

# EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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## EUROPEAN PARLIAMENT EXPECTS CARTER TO RESIST PROTECTIONISM

The European Parliament has urged US President-elect Jimmy Carter to remove existing obstacles to trade and resist new protectionist demands by US industry. In a resolution adopted January 11, 1977, the 198-member group also says it is necessary to seek ways to improve the balance of transatlantic trade which now heavily favors the United States. The Parliament warned that new problems on the trade front could spill over in the general political relations between the European Community and the United States which at the moment it regarded as "very good".

The Parliament based its resolution on a committee report\* which found that during 1976 US industry had sought protection against European trade valued at \$4.5 billion including steel, shoes, cars and food products. The group noted that in most sectors President Ford had resisted industry demands for protection and it bade President-elect Carter to follow this example. The key existing trade barrier attacked by the Parliament was the specialty steel quota system ordered by President Ford last June. The resolution asked that this system, which began to limit EC trade last fall, be ended at the earliest opportunity.

The group also noted that the US trade balance with the European Community, which has always been in surplus, increased to new heights in recent years, approaching \$9 billion in 1975.

\*Report on the present state of economic and commercial relations between the Community and the United States of America, Doc. #468/76, 23/11/76.

It said this imbalance was due especially to increased sales of US farm products to Europe. American agricultural exports to the Community totaled \$5.6 billion in 1975; this was 25 per cent of all US farm exports and five times the amount of EC farm sales to the US.

### Protectionist Demands

The Parliament report found that protectionist sentiment had built up in the US because of the recession and the 1974 Trade Act which contains various safeguard clauses that make it easier for US private interests to seek protection. The Community, it said, is having difficulty accepting the legal basis of some of these provisions which it fears are simply devices to exclude imports. The report also noted that in the election year climate of 1976 it was normal for domestic interest groups to push their demands to the utmost as politicians sought blocs of votes. Because of these pressures the list of complaints against goods from Europe grew to cover almost one quarter of total EC exports to the US. The report credited the Ford Administration for withstanding domestic pressure in many cases and preventing protectionist activities in the US from having a snowball effect on American trade relations with the rest of the world.

The key cases noted by the report were:

a) export subsidy actions

- In October 1975 the Treasury rejected a US Steel Corporation complaint that the EC's value added tax on rolled steel (EC trade value \$962 million) was a subsidy.
- In February 1976 the Treasury waved countervailing duties against EC subsidies for tinned hams (EC trade value \$283 million) and cheese (EC trade value \$107 million) pending the outcome of the Geneva Multilateral Trade Negotiations.

b) anti-dumping actions

- In August 1976 the Treasury ended an investigation of dumping by foreign car makers on the US market (EC trade value \$2.5 billion) after a two year price regulation system was set up that forced foreign car prices up slightly. The Community argued the US anti-dumping procedure was illegal under GATT rules.

c) escape clause actions

- In April 1976 the President rejected a demand for a quota system for shoe imports (EC trade value \$391 million).
- In June 1976 the President ordered a quota system for special steel imports (EC trade value \$39 million).

In reviewing these results the Parliament report warned the special steel and car decisions had burdened EC exporters and that the rolled steel and shoe problems were not dead. US Steel Corporation has asked a US customs court to reverse the Treasury decision, and a court ruling against the value added tax system could disrupt sale of EC steel and all other industrial products in the US.

The US footwear industry has successfully obtained a rehearing of its case, and a new recommendation for import quotas awaits President-elect Carter. The report also noted that economic factors had brought an increase in foreign investment in the US and because of this the US was in the process of tightening its laws controlling foreign investment. It suggested that the Community officials keep watch on this trend.

#### The Multilateral Trade Negotiations

The European Parliament also called for the Tokyo Round trade talks to be brought to a conclusion by the end of 1977 as planned. The committee report noted, however, that preparatory work had lagged in 1976, due in part to the US elections, and that it was not certain whether this timetable could be met. So far, the committee said, significant progress had been made only in the tropical products sector where the main industrial countries have tabled proposals for tariff concessions on many developing country commodities. In other sectors there was only "technical progress". The EC and US were still apart on tariff cutting proposals and agricultural measures. The EC is also concerned about the provisions in the 1974 Trade Act permitting Congressional review and possible veto of all decisions reached in Geneva.

#### US-EC Contacts

The parliamentary resolution cited the system of semi-annual talks between high US and Community officials as a useful means for containing new trade disputes as they arose. It also praised the meetings between members of the European Parliament and the US Congress, which now take place on a regular semi-annual basis, for creating a better understanding of attitudes about economic policy on both sides of the Atlantic. EC Commission Vice President Wilhelm Haferkamp, who has just taken over the external relations portfolio from the retiring Sir Christopher Soames, told the parliamentary session in Luxembourg that the Commission shared its views on EC-US relations and would start talks with the new US Administration during the visit of Vice President-elect Walter Mondale to Brussels in late January.