-83-014-EN

GENERAL CONTENTS

	<u>Page</u>
<u>Foreword</u> .....	I
Part I : A. <u>OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE ON RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND THE UNITED STATES</u> .....	1
B. <u>REPORT OF THE SECTION FOR EXTERNAL RELATIONS (Rapporteur : Mr Hans-Werner STARATZKE)</u> ..	8
C. <u>RECORD OF THE PROCEEDINGS</u> .....	30
Part II : <u>INFORMATION REPORT OF THE SECTION FOR EXTERNAL RELATIONS (Rapporteur : Mr Claude EVAIN)</u> ....	33

FOREWORD

EEC-USA Relations are developing at such a pace that a Committee Opinion can do no more than outline the situation.

This brochure contains the Own-initiative Opinion adopted by the Committee in July 1983, the accompanying Report by Mr STARATZKE (Germany, Employers) and the original Information Report drafted by Mr EVAIN (France, Employers) for the Section for External Relations.

The brochure includes also excerpts from the debate on EEC-USA relations held during the Plenary Session of 7 July 1983.

The statements reflect the personal views of those who participated in the debate but they are of course indicative of the views of the representatives of economic and social interests which, in view of the close economic ties between these two major blocs, merit close consideration at all stages of EEC-USA relations.

François CEYRAC

Chairman  
of the  
Economic and Social Committee

PART I

- A. OPINION OF THE ECONOMIC AND SOCIAL  
COMMITTEE ON RELATIONS BETWEEN THE  
EUROPEAN COMMUNITY AND THE UNITED  
STATES
  
- B. REPORT OF THE SECTION FOR EXTERNAL  
RELATIONS  
(Rapporteur : Mr Hans-Werner STARATZKE)
  
- C. RECORD OF THE PROCEEDINGS

CONTENTS OF PART I

	<u>Page</u>
A. <u>OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE ON RELATIONS BETWEEN THE EUROPEAN COMMUNITY AND THE UNITED STATES</u> .....	1
B. <u>REPORT OF THE SECTION FOR EXTERNAL RELATIONS (Rapporteur : Mr Hans-Werner STARATZKE)</u> .....	8
I. <u>INTRODUCTION</u> .....	9
II. <u>DISPUTES AND DISAGREEMENTS BETWEEN THE TWO PARTNERS</u> .....	10
III. <u>BILATERAL ISSUES</u> .....	11
IV. <u>MULTILATERAL ISSUES</u> .....	21
V. <u>SUGGESTIONS FOR PROMOTING UNDERSTANDING BETWEEN THE COMMUNITY AND THE UNITED STATES</u> .....	27
C. <u>RECORD OF THE PROCEEDINGS</u> .....	30

A. OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE ON RELATIONS  
BETWEEN THE EUROPEAN COMMUNITY AND THE UNITED STATES

This Opinion on Relations between the European Community and the United States, is a resumé and contains findings of the Information Report and the Report referred to in the preamble. The three documents are complementary, and should be considered as a whole.

In many respects relations between the European Community and the United States are based on deep-seated solidarity both political and economic. Cooperation is essential in view of the interdependence of the two partners' economies and efforts are required on both sides of the Atlantic.

The Committee observes that the main causes of disagreement lie either in (a) differing policies, resulting from differing interests or (b) conflicting interpretations of the facts often generating misunderstandings.

The occasional disputes between the two partners should therefore be seen in perspective, though this does not mean that they should be played down.

Bilateral issues

Ever since the inception of the Community the Common Agricultural Policy (CAP) has frequently been - and will probably continue to be - a source of polemics between the USA and Europe. Currently it is a major bone of contention.



The USA is loath to accept the existence of the CAP and the rapid increase in agricultural production in the Community. American agricultural products come up against competition from Community exports on the world markets. The harder dollar has also made American exports more expensive. Faced with this predicament, the USA has submitted an official complaint to the GATT about the Community and the CAP, accusing the Community of seizing an unfair proportion of the world market. It is worth noting, however, that US exports to non-Community countries have risen more sharply in recent years than Community exports to these markets.

As the world's major agricultural exporters, the USA and the Community should work together for the smooth development of international trade in agricultural products, which could be given concrete form in international commodity agreements. Such agreements should also improve the position of developing countries. The GATT Committee on Agricultural Products could be a vehicle for discussions.

After arduous negotiations, the Community agreed to voluntary restraint on steel exports to the USA till the end of 1985. The Community accepted this as a "lesser evil". It should now demonstrate determination and unity in this question, and make sure this arrangement is respected. It should already be giving thought to the type of relations it would like to see established in this sector, especially after the US authorities' recent decisions restricting imports of special steels, which are greatly to be deplored.

As the Community's advanced technology sector is lagging behind that of the USA (and Japan), it is vital to embark on an industrial policy also based on closer

cooperation between Community-based firms. Any tension which this policy may generate with the United States could be alleviated if, as the Committee suggests, the Community pursued a policy of cooperation (on an equal footing) with the USA, particularly in the field of research and development.

Other sectors where conflicts periodically arise include cars, petrochemicals and synthetic fibres, textiles and clothing, footwear, services and sea and air transport. The Committee feels that the two partners should seek to resolve disputes by holding joint discussions on a case-by-case basis. It is clear from previous instances that agreement is possible, given goodwill.

#### Multilateral issues

The Committee notes that Congress, the Administration and the courts of law have given American laws, regulations and jurisprudence precedence over some of the United States' international obligations. Interpretation of the GATT rules drawn up at the outcome of the Tokyo Round are a case in point. For example, the Americans interpret the concept of "injury", in connection with anti-dumping and anti-subsidies measures, differently from their main trade partners.

The Committee would recommend that the Commission continue to press the United States to fall in line with commonly-accepted international practice.

The Committee is concerned by calls in Congress for bilateral reciprocity with a number of the United States'

trade partners. This could disrupt the international trade system.

The Committee would urge the Commission to study in detail the documents currently before Congress, so as to be fully aware of their implications.

The United States seriously underestimates the importance for the Community of trade with Eastern Europe. The American embargo imposed on Community firms in the case of the Siberian gas pipeline was all the more unacceptable as the Member States were not consulted beforehand and as it amounted to making American legislation applicable worldwide and retroactively.

The forthcoming renewal in September 1983 of the 1979 Export Administration Act, which provided the legal basis for the embargo, is naturally giving rise to serious concern among Community businessmen and politicians, and in the public at large.

The Committee endorses the endeavours on the part of the Community and Member States to persuade Congress to make the EAA more sensitive to Europe's interests.

It is to be hoped that the Community and the United States will adopt a common approach to Japan, as bilaterally-negotiated voluntary restraint agreements between Tokyo and one of the partners will inevitably affect the other partner.

Views on development cooperation differ sharply. The USA fails to appreciate the full scale of development problems and should, in the Committee's view, contribute more

energetically to the success of the North-South dialogue. Here the Committee regrets the disappointing outcome of the Sixth UN Conference on Trade and Development (UNCTAD).

It is in the interests not just of the USA but of the entire world economy that the fight against inflation be continued. Here the USA has given preference to monetary policy measures (strict control of the money supply, high interest rates) rather than fiscal policy measures (tax legislation, spending cuts). A tight monetary policy, coupled with a hefty budget deficit, has in the past few years, led to an excessive rise in interest rates. The negative consequences of this have not been confined to the United States. There can be no doubt that high interest rates have discouraged investment (and continue to do so), besides contributing to soaring unemployment, in the United States and the Community alike.

The USA obviously underestimated the possible implications of their policies for the economy of their main trading partners.

The Committee would therefore like to see a regular, intensive dialogue between those in positions of responsibility in the USA and the Community with a view to achieving fair concessions on both sides.

In this connection, the Committee appeals to the USA and the Community to adopt a joint stand on : (a) world economic recovery; (b) determination of new macro-economic priorities, starting with employment; (c) more stable parities between the major currencies (dollar, ECU, Yen, etc.) and

(d) improvement of development cooperation (including the question of the LDC's debt burden).

Lastly, the Committee regards the recent Williamsburg Summit as a disappointment since the Community clearly has not yet succeeded in convincing the USA of the need for a joint approach.

Suggestions for improved relations with the United States

If it is to play its full role in dealings with the USA, the Community will have to rely in the first place on itself. It therefore has to promote implementation and consolidation of its common policies especially in the industrial sector. These are the prerequisites for pursuit of a genuine common policy on trade to non-member countries, which will enable the Community to act as a united bloc. In this connection, the Committee would refer to its Opinion on the Proposal for a Council Regulation (EEC) on the Strengthening of the Common Commercial Policy with Regard in Particular to Protection Against Unfair Practices(1).

The Committee would reiterate that GATT is the keystone of international trade. GATT rules can only be fully effective if all contracting parties accept this. The Community, as the world's largest trading power, and the USA have a responsibility to the rest of the world in the fight against protectionist temptations.

The Committee considers that a bigger two-way flow of investment between the Community and the USA - with the

---

(1) CES 475/83

Community giving encouragement to US interests would do much to increase cooperation and mutual understanding.

The Committee is convinced that greater stability in international trade and finance would be in the interests of both the USA and the Community. New strategies to this end should therefore be devised by the two partners and would, for instance, help to restore confidence at a time when many countries are virtually bankrupt.

For all these reasons, the Committee is convinced that the Community should engage in a permanent dialogue with the USA and that this dialogue should embrace not only politicians and civil servants but also economic and social interest groups. The Committee also recommends a systematic two-way flow of information to enhance the public's understanding of the realities. These recommendations are expanded in the Report of the Section for External Relations.

The Committee would conclude by stressing that (a) a united European stand bolsters the Member States' negotiating position and (b) a strong Community is crucial to international peace and security. It hopes that the USA will revert to the positive attitude to European integration displayed at the Community's inception and provide the support that was forthcoming in those days.

\*

\*

\*

B. REPORT OF THE SECTION FOR EXTERNAL RELATIONS  
(Rapporteur : Mr Hans-Werner STARATZKE)

The Section for External Relations prepared an Information Report in 1982 on relations between the European Community and the United States (see Part II). This report is still highly topical. However, several passages have to be adapted or amplified to take account of recent events.

The present document is built on the conviction that the points of agreement between the two partners far outweigh their differences. An introductory chapter is devoted to the things which the United States and the European Community have in common. Three chapters take a look at areas where there are differences and at the dossiers which are pending. The final chapter contains a number of recommendations for overcoming existing and potential sources of conflict.

## I. INTRODUCTION

The relations between the United States and the EEC are of a highly political nature, founded upon a dual solidarity:

- western solidarity, which forms the backdrop to these relations, and affects the security of Europe;
- solidarity arising from common interests on both sides of the Atlantic:
  - . a high and comparable level of social progress;
  - . a social market economy based, as a general rule, on free enterprise and open international trade;
  - . intensive trade, due to the size of the two partners' markets and a certain complementarity of the economies;
  - . a fundamental commitment to democracy and respect for human rights (the fundamental tenets of the EEC).

Solidarity in the western world has existed for more than two centuries and is a guarantee of the future of the two peoples.

The trade problems which beset EEC/US relations must be put in perspective, without under-rating their importance. They occur both in American and European markets, and in those of third countries. They concern major industrial sectors and impinge on the underlying principles of Community and US farming policies. Although most trade operates in accordance with the GATT rules, which both parties have endorsed, in practice the US still disputes certain of the agreements reached at previous multilateral negotiations.



At a time when world trade is threatened by protectionism, the two trade partners cannot evade the responsibility inherent in the scale of their mutual trade and their international economic standing. The attitude of the present Congress gives cause for concern in the light of this.

The United States and the Community have been hit simultaneously and to a comparable degree by the economic recession. It would be greatly in their interests to join forces and pull themselves out of the slump.

The interdependence of their economies should encourage both sides to seek the kind of collaboration that is to be expected between partners.

## II. DISPUTES AND DISAGREEMENTS BETWEEN THE TWO PARTNERS

Some disputes have been sparked off by differing policy approaches, others by conflicts of interest in one sector or another (see Chapter III).

The United States can draw on a vast and constantly up-dated panoply of legal and other provisions for the purpose of taking effective action to stem the tide of certain imports and mitigate the effects of others. The Information Report on relations between the European Community and the United States outlines the most significant of these provisions.

In contrast, the Community still lacks a sufficiently effective common trade policy. This is mainly due to the effect of industrial economic and monetary policies (which are, by and large, controlled by the Member States) on trade. Nonetheless, Community policy makers are showing a growing awareness of the need for a united front to US demands and certain US barriers. With this in mind, the Section for External Relations is anxious that Community machinery be set up to safeguard and promote the Member States' trade interests.

The United States has an advantage over the Community in that its institutional system makes decision-taking more rapid and effective - decisions are sometimes taken in response to pressure from specific interest groups - even if this does not always lead to a consistent trade policy. The Community often has to try and strike a delicate balance between Member States whose national interests have to be weighed up before a common stand can be achieved. Thus, it cannot always play a role commensurate with its economic and commercial strength.

Despite large-scale trade, frequent contacts and real common interests, policy makers on both sides of the Atlantic sometimes take a different attitude to certain issues. A tendency to underestimate the others' problems while over-dramatizing their own seems to be prevalent on both sides.

All in all, trade relations with the United States are difficult for the Community. Many sectors of the European economy are under constant threat. The Section would therefore recommend that the various Community bodies remain alert to any possible developments.

### III. BILATERAL ISSUES

#### Agriculture

Despite its substantial surplus on its food trade with the Community, for many years the United States has been critical of the Common Agricultural Policy (CAP), which came under attack at every single round of GATT talks. On each occasion, a comparatively peaceful solution was reached only by virtue of concessions on the part of the Community (1) Initially, the US Administration strove to ensure that its agricultural products had continued access to the markets of

---

(1) E.g.: fats, oils and soya bound at zero duty.

the Community which, in principle, increasingly favours its own farmers. The refunds paid on exports of Community food surpluses to non-Community countries are the most recent source of attacks, on the grounds that these refunds have allowed the Community to seize an unfair share of the world market. This argument would not seem to be borne out by statistics since US sales to non-Community countries have outpaced Community exports to these countries in recent years.

US exports have also become more expensive because of the relative rise in the value of the dollar. Naturally this is a source of anxiety to the United States which like any other industrial country, has its farming and farm incomes problems. Statistics show that although in aggregate the Community spends more than the United States on its agriculture, it spends less per capita of the farm labour force.

The United States' coordinated infrastructure, level of modernization and crop rotation system give it the edge over the Community's variegated agriculture(1). The American agricultural system is also heavily geared towards products for export (cereals, soya). The foundations of the CAP are not negotiable with non-EEC countries because the CAP offers income guarantees to a substantial part of the EEC population. This was borne out by the united stand adopted by the Ten during the GATT talks held in Geneva at the end of November, when the United States tried yet again to challenge the CAP.

The United States is, in fact, concerned that the Community might introduce a levy on vegetable oils (which are zero-rated under GATT) in order to safeguard the interests of EEC butter and olive oil producers.

---

(1) This is particularly true of cereals, whether for bread-making or for animal feed.

Community refunds on beef and veal have stabilized world prices to a certain extent. As the United States is an importer of beef it is not in competition with the Community, and therefore indirectly benefits from these EEC measures.

EEC/US relations are more complex where sugar is concerned. There has been a dispute in this sector for a number of years. In 1981, the Community issued a new Regulation making European producers responsible for financing exports. The United States retaliated in 1982 by re-introducing import quotas, which effectively barred Community imports. The matter has been referred to GATT.

The US has recently started to over-produce dairy products which are now in competition with European produce on third markets. Nevertheless, its interests coincide with those of the EEC: either exports should cost the taxpayer less, or output should be cut.

US cereal exports are five times those of the Community and are cheaper, in real terms, to produce. There is now a major US plan to reduce cereal acreage (under certain conditions, farmers will be given so many bushels per unplanted acre). This has been successful up to a point. The Commission aims to cut back cereal production in the Community by reducing real prices.

Although American farmers (like their European counterparts) benefit from federal and state incentives, agricultural revenue has plummeted in the past ten years.

In conclusion, it is in the interests of the United States and the Community, as the world's main agricultural exporters, to seek to establish more peaceful conditions for international trade. This could be done by concluding international agreements for individual products.

US/EEC cooperation would naturally be of world-wide benefit. It should assist developing countries. Discussions to this end could be held under the GATT Committee on agricultural products.

### Steel

The world steel sector is a sensitive one, owing on the one hand to the drop in demand, and on the other to the emergence of new producer countries. The difficulties in EEC-USA trading relations, which are only one aspect of this bad overall situation, are also due to the United States' sluggishness in adapting, and making adequate investments, in recent years. There have often been clashes between the two partners. The plethora of anti-dumping and anti-subsidy suits brought by US producers against Community imports led to a temporary "truce" in October 1982. The Community undertook to restrict its exports of ten categories of goods to the United States up to 31 December 1985; in return, US producers agreed not to bring any further suits concerning these products during the intervening period.

It is worth noting that:

- the Community considers the above suits to be incompatible with the GATT Code of Conduct signed at the close of the Tokyo Round; this is particularly true of the US definition of "damage". Similarly, there is disagreement on the meaning of the term "subsidy".
  
- the Community steel industry too is in a grave crisis.

The voluntary restraint solution accepted by the Community may have been the "least bad" compromise in the circumstances. The European steel industry has reluctantly accepted "voluntary" restrictions as the only means of penetrating the barrier put up by the United States and

maintaining a steady, albeit reduced, flow of European steel exports to the US. In future, however, the Community will have to display firmness and unity in this matter since US producers make no secret of their ambition to force the Community to make other concessions on special steel exports to the United States. The Commission is therefore holding a series of preliminary talks with the United States authorities.

### Cars

Agreements between American manufacturers and the Japanese could indirectly disadvantage European manufacturers on their own and other markets (1)

There is a likelihood of more intense competition in the future from medium-sized American cars designed for European tastes. Recent years have seen heavy investment by American investors in this sector in the United States, Europe and the rest of the world.

On 15 December 1982 the House of Representatives adopted a bill requiring that foreign cars sold in the United States should incorporate a minimum percentage of American components. This particular Bill lapsed because a new Congress was elected; another, identical, draft was however tabled on 2 February 1983. These provisions, scheduled to take effect in 1984, would set a 3.3% minimum limit per consignment of 100,000 cars, rising to 10% per 100,000 cars in 1986, with a fixed ceiling of 90%. If they became law, these provisions would contravene Articles III and XI of the GATT.

Vigilance is needed, however, since although protectionism may so far be little more than a speck on the

---

(1) On this point see the Committee's Opinion on Economic and Commercial Relations between the European Community and Japan (OJ No. C 230 of 10 September 1981)

horizon, it could become a real danger if other sectors of the US economy were too severely hit by foreign competition. Should this occur, it would be difficult to prevent protectionist measures being taken in the EEC and elsewhere, which would inevitably disrupt the world economy.

#### Advanced technology

Progress in advanced technology (particularly sectors such as microelectronics, data processing, telecommunications, fibre optics and biotechnological methods) has been more rapid in the United States (and Japan) than in the EEC. This is partly due to aid programmes, either direct (American military programmes) or indirect (MITI in Japan). Although the United States no longer lead in all fields of advanced technology, they are determined at all costs to retain their hegemony in certain fields (e.g. aeronautics).

Disputes might be engendered by European determination to develop these activities independently. Already, customs duties are often higher in the EEC than in the United States and Japan (for example, 17% as opposed to 4.2% for semi-conductors). The Community's industrial policy, like that of the individual Member States, aims to promote growth in advanced technology sectors - if necessary by means of incentives.

The Section urges that efforts to achieve this aim be stepped up, even if it exacerbates tension between the United States and Europe. Nevertheless the Section would appeal to the two partners to join forces in Research and Development - but on an equal footing!

#### Petrochemicals and synthetic fibres

The United States continues to have a two-tier price system for natural gas, which favours petrochemicals and the

production of chemical fibres using gas-based ethylene. This results in serious distortions of competition for Community producers(1)

Although energy prices are in the process of falling at the moment, the problem still exists, may be exacerbated by a further fall in the dollar.

The situation was even more alarming prior to January 1981 because regulated prices, which were lower than international market prices, applied to domestically-produced crude oil in addition to natural gas.

The two-tier price system (practised in various other countries which produce raw materials) is a way of subsidizing domestic industries and as such contravenes the GATT regulations by discriminating against foreign competition.

The EEC Commission, which has in the past had talks with the American Administration on the "de-regulation" of the price of oil, should be vigilant in this case, as it also involves important principles.

American exports of petrochemicals and synthetic fibres are known forms of dumping which the Community has countered in accordance with the GATT regulations, by anti-dumping and anti-subsidy measures with particular regard to the following products:

---

(1) See the Information Report compiled by the Section for External Relations on EEC - US Relations (See Appendix).



- textured polyester yarns
- non-textured polyester yarns
- textured polyester yarn fabrics
- polyacrylic textile fibres and continuous filament tow.

#### Textiles and clothing

As the world arrangement on textiles (MFA) is not an instrument of trade policy, the Community cannot employ counter dumping and subsidized imports from industrialized countries. The Community must therefore use its own anti-dumping and anti-subsidy laws.

As regards the continuing discrepancy between the external tariffs of the USA and the Community in the textiles and clothing sector, the Community should make use of every opportunity to urge the USA to lower its tariffs. Although Greece, on its accession, adopted the lower Community external tariff (1), this unfortunately did not lead to concessions by the USA (and Japan). The USA (and Japan) were not prepared to grant tariff reductions, so that in the end the Community retaliated by binding several of its own tariff rates in GATT at a higher level. The Community, must, however, uphold its rights in view of the forthcoming accession of Spain and Portugal, where the volume of goods involved will certainly be larger, and demand tariff reductions from the USA in the textiles and clothing sector. Failing this, the Community should provide for compensatory measures.

#### Shoes

In July 1981, the United States scrapped the OMAS (voluntary restraint) which had been applied to imports from Taiwan and South Korea. That means that American industry

---

(1) With respect to a number of textiles, United States tariff protection is far higher than that in the Community.

cannot ask the ITC (International Trade Commission) to take new measures before July 1983.

In 1982, the strengthening of the dollar led to an upsurge in imports (+28%). European exports admittedly increased by 15%, but South Korea and Taiwan were the major export beneficiaries (+106% and +54% respectively).

American industry reacted in two ways :

- by seeking to increase administrative barriers to imports;
- by lodging a complaint under Section 301 of the Trade Act primarily against Taiwan, South Korea, Japan and Brazil, but also against the European Community and three of its Member States in particular (Italy, France and the United Kingdom). The Administration rejected the complaint against the Community, whilst proceeding with its investigations into the accusations of deflection of trade levelled by American industry.

As a result, the Community faces the double risk of a cut in its exports to the United States and of an influx of Taiwanese and S. Korean imports originally destined for the United States.

### Services

The United States has sought the liberalization of international trade in services and international investments under the GATT. The GATT Ministerial Conference of November 1982 decided to continue its research into this matter with a view to reaching a decision in 1984.

The Community's economic and social interest groups are in favour of gradual liberalization in principle, if all parties, including the LDCs, subscribe to it. Steps should

anyway be taken to ensure that various US states and regional authorities under the federal administration are bound by the GATT. At present, the federal states, as signatories to the GATT, are formally bound to their Level (Level II) only, i.e. they have undertaken to respect the code to the best of their ability.

As far as shipping is concerned, it should be remembered that the United Nations Convention on a Code of Conduct for Liner Conferences enters into force in October 1983. It is important that as many countries as possible adhere to this international legal regime.

Yet it appears that the USA continues to regard the UN Code as a protectionist regime which justifies, on its side, following a protectionist path and entering into bilateral cargo-sharing arrangements with any country willing to participate.

Talks between the USA and other OECD countries, including EEC countries, are continuing; it is hoped that an understanding with the USA can be reached to the effect that there should be no discrimination as between the parties' shipping lines in each other's trades.

### Investments

Although American investment in the Community, and in the rest of the world, has decreased in response to the international economic recession, the Section feels that investment is still a vital aspect of United States/Community relations. The current trading problems between the two partners should not be allowed to inhibit bilateral investments.

As is the case with trade problems, misunderstandings or lack of information tend to discourage

the United States from embarking on fresh investments in the Community. Community policies likely to have a bearing on investment should be drafted so as to bring home the reality of the situation to potential investors.

American investment has already contributed to the development of certain Community regions, and a favourable climate should be created to encourage this pattern.

#### IV. MULTILATERAL ISSUES

##### Trade reciprocity

In the GATT ministerial declaration (see above) the United States was among those who reiterated the need to maintain free trading relations on a multilateral basis. But the trend towards reciprocity continues to surface in Congress, which is the highest authority in foreign trade matters in the United States. The United States seeks to obtain greater reciprocity from its trading partners on a bilateral basis, in the light of a country-by-country examination of obstacles to exports and American overseas investments.

The Section urges the Commission to scrutinize the documents currently before Congress with particular care, and to draw the appropriate conclusions.

##### Domestic International Sales Corporations (DISC)

Since 1972, American law has provided tax relief (in particular exemption from company tax) for profits made on exports from the United States. The relevant law is known as "DISC" (Domestic International Sales Corporations).

The Commission believes this to be a form of export subsidy, an opinion which is shared by Canada and other

contracting parties to the GATT. In a GATT report published in December 1981, the impact of DISC legislation was found, in some instances, to be incompatible with US commitments under Article XVI-4 of the Agreement. In 1982, the Community submitted complaints under the GATT and requested authorization to take retaliatory measures. As a result of constant Community pressure, the US Government has drafted a bill which replaces the DISC arrangement and would be consistent with GATT provisions.

#### Unitary taxation

Finally, a number of US states tax companies on profits made outside as well as inside the USA. This amounts to double taxation, and is inconsistent both with the OECD recommendations on this point and with current practice.

#### Relations with Japan (1)

For strategic reasons, above all, the US is in a strong position vis-à-vis Japan and has much greater "pull" than Europe. Nevertheless, both the US and the EEC are adopting a similar attitude towards Japan in seeking bilateral solutions based on voluntary restraint. The piecemeal approach to the issues involved and the palliatives which have been adopted give an impression of inconsistency. The measures taken to date should be looked on as stop-gap arrangements, pending genuine solutions.

#### Trade, financial and industrial relations with the LDCs

To the extent that one can talk about a definite policy as such, the US appears to be changing its thinking on development cooperation:

---

(1) On this point see the Committee's Opinion on Economic and Commercial Relations between the European Community and Japan (OJ No. C 230 of 10 September 1981).

- official development aid is giving way to a trade approach ("trade not aid")
- there is a shift towards bilateral relations with the LDCs,
- an attempt is being made to play down the work of the big international organizations such as the World Bank group;
- a distinction is now made between the stage of development reached by the individual LDCs.

For its part, the Community maintains stable and contractual "multilateral" relations with the ACP countries, which it is seeking to expand. It makes no hard and fast distinction between rich and poor LDCs. It is also conscious that a substantial injection of funds will be needed for many years to come before the LDC economies develop the production capacity and trade necessary for autonomy.

#### East-West trade

Trade with the countries of Eastern Europe (including the USSR) is clearly more important (in value terms) for the Community than for the USA. That is why in pursuing this trade the Community maintains a balance between its political and its economic interests, whereas for the USA political considerations definitely predominate.

Thus in the case of the Siberian gas pipeline, the USA adopted measures inspired largely if not exclusively by political considerations and deliberately disregarded European interests. At the same time, moreover, the USA lifted its embargo on grain supplies to the USSR.

The USA had views concerning the extraterritorial applicability of its legislation that were not acceptable to the Community. The extremeness of the USA position was

highlighted all the more clearly by the fact that the embargo imposed on several Member States by the USA was retroactive in certain respects and on that score, too, was unacceptable to the Community. The embargo measures were lifted in November 1982 subsequent to two formal complaints (July and August 1982) by the Community to the US Government.

The impending renewal, in September 1983, of the 1979 Export Administrative Act (the legal basis for applying the embargo) is thus causing deep concern on political, economic and social circles in the Community. It involves two major issues:

- the extra-territorial application of US legislation, and
- the retroactive application of such legislation.

The Community's trade relations with the countries of Eastern Europe should be developed within the framework of the common commercial policy. These trade relations could, however, be more homogeneous:

- if the Community were to give more detailed thought to certain types of transaction - agricultural exports, technology transfers, etc.;
- if each East European country were to accept the Commission's longstanding proposal regarding the negotiation of bilateral agreements (as Roumania has done).

As regards East-West relations in general, the Section regrets that the work on harmonization and coordination in this sphere is being carried out in too large a number of international bodies (for example, OECD for export credits, COCOM for strategic goods, GATT for general trade rules, etc.).

Monetary matters

There is something of a dilemma as far as US economic policy is concerned. It is in the interests of not only the USA but also the world economy that the fight against inflation should be continued in the USA. However, the policy pursued by the Federal Reserve, based essentially on monetary policy and, in particular, on the control of the money supply, led to the drastic increase in interest rates. The adverse consequences of this increase, especially on employment, have by no means been confined to the USA. The measures taken by the Federal Reserve have destabilized the exchange rates between the major currencies and thereby slowed down economic activity and pushed up unemployment. The entire world economy has been affected by this.

However, the monetary consequences have been much more far-reaching. The dollar is still indispensable as an international trading currency. About three-quarters of all international bank loans are in dollars. This means that US economic and monetary policy has a responsibility which extends far beyond the country's frontiers. This is made particularly clear by the repercussions on the debt servicing of all countries with debts in dollars and the ensuing consequences for the international finance system.

These repercussions are drastic in the case of the LDCs but the Community has not emerged unscathed. A more fully developed EMS, enjoying the wholehearted participation of all Member States, would equip the Community for the counterbalancing role it is at present unable to play.

The strength of the dollar and high US interest rates have also affected relations between the Community and the USA in the fields of monetary and economic policy.



Since a lot of the Community's imports are paid for in dollars, a strong dollar puts a burden on the Community's balance of payments, though it also makes the Community more competitive on dollar markets. On the other hand, the USA has more difficulty in exporting to the Community when the dollar is strong.

The high interest rates and in some cases large differences in interest rates also have a considerable impact on competition on export markets. In 1980 alone roughly 5,500 million dollars were spent on interest rate subsidies in the OECD countries. The negotiations on an extension of the OECD consensus on export credit rates in 1981 and 1982 have by no means deprived countries with a rate above the newly agreed minimum rates of room for manoeuvre regarding interest rate subsidies.

In its battle against inflation, the United States has placed greater emphasis on monetary policies, such as tight control of money supply and high interest rates, than on fiscal measures (taxation). The initial results give hopes of economic recovery.

From the Community's viewpoint, while it is desirable that stability of the dollar should continue to be recognized as a priority aim, efforts to achieve this end must lay greater stress on a more stringent fiscal policy, though not at the expense of the social security system.

### Recovery

The Community has high hopes of a recovery in the US economy which will stimulate the economy, boost trade and growth, and curb unemployment on a world scale. The anti-inflation measures taken in the United States and in Europe, though with differing rates of success, may be seen as

promising signs. The two partners should act together to underpin recovery.

The Section would therefore like to see a regular, intensive dialogue on economic and monetary matters between those in positions of responsibility in the USA and the Community with a view to achieving fair concessions on both sides.

From this angle, the recent Williamsburg Summit was a disappointment as the Community has not yet succeeded in convincing the USA of this need.

V. SUGGESTIONS FOR PROMOTING UNDERSTANDING BETWEEN THE COMMUNITY AND THE UNITED STATES

Understanding is contingent on mutual respect. Such an understanding will encourage the two partners to hold talks, rather than taking retaliatory measures, whenever their interests clash.

Just as Europeans know little about life on the other side of the Atlantic, the general public in the United States does not have much idea of what European unification really entails or of its partner's anxieties. This is serious as misunderstandings escalate into disputes that are difficult for the authorities to defuse.

Many disputes between the United States and the Community are explained by inadequate briefing on each other's problems or by different approaches to a given situation. Dialogue between the EC Commission and the US administration on policy matters must be substantially stepped up if it is to be effective. Such dialogue should, in the Section's view, be backed by more regular informal meetings to allow the trade groups directly concerned on both sides of the Atlantic (employers', workers' and farmers' organizations) - which

ultimately have to bear the brunt of the economic situation - to compare their viewpoints.

The Community is currently engaged in talks and negotiations with the United States at different levels and within a variety of bodies. Yet in practice only a limited number of people are involved on each side. Public interest must also be engaged. For the purpose of impressing the Community's views on US public opinion (parliamentarians, economic and social groups, the media, students, school children, etc), the Section for External Relations invites the Commission to explore - with the help of media experts - the feasibility of an effective public relations campaign in the United States. To make a durable impact this campaign would have to be spread over several years and comprise a wide range of activities angled primarily at leaders of opinion. It would cost substantially less than the present lack of knowledge and misunderstanding. As a first step, the Community Press and Information Office in the United States could be instructed to study the matter. The Community should also launch a campaign to inform public opinion in Europe about economic and social conditions in the United States.

Any disputes should be talked over by the two sides with a view to reaching a mutually acceptable consensus. If these talks fail, the disputes should be laid before GATT insofar as they relate to trade. Despite its occasional imperfections, GATT has a key role to play as an international trade organization. Anything which might lead to its being weakened should be avoided, for international economic relations would be plunged into greater disarray if GATT were to be in jeopardy. The Section regrets that the GATT regulations do not carry the same weight in the United States as they do in Europe, i.e. they do not take precedence over national laws.

Good relations are so important for both the Community and the United States that the two partners should have no hesitation - where there is fundamental disagreement on a particular policy - in amending their policies to make allowance for the other's vital interests.

At all costs, it is vital that the two partners steer clear of protectionism when disputes occur. As far as both the United States and the Community are concerned, protectionism is not a lasting way of solving problems, for it only leads to retaliatory measures. In view of their influence in world trade, the major industrial nations have a special responsibility for safeguarding free trade world-wide.

The Section would finally stress that the United States, who once fêted the birth of the Community, should endeavour to acquire a deeper understanding of the true political value of a united Europe. A strong Europe is a virtual ally to the United States in the common fight for freedom and peace throughout the world.

\*

\*

\*

C. RECORD OF THE PROCEEDINGS

In response to oral amendments introduced by Mr BRIGANTI (Italy, Various Interests), Mr KIRSCHEN (Italy, Workers) and Mr TIXIER (France, Workers), it was decided that the Committee Opinion should refer to the disappointing outcome of the Vith United Nations Conference on Trade and Development (UNCTAD) and to recent American restrictions on imports of special steel and the implication of these developments for international trade.

In the ensuing discussion, many members expressed the view that the Committee Opinion could have been more forceful. Mr VERCELLINO (Italy, Workers) would have welcomed a more explicit reference to certain disputes which have had a significant impact on economic growth in the Community. Mr KAMIZOLAS (Greece, Various Interests) felt that US policy on interest rates should have been condemned in stronger terms. Mr BRIGANTI (Italy, Workers) said that disputes about trade should be examined all the more carefully because they were so closely tied in with international economic and financial problems. Mr SPACHOS (Greece, Employers) noted that representatives of American economic and social interest groups did not pull their punches when their interests were at stake. Mr CAVAZZUTI (Italy, Workers) warned that if the Community continued to take a moderate line, it could appear to endorse deplorable American policies. Mr TIXIER (France, Workers) added that the Opinion should have called for a tougher Community line in negotiations, given the scale of the problems involved.

Mr DELLA CROCE (Italy, Workers) said that the disputes with the United States would never have come to this pass if the Community's negotiating position had not been undermined by its inability to present a united front. Mr ARENA (Italy, Employers) agreed, saying that the fact that

economic and political integration in the Ten was still in its infancy, inevitably put Community negotiators at a disadvantage. Mr DE BIEVRE (Belgium, Employers) asked how the Community proposed to influence American budgetary policy, given the plethora of diverging budgetary policies within its own frontiers.

Members considered that the dispute over trade in agricultural products should have been discussed in greater depth. Mr JAKOBSEN (Denmark, Various Interests) made the point that the Common Agricultural Policy (CAP), which had initially been endorsed by the United States was still a force for stability in Europe. Mr YVERNEAU (France, Various Interests), however, feared that the United States were currently employing guerilla techniques in an attempt to push the CAP off course. Mr RAINERO (Italy, Various Interests) pointed out that the US moves came at a time when there were grounds for stabilizing international food markets by means of a series of product agreements.

Mr MARGOT (Belgium, Various Interests) said that American foreign policy was largely dictated by domestic interests. Representatives of the American Chambers of Commerce had said as much during the hearing organized by the Section for External Relations. Mr ROMOLI (Italy, Employers) added that however much the American Administration claimed to champion free trade, international considerations were relegated to second place by the protectionism which was rife in the House of Representatives. Should international agreements no longer protect production, the principle of reciprocity and voluntary restraint agreements on exports, would prevail as a result of political pressure.

There had also been a number of significant changes in the structure of US industry : 20 million new jobs (as against 2 million in Europe) had been created between 1970 and

1980, 90% of them in the electronics, information technology and services sectors. People trying to protect jobs in traditional sectors such as the motor vehicle and steel industries were fighting a losing battle. This was particularly true in Europe, where the campaign against unemployment tended to obscure reality and even threatened to put European industry out of the running in the development of new technologies. Mr SPACHOS agreed that it was vital to respond to new trade openings.

On protectionism, Mr ZINKIN (United Kingdom, Employers) said that the Community and the United States were both paying lip service to the principle of free trade whilst using every possible excuse to postpone it. Mr van der VEEN (Netherlands, Various Interests) felt that protectionism was becoming increasingly attractive on both sides of the Atlantic. He therefore thought that discussions should be stepped up both at political level and between economic and social interest groups. There was a consensus on this suggestion.

Mr EMO CAPODILISTA (Italy, Various Interests) referred to the regular contacts between European and American agricultural organizations. He said that the talks were useful in strengthening the Community's position, in providing better reciprocal information and in dispelling misunderstandings; the meetings should be encouraged in every way. Mr JAKOBSEN said that meetings between European and American socio-professional organizations had some impact on political decision-making. Mr van RENS (Netherlands, Workers) thought that such meetings were especially valuable as EEC-USA trade disputes were generated by the international economic recession for which the rich countries were responsible. Disputes arose between governments rather than between economic and social interest groups.

\*

\* \*

PART II

D. INFORMATION REPORT  
of the  
Section for External Relations  
on  
Relations between the European Community  
and the United States

---

Rapporteur : Mr Claude EVAIN

---



CONTENTS OF PART II

	<u>Page</u>
I. <u>INTRODUCTION</u> .....	33
II. <u>OBJECTIVE DATA</u> .....	34
III. <u>LEGISLATION AND RECENT TRENDS IN AMERICAN COMMERCIAL POLICY</u> .....	39
IV. <u>THE EEC'S ATTITUDE TO THE UNITED STATES</u> .....	46
V. <u>PARTICULARLY CONTROVERSIAL AREAS</u> .....	48
VI. <u>FUTURE NEGOTIATIONS</u> .....	59
VII. <u>MONETARY PROBLEMS AND ECONOMIC POLICY PROBLEMS AFFECTING EEC/UNITED STATES RELATIONS</u> .....	63
VIII. <u>CONCLUSION</u> .....	71
<u>APPENDICES</u>	75

## I. INTRODUCTION

The relations between the United States and the EEC are of a highly political nature, founded upon a dual solidarity :

- Atlantic solidarity, which forms the backdrop to these relations, and affects the security of Europe;
  
- solidarity arising from common interests : on both sides of the Atlantic social achievements (living standards of workers, the responsibility of the two sides of industry for wages and working conditions) are important and more or less comparable. They derive from a market economy based on international free trade. On both sides of the Atlantic too, political freedom is regarded as a fundamental value.

On a purely commercial level the EEC/US dispute should be put in perspective. Insofar as it affects major industrial sectors and therefore a large number of jobs, the dispute is undoubtedly important and serious. But it concerns only 5%(1)of trade, 95% of which is effected freely on a multilateral and contractual basis (the GATT agreement), and raises no outstanding difficulties. These facts must not be obscured by the publicity given to the present difficulties.

---

(1) Out of a total of 41 thousand million dollars' worth of Community exports to the United States, only 2.5 thousand million is in dispute.

## II. OBJECTIVE DATA

### Trade patterns in the major sectors : industry, services and agriculture

The past decade has seen a marked increase in trade between the Community and the United States : Community imports from the United States increased in value by 217% from 1960 to 1970, and by 359% from 1970 to 1980; in the same periods, Community exports to the United States increased by 278% and 285%. The trade balance has been, and remains, in the favour of the United States, both for trade as a whole (more than 14 thousand million dollars in 1981) and for "difficult" sectors such as agriculture (6.8 thousand million dollars in 1981).

The Community's trade deficit has however begun to drop following the increase (approximately 40% in 18 months) in the value of the dollar against Member State currencies and to the levelling off of domestic demand within the Community. The Community deficit was 24.8 thousand million dollars in 1980.

### Role of foreign trade in the economies of the United States and the Community

Foreign trade has traditionally had a far greater economic role in the Community than in the United States, even if the Community is regarded as a whole(1) : in 1980, Community exports accounted for 23.7% of GDP as opposed to 7.6% in the United States(2).

---

(1) i.e. excluding intra-Community trade.

(2) The figures for 1981 are not yet available but do not seem to differ greatly.

In a number of Member States, foreign trade (including intra-Community trade) accounts for close on 50% of GDP.

Foreign trade is having an increasing impact on economic and political life in America. In both industry and agriculture the proportion of production exported has doubled over the last ten years. Congress, the two sides of industry, and public opinion, are paying greater attention to it. Protectionist pressure is being magnified by the recession. The Administration is seeking to contain this pressure, but is trying to pursue a strong commercial policy which will actively support the expansion of American enterprises overseas.

American industry is increasingly exposed to international competition on its home market. Whereas in the sixties most major American industries held over 90% of their home market, current figures show a marked drop in most cases : 40% in the mass-consumption electronics sector, 66% in the shoes sector, 74% in the machine tools sector, 55% in the textile equipment sector, 75% in the car sector, and so on.

America's share of world trade has dropped to 10% from the 30% or so recorded after the second world war.

The industrial capacity utilization rate fell from 83.8% in 1978 to 76% in 1981. The figures for the motor, chemical and metal-products sectors are : 95.3% to 63.3%, 80.3% to 75%, and 84.5% to 73.3%. In the case of steel this figure has fallen below 50%, while imports achieved a 22% share of the market in the first five months of 1982 compared with 16% in the same period in 1981.

On the other hand, US exports are expanding rapidly in sectors such as services and advanced technology.

American exports of services currently exceed 60 thousand million dollars. This generated a surplus of 3.5 thousand million in 1980 in trade with the EEC alone (1), while this year for the first time American statistics show that the number of jobs in the services sector (excluding commerce, transport and public administration) exceeds that in industry (including construction).

The American trade surplus in the advanced technology sector has overtaken the surplus traditionally recorded in the farm-produce sector (39 thousand million dollars in 1980 as opposed to 23.8 in 1980 and 26.5 in 1981 in the case of farm produce)(2).

These figures give a clearer picture of the two-fold nature of current American trade policy, which is protectionist on some issues, and vehemently in favour of free trade on others.

Investment flows : United States/EEC and EEC/United States

Net American investment (direct investment) in the EEC totalled 20.3 thousand million dollars in 1970, and 76.6 thousand million in 1980. The United Kingdom is the EEC country in which America has invested most heavily (\$ 28 thousand million). Next in order of importance come the Federal Republic of Germany followed by France, the Netherlands, Belgium and Luxembourg, Italy, Ireland and Denmark (3).

---

(1) This figure fell back to 0.1 in 1981.

(2) Figures quoted by a representative of the American administration. But the concept of "advanced technology" remains vague.

(3) See table 4 appended.

Overseas investment income contributes some \$ 30 thousand million annually to the US balance of payments. In addition, one third of American exports go to the overseas subsidiaries of American companies(1).

Net European investment (direct investment) in the United States has habitually been of a much lower order. For the last ten years, however, it has been expanding more rapidly than American investment in the EEC(2): it was \$ 7.4 thousand million in 1970 and \$ 37.9 thousand million in 1980. The weakness of the dollar in the second half of the decade was undoubtedly one of the reasons for this trend. The Netherlands and the United Kingdom are the main source of European investment in the United States (\$ 16.2 thousand million and \$ 11.4 thousand million respectively in 1980).

The very high level of American investment in the EEC during the 60's and early 70's is now tending to tail off. In 1981, American investment in nine of the ten EEC countries increased by only 3% on the total of 76.6 thousand million dollars in 1980; during the preceding two years the increase had been 17% per year. The percentage increase for 1981 was the lowest since 1970 and it is not likely that 1982 will see an increase on the 1981 figure(3).

However, the declining rate of American investment in the EEC is matched by a general fall in the rate of growth of American investments abroad in 1981. These investments stood at 221 thousand million dollars in 1981, only 3.5% up on 1980 (as against + 14% in 1979 and + 15% in 1980).

---

(1) Source : figures recently quoted by a member of the American administration.

(2) See table 4 appended.

(3) Source : US Department of Commerce.

The fall in American investment in the EEC in 1981 was due not only to the decline in the number of new ventures, but also to the fact that the revenue from foreign subsidies was not reinvested locally. In six countries (France, Germany, Italy and Benelux) new investment slumped from 2.5 thousand million dollars in 1980 to 500 million in 1981; reinvestment fell to 500 million from an annual average of 3.6 thousand million during the preceding three years.

This trend would seem to indicate that many American firms now regard the EEC more as a market (for their exports) than as a production zone (for their investments).

To explain this attitude some spokesmen of American business circles put forward the following arguments :

- One of the main attractions that the EEC has held for American companies, ever since it came into existence, has been the prospect of an extensive free market. But progress towards such a market has slackened<sup>(1)</sup>. The Member States are tending to look increasingly to their own interests, using for this purpose public procurement policies, technical barriers and varying standards. American companies established in one of the Community countries find that their access to markets in other Member States is restricted (for instance in the field of advanced technology).
  
- the development of a Community company law affects the operations of foreign enterprises within the Community as well as Community firms themselves. Even where it is still only at proposal stage, Community company law is causing deep concern amongst American businessmen. The main proposals concerned are the Vredeling Draft Proposal and the proposal relating to company accounts. In this connection

---

(1) The slow progress towards a single European market is deplored by Community businessmen too.

the trade unions of the EEC have criticized American companies. They regard the intervention of these companies in the Community legislative process as excessive and ill-advised.

- Many American industrialists now consider the EEC, in whole or in part, to be a high-cost production zone compared with other investment zones in the world, including the US itself in some cases. This is mainly because of the level of social security contributions required of employers, but also, more generally, because of the cost of labour.

In view of their feelings on these matters, American business groups will probably increasingly lobby their government for a strict commercial policy towards Europe in order to ensure that the Community market remains open to the goods which they manufacture in the United States and elsewhere.

### III. LEGISLATION AND RECENT TRENDS IN AMERICAN COMMERCIAL POLICY

#### The main American laws which affect EEC/United States trade

The most striking feature of US trade policy is the authority conferred upon Congress by the Constitution. Unlike EEC negotiators, even if they are acting under the mandate of the Member States, US negotiators cannot commit themselves on certain important matters - any agreement they make is subject to Congressional approval. All negotiations between the EEC and the United States are accordingly somewhat unbalanced from the outset.

There are clashes of opinion and power struggles between the various bodies of the US Administration, whose responsibilities are not always clearly defined.



The US Administration has several bodies dealing with foreign trade, namely : the Special Trade Representative(1) (over 120 people), the Department of Commerce (over 500 people), the International Trade Commission (ITC) (six political "judges" and 650 employees), the Congress, the United States Court of International Trade, and to some extent the State Department.

American firms and other interested parties have at their disposal a wide gamut of laws designed to protect them against imports.

To this end, American law provides :

- dumping and countervailing duty suits : this is a rapid procedure whereby American firms which prove injury from imported goods sold for less than the fair price, can obtain the payment of sureties for imports and subsequently anti-dumping measures;
- the safeguard clause (stricter than that of GATT - applied at times of abnormal increases in imports);
- Section 301 of the Trade Act, enabling the President to ensure the observance of rights in accordance with the Geneva agreements - it provides an economic interpretation of these rights (employment etc.); a businessman who brings a suit is not required to prove injury;
- Section 337 of the 1930 Tariff Act, allowing suits to be brought against any form of unfair imports, and provides for comprehensive and very substantial legal remedies;

---

(1) The President's personal representative for trade talks.

- Section 232 of the 1962 Trade Expansion Act, allowing investigations to be made into imports which threaten "security";
- Section 302 of the Buy American Act, which has not been entirely abolished as a result of the Tokyo Round - the President is obliged to consult industry before throwing open public purchasing to international competition; the question of the states has not been resolved.

The effect of several of these mechanisms is to curb or even stop imports as soon as proceedings are opened, since any decisions have retrospective effect, and there is the possibility of temporary safeguard measures.

In addition to these laws, imports into the United States are controlled by the following :

- trigger price mechanism (steel prices arrangement);
- anti-surge mechanism (steel tonnage);
- customs evaluation (difficulties continue despite the GATT code) and classification;
- the nature of certain standards and the way they are applied, e.g. in the foodstuffs sector (food and drugs), the chemicals sector (Toxic Substance Act); certain practices in the wine industry should also be mentioned as they affect a substantial volume of EEC exports;
- voluntary restraint agreements (e.g. cars) obtained from some foreign competitors thanks to American economic and political weight.

The attitude of Congress and the Administration to trade policy

There are at present a dozen or so bills before Congress, designed to strengthen American trade legislation with a view to improving reciprocity for American exports.

The general idea is to stipulate that retaliatory measures should be taken when, on a given market, American companies do not have the freedom of access enjoyed by foreign companies on the American market. The aim is thus to build up sector-by-sector and country-by-country trade equilibrium.

The authors of these bills are primarily aiming to oblige Japan to open up its home market more. However, the EEC is also affected, because if these bills became law they would go against the trade agreements concluded in the past decades, which are based on non-discrimination between countries and on mutual concessions which do not necessarily have the same sectoral composition. The very concept of reciprocity leads to bilateralism. Its adoption would wipe out more than twenty years' progress in the organization of world trade.

The Administration is aware of the difficulties which would arise, and of the damage which might be caused to the mechanisms of GATT. It is attempting to head off the discontent of Congress by producing, in collaboration with the authors of the abovementioned bills, legal texts which are more compatible with the international obligations of the United States.

However, it is always possible that American trade policy will be tightened up by new laws in the near future.

On 16 June 1982, the Senate Finance board did in fact approve a bill which, if it became law, would introduce the idea of reciprocity into American Commercial policy. The administration has expressed itself in favour of this bill, merely making it clear that it would oppose legislation "compelling" the President to adopt retaliatory measures in the event of non-reciprocity.

The position of business, trade unions and farmers  
vis-à-vis United States/Europe problems

In the USA there is no organization which represents all the employers; hence they do not have a consistent point of view as regards foreign trade in general and trade with Europe in particular.

The organizations (e.g. Business Round Table); which bring together very large companies heavily involved abroad, generally use their influence to encourage liberalism, although some important sectors are waging a campaign for protectionism.

The employers' organizations, representing a large number of companies(1), are also in favour of free trade but generally support a "hard" commercial policy, i.e. a policy which makes every effort to defend American interests :

- either by protection against imports regarded as "unfair",
- or by an aggressive policy aimed at eliminating obstacles to exports.

In the second case, American industry mostly has Japan in mind.

---

(1) In particular : the US Chamber of Commerce and the National Association of Manufacturers.

In the first case (competition deemed unfair), its target is most often Europe where it sees manufacturers as benefiting increasingly from subsidies or multiple aid.

American industrialists also see VAT (which has no equivalent in the United States) as giving their European competitors a major general advantage.

In recent years UNICE and the main employers' organizations in America have held meetings, at which Europe/United States trade problems have regularly been discussed.

Naturally, the American unions are first and foremost sensitive to the employment problem. This greatly influences their attitude to foreign trade, and is why several unions, in sectors hard hit by the recession, are joining with the employers to encourage sectoral protectionist action.

On various occasions, the AFL-CIO has advocated measures to limit imports. However, at its last Congress it recognized the importance of free foreign trade for the American economy. It also supports the draft legislation designed to introduce the concept of "reciprocity" in United States' trade relations.

American trade unions, in principle, support foreign investment in the United States for the sake of employment (they have laid particular pressure on Japanese firms to set up in the United States). However, they have told European trade unions that certain EEC investors who have preferred to set up in the Southern States, are encouraging practices and legislation which limit the free application of union rights in these states.

Regular exchanges of view between American and European trade unions allow reciprocal trade, and economic and social problems to be raised, and should contribute to a gradual rapprochement of views.

Since 1971, annual meetings have also been held between representatives of farmers and the food industry, including cooperatives, under the aegis of the US Chamber of Commerce, COPA and COGECA.

These reciprocal briefing meetings look at the state of the agriculture situation and the different markets, agricultural policy trends in the EEC and the US, and bilateral and multilateral trade relations in the farming sector.

The now difficult situation of American farmers, combined with their electoral muscle, explains (particularly with the elections coming in November) the sharpness of the EEC/USA confrontation in the agricultural sphere.

It seems, however, that the US administration is tending, vis-à-vis agricultural circles, to shift onto the EEC and the Common Agricultural Policy the responsibility for a situation due largely to internal US factors.

American farmers have seen their incomes fall in the last three years (they claim that their net income is now half what it was in 1979). This is due to the Government's economic policy (high interest rates, greater debt burden and production costs). The Department of Agriculture estimates that the debt burden of American farmers at the beginning of 1982 was double (in current dollars) what it was in 1975. The stoppage of wheat deliveries to the Soviet Union was very expensive for American agriculture (according to some American sources, 856 million dollars in lost income and 310,000 jobs).

Several sectoral measures taken by the American Government have also had negative effects (e.g. on milk and sugar). Finally, and most important, the high exchange rate of the dollar is a major handicap for American farm exports which in the 1970s enjoyed the crucial support of a weak dollar(1).

#### IV. THE COMMUNITY ATTITUDE TO THE UNITED STATES

The Community has become aware of the need to equip itself with commercial policy instruments on a par with those possessed by the United States, and progress towards this goal has been made over the last few years. But its political and institutional weakness all too often prevent it from deploying these instruments with maximum effect. Before they are brought into play, external negotiations have to be preceded by a round of internal negotiations. The Member States often do not see eye-to-eye on this issue. Although the Community institutions can defend themselves reasonably well against external pressures, they are not really geared to take aggressive action or to take the initiative in order to secure concessions of benefit to Community exporters. Indeed, it is the American Administration which is currently pursuing a resolutely aggressive commercial policy.

Furthermore, in many instances the Commission does not have enough staff to carry out all its duties in the sphere of commercial policy (e.g. : the anti-dumping procedure).

---

(1) An aide of the US Secretary of State for Agriculture, Dr. G. Edward SCHUH, said on 15 November 1978 at the US annual agricultural conference that an overvalued currency had the same effect as an import subsidy and an export duty, whereas an undervalued currency had the same effect as an export subsidy and an import duty. He felt that the high level of American agricultural exports in 1977 was mainly due to a weaker dollar.

Industrial, economic and monetary policies are still largely the preserve of the Member States. These policies are increasingly affecting trade patterns, but as the Community has little or no control over them, it cannot (unlike the United States) use its full economic or political clout to defend its interests (even though its GNP is gradually overtaking that of the United States)<sup>(1)</sup>.

However, the Community has for some time been taking a tougher line on trade with the United States. Over the past three years, for instance, the Community has opened a number of anti-dumping procedures against imports (particularly of chemical products) from the United States; in several cases these have led to the imposition of temporary or permanent anti-dumping duties.

A further instance occurred last April, when the Community requested the GATT to recommend, in accordance with Article XXIII, that United States legislation on DISCs (Domestic International Sales Corporations) be made compatible with the GATT rules. This legislation allows tax concessions, which effectively constitute export aids, on the export earnings of US businessmen.

More recently, the Community again had recourse to Article XXIII, when it started consultations under GATT on maize gluten feed. The Community wishes to renegotiate the exemption granted in 1975 for its imports from the US of maize gluten (of which the United States is a major supplier).

---

<sup>(1)</sup> According to the London NOMURA RESEARCH INSTITUTE, Community GNP in 1980 was equivalent to 120% of United States GNP. Subsequent changes in exchange rates will have inevitably affected these figures, however.



V. PARTICULARLY CONTROVERSIAL AREAS

Agriculture

American agriculture and world markets(1)

The United States plays a dominant role in the world agricultural economy. Its position in world exports is : 50% for wheat, 60% for maize, and 81% for soya. These are all foodstuffs vital for human consumption and for animal feed.

Furthermore, the United States backs its farm production and export capacity with considerable powers of political and economic persuasion; food aid and credits are an effective springboard for commercial exports.

Average US total agricultural exports have been as follows (2) :

- for 1948-59 : 1.8 thousand million dollars
- for 1960-72 : 3.5 thousand million dollars
- for 1973-78 : 15.0 thousand million dollars.

In 1981 US Agricultural exports were worth 43.3 thousand million dollars (18.5% of all exports). The positive agricultural trade balance of 26.5 thousand million dollars helps to offset the non-agricultural trade deficit of 66.2 thousand million dollars(3).

Agricultural exports - a marginal factor in the 1960s - have thus become essential to American economy. It is therefore not surprising that the US Administration uses all

---

(1) See table 5 appended.

(2) Figures quoted by A. REVEL and C. RIBOUD in "Les Etats-Unis et la stratégie alimentaire mondiale".

(3) Figures from US Department of Agriculture

the means at its disposal to maintain and if possible increase them, and that it is stepping up its drive towards the EEC, which has proved an excellent outlet.

### The United States and the Common Agricultural Policy

American agricultural exports to the EEC have risen steadily over the last 25 years :

1.5 thousand million dollars in 1957  
2 thousand million dollars in 1967  
4.4 thousand million dollars in 1973  
6.7 thousand million dollars in 1976 (to the 10 Member States)  
9 thousand million dollars in 1981, leaving the EEC with a trade deficit of 6.7 thousand million dollars.

One of the reasons for this deficit is that the offensive strategy of the United States is accompanied by a defensive policy (1) (the GATT waiver, stiff quotas, health-protection barriers, and so on).

Criticism of the Common Agricultural Policy is a recurring theme of American commercial policy. The Administration is trying to make major cuts in public expenditure on agriculture (which has in fact contracted over the last few years) (2). It is therefore understandably becoming increasingly vociferous in its condemnation of rising expenditure on agriculture in the Community.

---

(1) Extract from a speech by Mr SHARP, Agricultural Counsellor, United States mission to the EEC (4 February 1982).

(2) In spite of this, it would appear that public expenditure started to rise sharply once again in 1982. According to figures published recently in the magazine "U.S. NEWS", public expenditure in 1982 will be three times that in 1981.

The feeling that the Community is helping itself to more than its fair share of the international market, thanks to subsidies, is becoming increasingly widespread amongst the Americans. They point out that in 1981 their worldwide agricultural exports rose by nearly 13%, but would have risen even more had it not been for the competition from subsidized EEC exports.

In recent years American farmers' organizations have brought suits (section 301) against imports of sugar, tinned and dried fruit, chickens, pasta and flour. The United States are also questioning the Community's preferential tariff on citrus fruits imported from Mediterranean countries. They maintain that the agreements between the Community and Mediterranean countries are in breach of GATT and thus threaten the Casey/Soames arrangement of 1973 whereby the Community undertook not to expand these agreements, in return for which the United States dropped its claim that they contravened GATT. Consequently the EEC's whole Mediterranean policy could be jeopardized by the United States.

Broadly, the Americans appear to be intensifying their criticisms of the Common Agricultural Policy, as they did at the beginning of the Tokyo Round negotiations. At this point, we should also take into account American reactions to the possible introduction of a Community tax on vegetable oils in view of the accession of Spain.

The United States are obviously worried about any new Common Agricultural Policy measures liable to hamper their exports to the Community. By virtue of the difference between Community and world agricultural prices, the Community market is in fact very valuable; it is clearly in the interests of American suppliers that access to it should be as free as possible.

The competitiveness of American agriculture

The position of the United States in agricultural trade and the influence it exerts on world markets would seem to suggest - bearing in mind the low world prices - that American agriculture is extremely competitive.

Undoubtedly, thanks to the size of its farms, American agriculture has a high productivity per man. However, its productivity per acre is much lower than that of Community farming which has to be more intensive (the area per man is smaller).

Of course, the size of American farms also allows farmers - whose energy has to be admired - to use large scale techniques, to keep financial reserves to offset possible losses and to have spare land easily available if the need arises (between 1972 and 1974, 24 million "spare" hectares were replanted). This gives American agriculture great flexibility when it comes to adjusting to fluctuations in demand.

However, commercial and technical factors are not the only reasons : agriculture in the United States also receives considerable Federal aid (compensatory payments to producers, aid for internal transport, special export credits at subsidized interest rates, etc.). The main difference between American aid and that granted by the Common Agricultural Policy is that the former is less transparent. Recent studies suggest that they are comparable.

Steel

From the beginning of 1980, the American steel industry brought a number of anti-dumping suits against EEC countries, which had a noticeable effect on EEC sales to the United States. These suits were not concluded, as in September

of the same year an agreement was made between the European Community and the American administration re-establishing, with a few changes, the "trigger prices" system. (This involved the fixing of "trigger prices" calculated on the basis of the most efficient producers' costs, in this case the Japanese. Any sales at these prices were presumed to have been made at "fair value", i.e. they could not be subject to dumping suits).

This system was viable if the "trigger price" levels fixed for each product allowed normal penetration of the American import market - i.e. they had to be relatively close to the actual prices on the American market. In fact, in late 1980 and 1981, the American administration distorted the system by fixing the "trigger prices" at at least 10% above real prices on the American market, creating an effective embargo.

In mid-1981, American companies launched a campaign for the non-application of this system, which was virtually unworkable and very different from the one set up by the Commission as part of its arrangements with non-member countries (who benefit from a real penetration margin when entering Community markets).

This campaign took shape, at the beginning of January 1982, with the filing of a number of suits on almost all European exports, and covering all Community countries involved in steel trading with the United States. These suits involved both dumping and countervailing duties. They were to be accompanied, in the following weeks by different suits on a whole range of other products such as wire rod and special steels.

On 11 June, following the US steelmen's suit, the US Trade Department decided to apply countervailing duties to steel imports from Europe. These duties vary from country to country.

For its part, on 22 June the Council of the Communities voiced deep disquiet at the US Government's decision (which had been followed on 18 June by the announcement of the embargo decision on machinery intended for the Soviet gas pipeline being produced in Europe under American licence).

On 28 and 29 June, the European Council nonetheless expressed a wish to leave open all possibilities of a compromise with the United States, and not be responsible for transforming the conflict into an outright trade war.

Negotiations were possible up until 23 July, as until this date (a month before the introduction of countervailing duties), Washington could have stopped their effective enforcement, if the concessions proposed by the Community seemed likely to satisfy the American steelmen.

The talks held in early July by the Commission, and then bilaterally by the Member States (more especially the four countries most involved : United Kingdom, France, Italy and Belgium), failed because the US Government felt that the proposed undertakings to limit European exports to the United States were fixed too high (reducing their totals by 10% over three years).

In the face of this deadlock, the Ten decided to open general negotiations, and on 24 July the Council instructed the Commission to negotiate on its own, on behalf of the Community, a general steel agreement with the United States to create a "steel peace" until the end of 1985.

Since then, an agreement has been reached between the European Community and the American Administration, but it will not come into force unless the suits brought by the American steel industry are withdrawn.

The American steel industry is currently working at less than half capacity (43%). Around a third of its workers (111,000) were unemployed at the beginning of July, with 22,000 on short time. However, figures show that European imports are not to blame for this.

In 1977-78, the US market share of European steel products was 7.1%. In 1979 and 1980 this fell to 5.2% and 4.2% respectively. In 1981 it rose again to 6.9%, but this was because European imports in 1980 were reduced by the first US STEEL suits.

EEC sales for 1981 are equivalent to those of Japan. They are less than the total sales of other countries, which exceeded 7% of the US market. Ten years ago, the EEC accounted for around 40% of total imports. Since then, this share has been falling continually, and in 1981 was little more than 30%. In fact, the increase in total American imports is mainly due to new suppliers such as Canada, South Korea, Brazil, Argentina and South Africa.

#### Petrochemicals and synthetic fibres

The first difficulties in this sector emerged in 1980 in connection with American exports to the EEC of man-made fibres and intermediate petrochemical products, which were helped by an artificially low oil price. The UK was the first to react (in accordance with the rules of the Common Commercial Policy) by imposing a quota on certain fibres. Community anti-dumping measures were then introduced

throughout the EEC on imports of fibres and intermediate petrochemical products. Some of these measures are still in force.

The increase in American hydrocarbon prices from January 1981 (deregulation) led to a gradual alignment of American prices on the international price, thus putting an end to a two-price system which was not defensible under GATT. But this measure only partially defused the conflict as the price of natural gas in the US remained frozen well below the international price. In the USA, unlike Europe, ethylene - the base for numerous plastics - is produced mainly from natural gas. The difference in prices therefore gives the American petrochemicals industry a major advantage over its foreign competitors. In the States deregulation of natural gas prices is fraught with awkward economic and political problems and has been the focus of EEC-US consultations for several months. It will be a very slow process.

Meanwhile, chronic difficulties are looming due to the aggressive attitude of American manufacturers, spare capacity worldwide and the expansion of the petrochemical industry in the Third World. The EC Commission has repeatedly alerted the American Administration to the importance it attaches to this issue. Since December 1980 the EEC/US Working Party on the Petrochemical Industry has met three times. In late 1981 there was an exchange of correspondence between the Commission President and President Reagan's commercial attaché and last April the Commission sent the American authorities a "note verbale".

The European Community continues to apply its anti-dumping and anti-subsidy measures with regard to the following US products :



- textured polyester yarns
- non-textured polyester yarns
- textured polyester yarn fabrics
- polyacrylic textile fibres and continuous filament tow.

US exports of clothing and textiles to the Community, which caused serious problems as late as in 1980, have fallen sharply from 1.3 thousand million to 1.1 thousand million UA.

One of the main reasons for this is the firmness of the dollar, which affects the competitiveness of American industry.

On the other hand, Community textile and clothing exports to the United States increased from 700 million in 1980 to 1 thousand million UA in 1981 thanks to the dollar's strength.

In previous years, however, Community exports had more or less stagnated, mainly due to the level of US customs duties. According to GATT calculations these duties are still markedly higher than the Community's even after the Tokyo Round. This can be seen from the following table (averaged weighted rates of duty) :

	<u>USA</u>	<u>Community</u>
Yarns	9.1%	7.0%
Fabrics	11.5%	10.6%
Simple ready-made apparel	7.4%	7.6%
Clothing and clothing accessories	22.7%	13.3%

In addition, following the recent publication by the US authorities of a document on the amendment of customs procedures, there is the danger that a wide interpretation of

the term "fancy apparel" might cause a further increase in customs duties on imported items of clothing. The Commission regards this amendment as unjustified and has informed the American administration accordingly.

#### Possible difficulties in the car sector

There is no commercial dispute with the United States in this area at present (despite different technical specifications which can constrain sales of European cars). Two points do arise, however :

- agreements between American manufacturers and the Japanese could indirectly disadvantage European manufacturers (diversion of surplus Japanese cars to European and other markets)(1);
- there is a likelihood of more intense competition in the future from medium-sized American cars designed for European tastes. Recent years have seen heavy investment by American investors in this sector in the United States, Europe and the rest of the world.

#### Potential difficulties in the advanced technology sector

Progress in advanced technology (particularly sectors such as micro-electronics, data processing, telecommunications, fibre-optics and bio-technological methods) is currently more rapid in the United States (and Japan) than in the EEC and that this trend will continue.

Disputes might be engendered by European determination to develop these activities independently. Already, customs duties are often higher in the EEC than in

---

(1) On this point see the Committee's Opinion on Economic and Commercial Relations between the European Community and Japan (OJ No. C 230 of 10 September 1981).

the United States(1)(for example, 17% as opposed to 4.2% for semi-conductors). Furthermore, the Community's industrial policy, like that of the individual Member States, seeks to promote growth in advanced technology sectors - if necessary by preferential measures.

The development of such a policy will probably create tension between the United States and Europe. (Page 60 on future GATT negotiations).

Under the pressure of competition, from Japan in particular, the USA is currently mounting a joint research campaign in key areas such as integrated circuits. In recent months, and apparently without running into any problems with the anti-trust legislation, numerous new groups have been formed by industry, aided by the universities, for the purpose of pooling basic research. Thus, by way of example :

- in 1981 the Semiconductor Research Cooperative was set up to pool basic research into VLSI (very large scale integrated circuits);
- in Silicon Valley 17 firms joined together to set up a centre for very advanced VLSIs on the campus of Stanford University; they endowed it with 13 million dollars, to which a further 8 million were added in federal subsidies;
- in North Carolina 6 research institutes founded a joint laboratory which they funded to the tune of 24 million dollars;
- in March 1982 the Massachusetts Congress initiated discussions on a laboratory to be set up by eight universities, thanks to a 20 million dollar subsidy(2).

---

(1) and in Japan.

(2) Information drawn from the RAMSES 82 report of the French Institute for International Relations.

Europe is, however, well-placed where software is concerned. This sphere of activity is gaining in importance as microprocessors improve and their cost falls (the American airforce currently spends more than 80% of its data processing budget on software).

But is this field, as with integrated circuits, it is still the USA which sets the pace.

## VI. FUTURE GATT NEGOTIATIONS

### Importance and shortcomings of GATT

Since it was first set up, thirty-five years ago, GATT has been the pre-eminent instrument for promoting international trade in goods and dealing with disputes in this field. Unfortunately, it is an instrument which is at times misused, and which contains a number of flaws. As its members have not attained the same degree of economic development and do not have the same socio-economic organization, the uniform application of GATT principles is not possible. In particular, as GATT cannot apply real penalties, it can be considered little more than a round table for discussions. In the absence of the EEC/United States trade agreement, however, GATT (inter alia) has the advantage of providing a framework for commercial confrontation between these two trade partners.

The application of the Tokyo Round agreements by the United States and the (EEC anti-dumping measures, public procurement and standards, etc.)

The United States and the EEC, like their main trading partners, have gradually incorporated into national legislations the undertakings made in Geneva (1979) at the end

of the Tokyo Round Negotiations. Although Community implementation arrangements pose no problem, the same cannot be said for the United States.

With respect to tariffs, the United States have made a number of nomenclature changes, which have led to duty increases considered unjustified by the Community.

In the non-tariff sector, the United States have put their own interpretation on a number of clauses in the new GATT codes (definition of "injury" caused by dumping, and of "aid" in the section on subsidies and countervailing duties). These differences in interpretation add fuel to the current "trade war" between the United States and the Community in the steel sector. As regards standards and, even more, public purchasing, the United States are only really bound at federal level, and their attempts ("best endeavours" according to the GATT definition) to enforce GATT codes in the individual States could hardly be described as highly effective.

The American project to give a fresh impulse to GATT negotiations

At the United States' instigation, the Contracting Parties to GATT will hold a ministerial meeting in Geneva next November. This will be the first such meeting since the one held in 1973 which launched the Tokyo Round.

The American initiative covers both the agricultural sector (the United States would like an official challenge to the Common Agricultural Policy and its export refunds) and the sectors of international investments, services and advanced technology.

Excluding agriculture, the United States' objective is :

- to progress from the liberalization of international trade in goods - a process set in motion as a result of previous tariff and non-tariff negotiations (Dillon Round, Kennedy Round and Tokyo Round) - to the liberalization of international trade in services : insurance, banking, transport, engineering, cross-frontier data flows, etc. The OECD began to analyze and compile information in this area some years ago, and its findings could be used by GATT;
- to provide US citizens who invest abroad with the maximum freedom of action. They consider that in this respect their rules and attitude are more liberal than those of most of their partners and it is true that foreign investors have more or less open access to the US, both when they set up business and in their subsequent freedom of action, in particular as regards the movement of capital. Therefore they are looking to other countries to liberalize and consolidate their legislation;
- to promote the interests of their exporters of advanced technology products : one of the aims of the new trade legislation under discussion in Congress is to give the President specific powers to negotiate in this field.

On the face of it, the liberalization of international trade in services (a sector for which there is no multilateral arrangement at present) and international investments can further economic and social development, just as the liberalization of international trade in goods has done over recent decades. In principle, therefore, the economic and social interest groups of the EEC should be in favour. Nevertheless the following points must be examined first :

- Before opening a new round of negotiations is it not advisable to ensure that the application of the present agreements is satisfactory?

- Will it not be necessary to guarantee that "second-level" commitments (e.g. of federal authorities on behalf of individual states) will be more binding in the services sector than they were for trade in goods?
  
- What can we expect of negotiations which will not cover many of the countries which impose barriers to trade in services (development countries and Eastern bloc countries)? Even now it would seem that countries such as Brazil and India are opposed to any negotiations on services. The same applies to Canada as far as investment is concerned.

Although the Community's general objective is to preserve past achievements and, therefore, to discourage protectionism, at the moment it seems to want the forthcoming Ministerial conference to "keep a low profile". According to the Community, this conference could have three basic aims :

- a formal commercial declaration;
  
- a set of decisions to be taken in the short-term : implementation of the GATT safeguard clause (Article XIX), tariff and non-tariff measures in agriculture, settling of disputes and preferential arrangements for developing countries;
  
- a long-term work schedule : the United States wishes to discuss services and international investments, whereas the Community hopes to deal with access to raw materials, monetary dumping and trade reciprocity etc.; both sides seem, however, to be in agreement about discussing textile products and imitation.

VII. MONETARY PROBLEMS AND ECONOMIC POLICY PROBLEMS AFFECTING  
EEC/UNITED STATES RELATIONS

Currencies and interest rates

At the end of the 70's the undervaluation of the dollar created difficulties for the EEC insofar as it artificially bolstered the competitiveness of American exports.

President Reagan's policy of economic reform has imposed further strain on relations with the Community in the areas of interest rates and exchange rates :

The tight monetary policy followed by the United States, which involves high interest rates, has had a depressive effect on the Community economy. In theory it offers Community governments the choice between :

- raising interest rates in line with the Americans, at the risk of choking off any economic recovery, and
- fixing their rates independently, at the risk of causing an outflow of capital, thereby jeopardizing their own currencies.

In practice, European governments do not have the means to follow a genuinely separate policy on interest rates, regardless of interest rates in the United States. Such a policy would entail restrictions on capital movements. And the views of the Member States are not sufficiently alike to enable such measures to be taken. As a result, attempts to reflate European economies are hampered by high interest rates.



Four points are, however, worth mentioning :

- A number of factors peculiar to European economies exert upward pressure on interest rates (inflation not properly under control, budget and trade deficits and lack of confidence among businessmen).
- On the other hand, certain European countries are able to pursue a policy of relative moderation in the area of interest rates, since they are in a strong position as regards inflation and external balance.
- The American budget deficit is widely held to be one of the main upward pressures on interest rates. It should nevertheless be stressed that, in terms of GNP, the deficit is higher on average in the EEC than in the United States(1). It is because of the weakness of saving that this deficit weighs so heavily on the capital market.
- The American tax system (in particular the deductibility of private individual's debts) makes it easier for Americans to accept high interest rates and reduces their real impact. This is not the case with the EEC tax system.

There has been a conspicuous drop in short-term interest rates in the United States since August.

The high exchange rate and volatility of the dollar are a constraint on European economic policies and place a burden on the EEC balance of payments (the percentage of imports paid for in dollars varies between 25% and 40%, depending on the Member State). Since the election of President Reagan, concerted planning between the central

---

(1) About 3% for the States but more than 10% for some EEC countries.

American and European banks appears to have come to an end. The American authorities claim that they will not intervene on the exchange markets, save under exceptional circumstances.

The recent Commission proposals to strengthen the European Monetary System seek to re-establish regular concertation between the American and European monetary authorities. The recent Western summit took the same line. It is still too early to judge whether these proposals will in fact be followed up.

On the other hand, it must be emphasized that a strong dollar reduces the competitiveness of US goods in Europe, and increases the competitiveness of Community products on the American market and in other countries whose currency is linked to the dollar.

If current disagreements between Europe and the United States over interest rates and monetary policy continue, there is the danger that they will widen the rift within the Community between those governments which give priority to monetarist policy, and those governments which feel that it is necessary to stimulate demand as a means of combating unemployment.

#### Consensus on export credit rates

Without a standardization of the terms of export credits for trade with developing and Eastern bloc countries, Western countries would get involved in expensive competition in this area. In order to allay the serious disadvantages that this would create, Western countries reached a consensus in OECD negotiations in 1977.

In the light of world-wide increases in interest rates in recent years, the United States have put very heavy pressure on their Western trading partners - and rivals - to align their export credit rates more closely on rates obtained on their domestic markets.

After a year of talks, a consensus was reached on the following basis : an increase in the minimum interest rates charged by industrialized countries (these rates vary according to the categories into which the beneficiary country falls); and changes in the distribution of beneficiaries between the three categories of "relatively rich", "intermediate" or "poor".

Thus, at least until 1 May 1983, when this commitment expires, one major source of friction between the United States and the Community will no longer be part of the international economic scene.

#### East-West relations

Trade with the Eastern bloc accounts for a relatively small part of both the USA's and Europe's overall economic activity. However, the figure for the EEC is markedly higher than that for the USA. (Currently approximately 8% of the Community's foreign trade is with the East, as against 2% with the USA). Exports to the Eastern bloc countries amount to 0.15% of GNP in the case of the USA, 0.76% in the case of France and 1.15% in the case of the Federal Republic of Germany (FRG).

These figures help to explain the deep difference of attitude between Europe and the USA regarding trade with Eastern bloc.

This difference has been accentuated by the American decision to use economic weapons to get the USSR to change its attitude in the East-West confrontation.

It was in 1980 (during President Carter's term of office) that an embargo was imposed on sales of technology to the USSR. This embargo was reinforced in December 1981 (under President Reagan). During this period, Europe concluded new contracts with the USSR, the natural gas contract becoming in American eyes a political as well as an economic symbol. This contract covers a period of 25 years and provides for the supply of 40 thousand million m<sup>3</sup> of natural gas per year by the USSR. Europe has to provide \$ 11 thousand million worth of equipment. This equipment will be paid for with gas over a period of 10 years. In addition the USSR is to receive \$ 8-9 thousand million per year in foreign exchange, which will strengthen its balance of trade.

Above all, the USSR has secured favourable terms for the financing of this equipment by dealing separately with each of the countries concerned. These countries were not able to adopt the common attitude that would undoubtedly have enabled them to negotiate terms more favourable to themselves. (The credit interest rates are, for example, 7.75% in the case of France and FRG and cover 85% of the purchases).

However, the fact that the embargo on grain supplies to the USSR introduced by President Carter in April 1980 was suspended by President Reagan in April 1981 (for purely domestic reasons) has considerably weakened the US position vis-à-vis Europe.

The dispute between the USA and Europe has been exacerbated by the American decision of 18 June 1981 to extend the technology embargo to foreign subsidiaries (for the most part in Europe) of American firms and to equipment

manufactured under American licence. A large number of enterprises and jobs in the EEC(1) could be seriously affected. The Member States have already queried what they consider to be the extraterritorial and retrospective application (doubtless contestable in law) of US legislation.

Even if the American decision can be regarded as legally justified in certain cases (in view of the terms of the contracts concluded between American companies and their licencees), there is no doubt that it introduces an arbitrary and unsettling element into international trade relations. The representatives of the American business community acknowledge this themselves, since the President of the US Chamber of Commerce recently wrote to President Reagan informing him of his objections.

#### Relations with Japan

Both the United States and the EEC have a large trade deficit with Japan (EEC : 11.3 thousand million dollars; USA : 18.1 thousand million dollars). In many sectors, the rate of penetration of Japanese products on the American market is higher than in Europe : 23% for cars, 50% for radios and 25% for television sets. Advanced technology sectors (microprocessors, etc.) are also being hard hit by Japanese competition, although this is a recent phenomenon. It seems that there is a tendency in America towards protectionist measures against Japan in these sectors, although they have so far been very much in favour of free trade. Moreover :

- the volume of United States/Japan trade is greater than that of EEC/Japan trade. In 1981 American exports to Japan were worth 21.8 thousand million dollars (Community exports to

---

(1) See table 6 appended.

Japan : 6.3 thousand million); Japanese exports to the US were worth 39.9 thousand million dollars (Japanese exports to the Community : 17.6 thousand million)(1).

- there is more Japanese industrial investment in the United States than in Europe : \$ 10 thousand million, a quarter of which goes towards production units, as opposed to \$ 4.4 thousand million in Europe, 850 million of which is destined for production units (Japanese MITI figures);
- the United States wields far greater bargaining power with Japan than the EEC, both for political reasons (defence) and because of the importance of the American market for Japanese industry (2).

Japanese trade aggressiveness is nevertheless stirring up more and more intense reactions in the United States. In this respect, the situation is very similar to that in the EEC.

Nevertheless, for political reasons the United States continues, as always, to refuse to present a common front ("gang up") with the EEC against Japan. The EEC thus faces the constant risk that bilateral United States/Japan agreements in a given sector will have negative repercussions in Europe (for example in the car sector, as already mentioned).

---

(1) Source : US Department of Commerce and Eurostat.

(2) See the Opinion of the Economic and Social Committee on Economic and Commercial Relations between the European Community and Japan. (OJ No. C 230 of 10 September 1981).

North-South problems

There is a fundamental difference between American and European views on this subject. The Reagan Administration does not believe that public aid effectively stimulates development (e.g. its attitude with regard to the proposed World Bank energy agency and the International Development Agency (1)). It tries to deal with the developing countries on a bilateral rather than a multilateral basis (as shown by its reticence over a proposed North-South dialogue in the economic field).

On the other hand, it declares that it is in favour of facilitating access of Third-World products to the American market ("Trade not Aid"). It is a fact that the American market already absorbs a larger share of goods manufactured in developing countries than the European market.

In its moves to get multilateral trade negotiations going again, the United States Government is seeking to introduce a clear distinction between genuine developing countries and those which have already attained a certain level of industrialization. For the latter, tariff preferences would be reduced, and, above all, these countries would be asked to offer a certain measure of reciprocity in favour of American exports (this is in line with a number of Opinions issued by the Economic and Social Committee on the generalized tariff preferences scheme).

---

(1) Set up to lend funds to developing countries at low rates of interest.

Influence of the USA on the energy situation in Europe

The USA consumes one quarter of the world's oil. Its energy policy is now undergoing a profound transformation, initiated by President Carter and continued with modifications by President Reagan.

This transformation could be favourable to Europe insofar as the increase (through deregulation) in the American oil price tends to reduce consumption and stimulate exploration and production. US pressure on world resources should in normal circumstances be progressively eased as a result.

However, the principles now guiding the Reagan Administration's energy policy are radically different from those that gave rise to the Carter programme. Instead of interventionist action to reduce demand, increase production and develop alternative resources, the Reagan Administration is tending to rely exclusively on market forces. The only action to restore equilibrium which it is prepared to countenance is price deregulation, which means a price increase.

Because it places faith exclusively in the market economy, the US Administration is very reticent about any collective effort to control the energy risk. The EEC (with the exception of the UK) is thus having increasingly to tackle by itself the problems posed by the vulnerability of its oil supplies.

VIII. CONCLUSION

The United States' economic, financial and political power gives it a special responsibility in its relations with the rest of the world and consequently the EEC. When taking



decisions, the leaders of the United States should assess the possible impact on other countries. Measures which directly affect other countries should be subject to proper consultations (as suggested by the concept of partnership launched in the '60s by President Kennedy). Anything likely to jeopardize these necessary consultations is to be avoided.

From the beginning, the United States supported European integration within the framework of the EEC. This attitude has been reaffirmed in policy statements made by American leaders. However, it is increasingly contradicted in actual economic and trade policy decisions. It is fair to ask whether United States recognition of the "European edifice" (the EEC, its institutions and common policies) is still as strong in American Government and economic circles.

The Community institutions, and in particular the Commission, have stiffened their attitude as regards the United States. This demonstrates the EEC's ability to react strongly to outside pressures. However, the Community often finds it difficult to agree on a valid commercial strategy.

American trade policy, whilst being wholly defensive on certain points, is in other respects strongly aggressive, and designed to promote the medium and long-term interests of the American economy. The EEC needs a decision-taking mechanism which would allow it to do likewise.

Even though the United States have taken the initiative to get the cumbersome GATT negotiations going again, they are drawing up legislation which, if adopted, would jeopardize GATT's fundamental premise - multilateralism. This legislation would pave the way for greater nationalism, allowing the USA to override international restraints (as was

the case during the monetary crisis in the early seventies), and to wield its political and economic superiority more directly for the benefit of its exporters.

Current difficulties and their effect on public opinion have made it even more necessary to increase US/Europe consultations at all levels, including the political authorities and socio-economic interest groups, with a view to taking concerted action.

The Section for External Relations would urge the Committee to produce, at the earliest possible date, an Own-initiative Opinion between the European Community and the United States.

\*

\*

\*

\*\*\*\*\*  
\* A P P E N D I C E S \*  
\*\*\*\*\*

- Table 1 : The Community's External Trade
- Table 2 : EC-US Import-Export Trade - by EC  
Member State
- Table 3 : United States - Summary of bilateral  
transactions with the European  
Community
- Table 4 : United States - Direct investment  
abroad  
Foreign direct investment in the US
- Table 5 : US Agricultural Trade
- Table 6 : Companies involved in the Siberian  
gas pipeline project
- Table 7 : The importance of the USA
-

THE COMMUNITY'S EXTERNAL TRADE : WORLD, UNITED STATES, CANADA, JAPAN, AUSTRALIA, NEW ZEALAND, E.F.T.A.

Source : Eurostat, Monthly Trade Bulletin, Special Number 1958-1980 & N° 4 - 1982

(million dollars)

	1974	1975	1976	1977	1978	1979	1980	1981
<b>Imports (c.i.f.)</b>								
World (ex. EC)	156 008	155 660	178 174	197 608	227 165	298 968	378 082	339 000
United States	24 262	25 558	28 286	29 432	35 554	47 098	61 609	55 321
Canada	4 778	4 380	4 873	4 914	5 056	6 982	8 505	7 400
Japan	5 219	5 988	7 149	8 732	11 102	13 417	17 351	17 600
Australia	1 979	1 991	2 520	2 396	2 409	3 244	3 441	
New Zealand	1 022	841	935	1 030	1 240	1 464	1 518	
E.F.T.A.	24 403	25 119	27 817	31 995	41 847	56 036	68 059	
<b>Exports (f.o.b.)</b>								
World (ex. EC)	136 235	150 400	157 748	189 884	221 617	266 032	312 496	294 500
United States	18 977	16 380	18 149	23 429	29 432	34 321	36 989	41 137
Canada	3 020	3 167	3 100	3 489	4 058	4 599	4 718	5 100
Japan	3 303	2 763	3 040	3 524	4 748	6 346	6 362	6 300
Australia	2 893	2 642	2 689	3 049	3 610	4 036	4 288	
New Zealand	909	778	679	747	854	1 025	933	
E.F.T.A.	33 334	33 668	37 439	43 708	49 952	65 091	79 393	
<b>Balance</b>								
World (ex. EC)	- 19 773	- 5 260	- 20 425	- 7 724	- 5 548	- 32 936	- 65 587	- 44 500
United States	- 5 285	- 9 179	- 10 137	- 6 003	- 6 122	- 12 777	- 24 625	- 14 184
Canada	- 1 758	- 1 213	- 1 773	- 1 425	- 999	- 2 383	- 3 786	- 2 300
Japan	- 3 109	- 3 225	- 4 109	- 5 208	- 6 354	- 7 071	- 10 989	- 11 300
Australia	915	651	169	653	1 201	792	846	
New Zealand	- 32	- 63	- 256	- 283	- 386	- 439	585	
E.F.T.A.	8 931	8 549	9 622	11 713	8 105	9 055	11 334	

- 76 -

Table 1

EC-US IMPORT-EXPORT TRADE : BY EC MEMBER STATE

Source : Eurostat, Monthly Trade Bulletin, Special Number 1958-1980 & n° 4 - 1982 (million dollars)

	1974	1975	1976	1977	1978	1979	1980	1981
<u>Imports from USA (c.i.f.)</u>								
Germany	5 396	5 788	6 971	6 922	8 197	10 431	13 509	12 064
France	4 102	4 082	4 721	4 894	5 968	8 094	10 761	8 794
Italy	3 132	3 361	3 430	3 283	3 817	5 278	6 679	6 195
Netherlands	2 959	3 474	3 627	3 890	4 555	5 661	6 747	6 264
Belgium/Luxembourg	1 941	1 954	2 166	2 428	2 794	3 988	5 494	4 456
United Kingdom	5 886	5 997	6 374	6 662	8 877	11 962	15 918	14 483
Ireland	247	272	358	381	534	722	874	1 086
Denmark	601	630	637	760	812	961	1 273	1 520
(Greece)								457
EC Total	24 262	25 558	28 286	29 220	35 554	47 098	61 256	55 321
<u>Exports to USA (f.o.b.)</u>								
Germany	6 696	5 349	5 722	7 842	10 013	11 332	11 651	11 565
France	2 241	2 044	2 527	3 266	4 273	4 792	4 933	5 605
Italy	2 311	2 283	2 403	3 002	3 990	4 662	3 822	5 155
Netherlands	1 307	965	1 139	1 497	1 657	1 785	1 859	2 238
Belgium/Luxembourg	1 584	1 174	1 164	1 571	1 849	2 104	2 183	2 329
United Kingdom	4 132	3 911	4 431	5 386	6 626	8 584	10 820	12 502
Ireland	256	195	231	273	350	350	446	490
Denmark	451	459	531	582	674	712	787	878
(Greece)								375
EC Total	18 977	16 380	18 149	23 419	29 432	34 321	36 499	41 137
<u>Balance</u>								
Germany	1 300	- 439	- 1 249	920	- 1 816	901	- 1 858	- 499
France	- 1 861	- 2 038	- 2 194	- 1 628	- 1 695	- 3 302	- 5 828	- 3 189
Italy	- 821	- 1 078	- 1 027	281	- 173	- 616	- 2 857	- 1 040
Netherlands	- 1 652	- 2 509	- 2 488	- 2 393	- 2 898	- 3 876	- 4 888	- 4 026
Belgium/Luxembourg	- 357	- 780	- 1 002	857	- 945	- 1 884	- 3 311	- 2 127
United Kingdom	- 1 754	- 2 086	- 1 943	- 1 276	- 2 251	- 3 378	- 5 099	- 1 981
Ireland	9	77	127	108	184	372	429	596
Denmark	- 150	- 171	- 106	- 178	- 138	- 249	- 486	- 642
(Greece)								82
EC Total	- 5 285	- 9 179	-10 137	- 5 801	- 6 122	-12 776	-24 758	-14 184

77

Table 2

**UNITED STATES : SUMMARY OF BILATERAL TRANSACTIONS WITH THE EUROPEAN COMMUNITY**

1975-1981

Source : U.S. Department of Commerce, Survey of Current Business

\$ milliard

	1975	1976	1977	1978	1979	1980	1981
<b><u>Merchandise Trade</u></b> (excl. Military)							
Exports	22.9	24.9	26.5	31.9	42.4	53.5	51.5
Imports	- 16.5	- 17.7	- 22.1	- 29.0	- 33.2	- 36.1	- 41.4
Balance	+ 6.3	+ 7.2	+ 4.4	+ 2.9	+ 9.2	+ 17.4	+ 10.1
<b><u>Services</u></b>							
Exports	9.3	10.8	12.4	16.8	26.7	29.5	29.5
Imports	- 10.2	- 10.9	- 12.0	- 16.1	- 21.9	- 26.0	- 29.4
Balance	- 0.9	- 0.1	+ 0.4	+ 0.7	+ 4.8	+ 3.5	+ 0.1
<b><u>Goods and services</u></b>							
Exports	32.1	35.7	38.9	48.7	69.1	83.0	80.9
Imports	- 26.7	- 28.6	- 34.1	- 45.1	- 55.1	- 62.1	- 70.8
Balance	+ 5.4	+ 7.1	+ 4.8	+ 3.6	+ 13.9	+ 20.9	+ 10.1
<b><u>Unilateral transferts</u></b>	0.1	0.0	0.1	0.1	0.3	0.6	0.4
<b><u>Balance on military transactions</u></b>	- 1.7	- 1.7	- 2.1	- 2.7	- 2.9	- 2.7	- 3.7
<b><u>Balance on current account</u></b>	3.8	5.4	2.9	1.1	11.4	18.7	6.7

UNITED STATES : DIRECT INVESTMENT ABROAD - Net Investment Position at Year End (Billion \$)

	1966	1970	1973	1974	1975	1976	1977	1978	1979	1980
<u>World</u>	54.8	78.2	101.3	110.2	124.2	136.4	149.8	168.1	186.8	213.5
<u>EC</u>	13.6	20.3	30.9	35.4	39.1	43.2	47.9	55.2	65.7	76.6
Belgium/Lux.			2.5	2.9	3.3	3.6	4.3	4.7	6.4	6.9
France			4.3	4.9	5.8	5.9	6.1	6.8	8.0	9.4
Germany			7.7	8.0	8.8	10.5	11.1	12.7	13.6	15.4
Italy			2.2	2.7	2.6	2.9	3.0	3.6	4.4	5.4
Netherlands			2.4	3.3	3.4	3.5	4.0	4.7	6.9	7.9
United Kingdom			11.0	12.5	13.9	15.1	17.4	20.3	23.6	28.1
Denmark			0.5	0.7	0.6	0.7	0.7	1.6	1.1	1.3
Ireland			0.3	0.5	0.6	0.9	1.1	0.9	1.8	2.3

UNITED STATES : FOREIGN DIRECT INVESTMENT IN THE U.S. - Net Investment Position at Year End (Billion \$)

	1950	1960	1970	1974	1975	1976	1977	1978	1979	1980
<u>World</u>	3.4	6.9	13.3	25.1	27.7	30.8	34.6	40.8	54.5	65.5
<u>EC</u>	1.7	3.4	7.4	14.1	15.6	17.0	20.1	23.9	32.3	37.9
Belgium/lux.				0.7	0.8	0.8	1.2	1.3	1.6	1.9
France				1.1	1.4	1.6	1.8	1.9	2.3	2.7
Germany		0.1	0.7	1.5	1.4	2.1	2.5	3.2	5.7	5.3
Italy				0.2	0.3	0.3	0.3	0.2	0.2	0.3
Netherlands	0.3	0.9	2.1	4.7	5.3	6.3	7.8	9.8	12.7	16.2
United Kingdom	1.2	2.2	4.1	5.7	6.3	5.8	6.4	7.4	9.8	11.4
Denmark/Ireland				0.1	0.1	0.1	0.1	0.1	0.2	0.2

Source : United States Department of Commerce, Survey of Current Business

U.S. AGRICULTURAL TRADE

1975-1981

Source : U.S. Department of Agriculture

(\$ million)

	1975	1976	1977	1978	1979	1980	1981
<u>Exports to</u>							
World	21.859	22.978	23.636	29.382	34.749	41.233	43.337
EC - 10	5.987	6.727	6.887	7.462	8.134	9.236	9.059
Canada	1.310	1.490	1.540	1.643	1.691	1.852	1.989
Japan	3.102	3.595	3.893	4.484	5.287	6.111	6.562
<u>Imports (*)</u>							
World	9.293	10.966	13.438	14.805	16.724	17.366	16.778
EC - 10	1.678	1.979	2.091	2.763	1.950	2.130	2.263
Canada	499	613	689	778	961	1.061	1.150
Japan	64	76	79	102	89	99	120
<u>Surplus with</u>							
World	12.566	12.012	10.198	14.577	18.025	23.867	26.559
EC - 10	4.309	4.748	4.796	4.699	6.184	7.106	6.796
Canada	811	877	851	865	730	791	839
Japan	3.038	3.519	3.814	4.382	5.198	6.012	6.442

(\*) Customs Value Basis (= FOB)



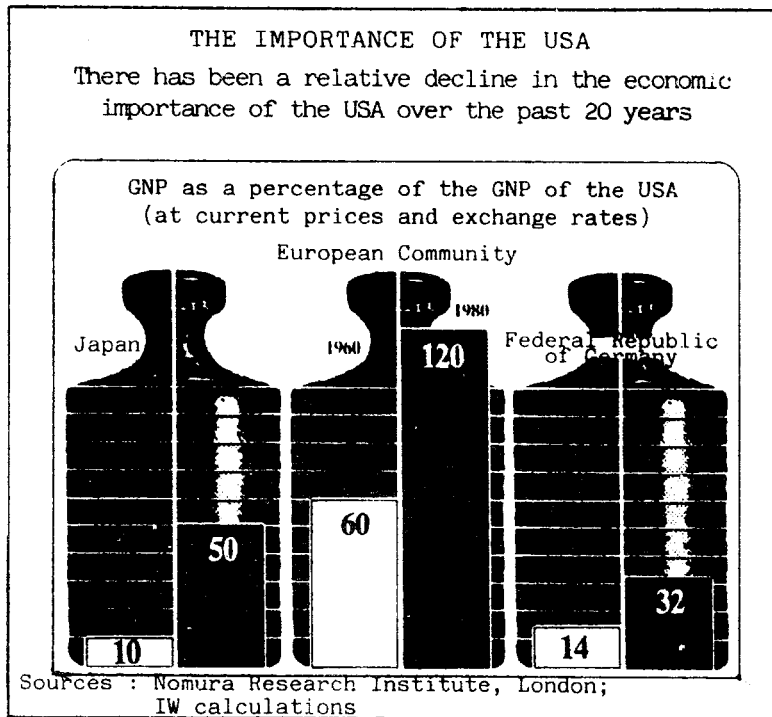
RELATIONS WITH THE USSR

Companies involved in the Siberian gas pipeline project

FRANCE - 4.5 thousand million francs Althom-Atlantique ..... Creusot-Loire ..... Thomson-CSF .....	40 rotors 22 compression stations Telecommunications and teleprocessing systems	400 million French francs 1.5 thousand million French francs 1.8 thousand million French francs
Merlin-Gerin + C.E.M. ....	Electrical equipment	150 million French francs, of which 40 million for C.E.M.
WEST GERMANY A.E.G.-Kanis ..... Mannesmann .....	47 turbines 1,200,000 tonnes of large-diameter pipes, compression stations (in conjunction with the French company Vallourec)	DM 700 million DM 430 million
ITALY Nuevo Pignone .....	19 compression stations + 57 turbines. Other equipment	5 thousand million dollars 100 million dollars
GREAT BRITAIN - £200 million Ruston Gas ..... John Brown .....	Turbines 21 turbines	£30 million £104 million
JAPAN Kometsu .....  Nippon Steel, Kawasaki Steel, Sumimoto Metal Industries, Nippon Kohan .....	885 pipelaying machines in two deliveries, the first of 350 and the second of 495 machines. 78,500,000 tonnes of large-diameter pipes	The contract figures are not available at present. But it should be noted that last February the USSR asked the Japanese banks for a loan of 70 million dollars to finance the pipeline. In addition, in November 1981 the Export-Import Bank loaned the USSR 80 thousand million yen towards the cost of importing 700,000 tonnes of pipes.
N.B. : These figures do not reveal the full scope of this project as small companies are also involved.		

Source : "Le Nouveau Journal", 24 July 1982

Table 7



European Communities - Economic and Social Committee

Relations between the European Community and the United States

Own-initiative Opinion of the Economic and Social Committee  
Brussels : General Secretariat of the Economic and Social  
Committee

1983 - 82 pages

Dk, D, E, F, I, N, Gr.

An Information Report on EEC/US Relations, compiled by the Section for External Relations, was presented to the Committee at the Plenary Session held on 27 October 1982.

In following up this work with an Opinion, the Committee has concentrated on the ties uniting the two partners, which far outweigh the existing areas of discord. After scrutiny of the points that the USA and the Community have in common and, of their disputes, the Opinion looks at the sectors where disputes arise (R & D, cars, petrochemicals, synthetic fibres, textiles, footwear, services, sea/air transport, steel). It regrets the recent US unilateral decision, limiting special steel imports from the EEC.

The Committee recommends solutions aimed at creating, with the help of economic and social groups on both sides of the Atlantic, the climate of close cooperation required by the partners' extensive trade relationship and major world economic role.