



european community

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EC COMMISSION PUBLISHES 1993 ANNUAL REPORT ON U.S. TRADE BARRIERS

The EC Commission has today issued its ninth Report on US Barriers to Trade and Investment. This 1993 Report identifies problems facing EC businesses seeking access to US markets, and serves as a tool to help remove US trade barriers through bilateral negotiations currently under way between the EC and the United States, as well as multilaterally through the Uruguay Round.

Trade impediments work against greater interdependence

At present, trade flows between the two blocs are running at some \$200 billion a year. The Community still has a trade deficit with the United States, but this fell from \$16.7 billion in 1991 to \$9 billion in 1992. The balance of trade differs substantially from sector to sector, and there are clear indications that both sides have made considerable gains in areas where they have a competitive advantage. At historical prices, direct investment in each other's markets currently amounts to over \$420 billion.

Given the growing economic interdependence between the two trading partners, it is crucially important to identify the impediments to trade and investment in the US in order to enhance free trade as much as possible. The number of such impediments has not decreased since last year's report was published.

The publication of the ninth report follows the United States' publication of its annual National Trade Estimate Report on Foreign Trade Barriers, although it is not specifically a response to the US report. As in the past, the US report singles out the EC's policies on agriculture, government procurement and subsidies, although without taking account of bilateral agreements - notably the Blair House accord on farm subsidies - on the basis of which major trade disputes are to be regarded as settled. The two reports also differ in that the US report may lead to unilateral trade sanctions under the 1988 US Trade Act, whereas the Commission report will not. The Community is committed to full compliance with the General Agreement on Tariffs and Trade (GATT) rules.

The key obstacles

The EC report identifies eleven major areas where European access to US markets is potentially threatened, seriously hampered and sometimes totally excluded. These are:

1. US unilateralism in trade legislation
2. The extraterritorial application of national trade provisions
3. The extensive use of national security considerations
4. Public procurement and the "Buy American" legislation
5. High tariffs, fees, import quotas and invoice requirements
6. US subsidies, aiming to support and enhance US farm exports

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7. US tax legislation (vehicles, transfer pricing, state unitary income taxation)
8. The multiplicity of standards at federal, state and municipal level
9. The US services market
10. Intellectual property rights
11. The investment sector

The influence of US domestic concerns

There are various instances of US policy being influenced by US domestic concerns about the competitiveness of its industries. This would include the repeated tabling of new and tougher "Super 301" procedures in Congress, proposals to expand damages for those "injured" by alleged low-price sales of foreign goods, and the recent imposition of anti-dumping and countervailing duties on steel imports from 19 countries.

Barriers to trade and investment may often be the result of divergent regulations, a problem which can be overcome through bilateral efforts at regulatory convergence. The EC/US agreement on sanitary standards for slaughterhouses is a good example of how a trade dispute has been resolved through such convergence.

As a rule, barriers to trade and investment should be eliminated through negotiations in multilateral fora, such as GATT and the Organization for Economic Cooperation and Development (OECD). The multilateral method favored by the Community ensures the participation of a large number of partners, thus increasing transparency and stability on the markets. The fact that the Uruguay Round negotiations still have not led to the conclusion of agreements aimed at is one of the reasons why many of the obstacles enumerated this year are the same as those in last year's report.

The need for stronger multilateral dispute settlement

The unresolved bilateral trade disputes produce damaging overall effects. The European Community seeks to eliminate these obstacles to enhanced free and fair trade between the two partners. However, any real success depends largely on the understanding and the acceptance by the US of the necessity:

- to refrain from unilateral action in the trade field;
- to adhere to multilaterally agreed dispute settlement procedures;
- and to cooperate with the European Community and others to strengthen those procedures.

What is presently at stake is a free and open trading system which has ensured prosperity in the Community and the US for the past forty years and which has given many countries in the world the opportunity to improve their living standards. The Commission therefore welcomes President Clinton's commitment to an open world trading system and the Uruguay Round, and in particular his request to the US Congress for an extension of the Fast Track procedure, which needs to be adopted as quickly as possible in order to kick-start the final phase of the negotiations. The President's further call for cooperation towards world economic growth and his welcome for foreign investment are additional positive signals.

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Note: copies of the EC Report on US Trade Barriers may be picked up at the Reception Desk of the EC Commission Delegation, 2100 M Street, NW, Suite 707, Washington, DC 20037