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INACTION ON WAIVER POSES 'GRAVE CONSEQUENCES' FOR TOKYO ROUND

Affirming today in Brussels the European Community's commitment to a successful conclusion of the current Tokyo Round of multilateral trade negotiations (MTN), Sir Roy Denman nevertheless voiced Community regrets that the U.S. Congress had not extended the waiver on countervailing duties. In a statement to the press, Denman, director general of the Commission's external relations and a principal negotiator in the Tokyo Round, also said the Commission was concerned by the approval given by Congress to an exclusion of textiles from the trade negotiations.

The Denman statement said: "The Commission very much regrets that in spite of the vigorous efforts undertaken by the United States administration, Congress has now gone into recess until January without extending the waiver on the application of countervailing duties in Section 331 of the Trade Act. We are also seriously concerned by the approval given by Congress to legislative provisions excluding textiles from the MTN tariff negotiations.

"The fact that legislative action now can be ruled out before Congress reconvenes in January does not, we assume, exclude the possibility of a solution by administrative means.

"But as Vice President (Wilhelm) Haferkamp said on behalf of the Commission in a message to Ambassador (Robert S.) Strauss on 18 September, unless the uncertainty over the imposition of countervailing duties from 3 January can be resolved, the common assumption of shared responsibility on which we have based the Tokyo Round would no longer exist and these negotiations cannot be concluded in November as we had hoped.

And this has grave consequences for all the partners of the United States in these negotiations. But this in no way affects our commitment to reach a successful conclusion of these negotiations."

President Jimmy Carter had called an extension of the waiver on countervailing duties crucial to the U.S. "ability to press ahead" with trade negotiations in Geneva, but the House rejected a bill on which a Senate amendment to extend the waiver had been attached. A second attempt to attach a waiver extension to an unrelated bill was successful in the House, but that bill failed to pass the Senate. Both houses of Congress approved, however, an order to exclude textiles from the multilateral trade negotiations, a move that Strauss, the U.S. Special Trade Representative, called "devastating."

The European Community view is that the imposition of countervailing duties should be subordinate to proof of injury by the imports to an American industry--the view expounded by Article 6 of the General Agreement on Trades and Tariffs, and in spirit accepted by the 1974 U.S. Trade Act, which allowed a waiver on such countervailing duties until 3 January of 1979. In 1974, Congress expected the Tokyo Round of trade negotiations to have finished its work before 1979 so that agreement on countervailing duties would have been part of the new GATT treaty. Both U.S. and EC negotiators admit the lack of Congressional extension of the waiver makes their tasks more difficult in Geneva.

The exports of many countries are likely to be affected by the threatened application of countervailing duties. Community exports to the United States that face the imposition of countervailing duties include cheeses, canned ham, and Danish butter cookies. According to U.S. Treasury figures, cheeses, primarily from Denmark and the Netherlands, account for \$150 million in imports per year, canned ham for \$130 million, and Danish butter cookies for \$5 million. If countervailing duties are applied after January 3, 1979, these items are expected to become more expensive for American consumers--price increases as a result of the countervailing duties will be sizable.

In a statement released today, Strauss echoed Denman's concern about the Tokyo Round negotiations but said that he believed the new Congress, convening January 15, would act "immediately to resolve this potentially serious problem in trade relations." He added that he was meeting with Treasury Secretary Michael Blumenthal "to explore means of dealing with this situation."

"Our industrial and agricultural interests have major stakes in these negotiations and we cannot let either our current failure to get the waiver extended or the threat of the exclusion of textiles from these talks to adversely affect our broader national interests," Strauss concluded.