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E.C. TERMINATES EXCHANGE OF LETTERS ON PIPES AND TUBES IN RESPONSE TO U.S. UNILATERAL RESTRICTIONS

The European Community is dismayed that the U.S. Administration has unilaterally restricted imports of E.C. steel pipes and tubes despite the Community's clear offer to limit its shipments of those products to the U.S., E.C. Commission Vice-President Etienne Davignon said today.

Davignon made his comments at a press conference in Brussels following the U.S. Administration's announcement that on November 29 it would ban imports of E.C. pipes and tubes for the rest of the year. Davignon described the decision as "protectionist" and "discriminatory," noting that the Community had offered to hold its pipe and tube exports to 7.6 percent of the American domestic market.

"It is disturbing to see that the U.S. Administration accepts the (American steel) industry's view rather than seeking agreement with its major partners," Davignon said. Davignon explained that he, E.C. Commission Vice-President Wilhelm Haferkamp and U.S. Trade Representative William Brock had tentatively agreed on a 7.6 percent ceiling during negotiations that took place in Brussels the weekend of November 17.

The E.C. Council of Ministers gave "a full O.K." to the proposed agreement, "not changing a single comma of what had been the result of the weekend's talks," Davignon said. Faced with strong opposition from the U.S. pipe and tube industry, Brock was not able to get the U.S. Administration to accept this agreement, he said.

The Community is disturbed that the U.S. proceeded to impose restrictions unilaterally, without any further consultations, he said. Under these circumstances, the E.C. had no choice but to terminate the October 1982 exchange of letters on pipes and tubes.

Davignon added that the Community will exercise its full rights under the General Agreement on Tariffs and Trade (GATT), noting that "no text in GATT allows for any form of closing down borders." If GATT consultations do not result in a satisfactory offer of compensation from the U.S., the Community may have no choice but to take retaliatory measures against U.S. exports.

According to official U.S. statistics, U.S. imports of pipes and tubes from the E.C. during the first eight months of 1984 amounted to 926,000 tons, valued at about \$400 million.

The U.S. action is even more disturbing in light of the U.S. International Trade Commission's recent ruling, in the Bethlehem Steel Corporation case, that E.C. exports of pipes and tubes were not seriously injuring the U.S. industry. "It is a clear discriminatory act taken solely against the E.C.," Davignon said.

The U.S. side has always incorrectly portrayed the 1982 exchange of letters on pipes and tubes as a formal arrangement, Davignon said. Those letters, which were part of the overall U.S.-E.C. agreement on carbon steel products, did not commit the E.C. to limit its exports of pipes and tubes. They only provided for consultations if the E.C. shipments exceeded 5.9 percent of the U.S. domestic market. That 5.9 percent figure was merely a "forecast," based on the Community's average share of the U.S. market from 1979 to 1981.

In view of the E.C.'s termination of the exchange of letters, Davignon questioned the legal basis for any unilateral enforcement of the letters by the U.S. The enforcement authority that was granted to the U.S. Administration under Section 805(b) of the Trade and Tariff Act of 1984 is premised on the existence of the exchange of letters, he noted.

"We have been genuinely surprised to notice that the U.S. Administration followed the wishes of the U.S. industry," Davignon said. "The pressure exercised by the U.S. industry on the U.S. Administration forebodes gloomy days for the Community."