



## ***European Council, June 28-29, Belgium***

At the second of their thrice-yearly summits of 1982—held in Brussels—the Ten EC leaders issued the following statements:

### ***EC on Middle East***

*The following is the text on the Middle East issued at the European Council meeting:—*

1—The Ten maintain their vigorous condemnation of the Israeli invasion of Lebanon. They are greatly concerned about the situation in that country and, in particular, in Beirut. They believe that the present ceasefire must at all costs be preserved.

This ceasefire should be accompanied on one hand by an immediate withdrawal of Israeli forces from their positions around the Lebanese capitol as a first step towards their complete withdrawal, and on the other hand by a simultaneous withdrawal of the Palestinian forces in West Beirut in accordance with procedures to be agreed between the parties.

In order to facilitate this withdrawal, the separation of forces would be controlled during this short transition period by Lebanese forces and, by agreement with the Lebanese Government, by UN observers or forces.

2—The establishment of a final peace in Lebanon requires the complete and prompt withdrawal of Israeli forces from that country as well as the departure of all foreign forces except those which may be authorized by a legitimate and broadly representative Government of Lebanon, whose authority would be fully re-established over all its national territory. The Ten support all efforts for the achievement of these objectives.

3—For the present the Ten have decided to continue their activity to bring relief to the population in distress and, in this context, call on all parties to act in accordance with Security Council Resolutions 511 and 512 and to co-operate with the responsible international agencies

as well as with Unifil. They are also ready in due course to assist in the reconstruction of the country.

4—Anxious to initiate, over and above the settlement of the Lebanese problem, the lasting restoration of peace and security in the region, the Ten wish to see negotiations based on the principles of security for all states and justice for all peoples, all the parties concerned should be associated with these and thus should accept one another's existence. Israel will not obtain the security to which it has the right by using force and creating *faits accomplis*, but it can find this security by satisfying the legitimate aspirations of the Palestinian people, who should have the opportunity to exercise their right to self-determination with all that this implies.

They believe that for negotiations to be possible, the Palestinian people must be able to commit themselves to them and thus to be represented at them. The position of the Ten remains that the PLO should be associated with the negotiations.

The Ten wish to see the Palestinian people in a position to pursue their demands by political means.

### ***European-American Relations***

*This is the communique on United States European Community relations issued at the European summit:—*

The European Council had a detailed discussion of the development of economic relations between the European Community and the United States.

In particular, the European Council considered that it was in the interests of the world economy to adhere to the lines of policy agreed by the participants at Versailles. It confirmed its intentions for its part of doing so to the full.

It considered that a lowering of interest rates was a prerequisite for the recovery of the world economy and expressed the hope that

the U.S. Administration and Congress will take the necessary decisions to resolve the problem of the budget deficit.

So far as trade policy issues were concerned, the European Council confirmed the conclusion of the ministers for Foreign Affairs, meeting in the Council on June 21-22, with respect to the decisions or intentions announced by the United States concerning steel markets, and export and licensing of equipment for inclusion in the gas pipeline, and those concerning the common agricultural policy.

The European Council therefore considers that it was of the highest importance:

- To defend vigorously the legitimate interest of the Community in the appropriate bodies, in particular the Gatt.
- To make sure that the Community in managing trade policy, acts with as much speed and efficiency as its trading partners.
- That a genuine and effective dialogue take place between those in the United States and the Community responsible for decisions in the areas of possible dispute. This dialogue should be instituted as a matter of urgency. The Community for its part, is prepared to make a constructive contribution to this dialogue.

## **EC and US Views on Steel**

*At a joint press conference in Brussels in late June, Mr. William Brock, US Special Trade Representative, and Mr. Wilhelm Haferkamp, EC Commissioner responsible for External Relations made the following comments in answer to press questions on the ongoing US-EC Steel imbroglio:—*

**BROCK:**  
Well, perhaps I can just very briefly state that we have had a good and very thorough discussion of our difficulties and both parties explained our domestic as well as our international difficulties and opportunities.

I don't have a great deal to say, we have had a very thorough discussion about mutual difficulties and we will have continuing conversations on a number of these issues over the coming weeks.

**QUESTION:**  
What made you divert to come here in the first place, to break your schedule to come here?

**BROCK:**  
Well, I thought that it was important we continue the closeness of our contacts. We have enormous mutual interests, the need for both the European Community and the United States to act with full understanding of each other's problems is obvious and we have much to gain by working as closely as we possibly can.

**QUESTION:**  
Ambassador, how come you keep feeding Russians with grain and ask Europeans to stop buying gas, isn't that a more Anti-European than Anti-Soviet operation?

**BROCK:**  
We made our position reasonably clear, we are concerned that the Soviets have seized the last several years in which to engage in the largest arms build-up in the history of mankind. That has forced us to expend resources on defense that we would prefer to expend on the betterment of our people and it is the position of my government that we should not by government action on either side of the Atlantic offer them below market credit or other opportunities for the further development of their military might. And it is a matter of some concern that we would hope to be able to work more closely in a common policy in this area.

**QUESTION:**  
Can the US reconsider the decision on gas technology?

**BROCK:**  
I think the decision has been made. I don't know any discussion of reconsideration, that was not a matter of conversation this morning. I think both of us were trying to explain to each other what our respective positions were.

**QUESTION:**

What will be the consequences if the EEC doesn't agree to the increases in trade credit charges sought by the US?

**BROCK:**

Let me make the distinction between the provision of the low market interest rates for credit to the Soviets in that precise instance of East/West trade and the larger question of below market credit generally, which we have tried to address with the OECD Arrangement under which we have been operating for the last seven and a half months now. We had hoped that we could reach an accommodation, a compromise was offered by the chairman of the committee about six weeks ago, that has been under constant discussion since that

e. I don't know what the final decision of the European Community will be on the subject, I gather that decision has not yet been made, but it is, I think, true that the United States feels very strongly, and I think most of the member countries of the arrangement feel very strongly, that there has been an excessive amount of credit granted below market, and that the subsidy contained therein is having a trade distorting effect. What would happen if the agreement is not reached? I think we'll have to wait and see, because right now I hope very much that we can reach an accommodation on the problem.

**QUESTION:**

Did you discuss any way out for the countervailing duties on steel?

**BROCK:**

Well, we did not discuss specific proposals that would be different from those we have discussed in prior meetings. Both of us, I think, have an interest in resolving what is obviously a very serious and contentious issue, but we have not resolved the question, we still have the same position.

**QUESTION:**

Do you expect retaliatory actions from the Community?

**BROCK:**

No, I don't think either of us be-

lieves that retaliation is an appropriate tactic between friends on any of the subjects. There are very strong feelings on both sides on the merit of the issue and I think that we have to respect the fact that both of us have different views on some of these questions.

**QUESTION:**

Sir, do you think that the decision for the countervailing duties is an appropriate gesture between friends?

**BROCK:**

We believe that the cases were resolved in a fashion that reflects not just US law but our international agreements that subsidies for the purpose of enhancing exports are not consonant with our international agreements, we understand and respect the need for restructuring of the industry here, there are similar problems in the United States, but the cases were decided on the merit of the presentation and not on the basis of some new interpretation of rules. We believe that we have tried very hard to be consistent with the rules of the GATT and we will continue to do that.

**QUESTION:**

On what legal basis can the US stop the export of high technology to Soviet Russia for the pipeline even if it is constructed on license by European firms?

**BROCK:**

We have a legal authority to constrain the exploitation of US technology. We can enforce that on our domestic firms obviously, and if that technology is then licensed we can withdraw from those firms the opportunity to license.

**QUESTION:**

(On embargo restrictions against the Soviet Union). . . . This seems to go against the whole concept of grandfathering and dealing with existing contracts.

**BROCK:**

That is the question that would have to be settled by lawyers of which I am not one, but if the matter is contested in the courts that would be a matter for the court to decide.

**QUESTION:**

... In relations with Europe do the Americans shoot first and ask question later in this way?

**BROCK:**

I really don't accept the premise of the question, I think we have had this discussion for many months now and have been unable to resolve some of the differences, but friends do have differences on occasion, there are sincere differences, there are honorable differences and when you have those circumstances arise, you try to solve the problem as best you can in an amicable fashion.

**QUESTION:**

You are not a lawyer but you are a politician. What is your judgment? A few days after Versailles we are already at these two big questions between Europe and the US?

**BROCK:**

I think it is fair to state that on any number of occasions in the last 35 years we have had differences, those differences have never and will not have a negative impact upon the fundamental relationship which we value and which is the most important relationship we have in the world.

**HAFERKAMP:**

We appreciate very much that Ambassador Brock made it possible to be here for a few hours, that we had the possibility of discussion. We expressed our concern of the cumulation of difficulties: steel, agricultural questions, pipeline questions and others, but we agreed that we will tackle all these problems on their own merits. We continue to discuss this in the spirit and with the objective to find solutions. You know the declaration decided upon yesterday by our Council, some of the questions will be brought from our side to Gatt and others we will continue to discuss bilaterally, and we are convinced that in this way we can avoid that the difficulties become greater and, to say it the other way round, I am sure that we can find solutions. Maybe that will not be an easy task but it is our firm con-

viction that we must deploy major efforts to do so.

## **Western Economic Summit, Versailles June 4-6**

In their now-traditional annual meeting, the Heads of State and Government of the western world's major industrial nations, including the European Community, ranged over most of the major international economic, monetary and trade issues during their gathering at Versailles Palace June 4-6.

All the participants from the United States, France, Canada, Great Britain, Germany, Japan, Italy and the European Community felt the meeting had been a positive one at a difficult time which had succeeded in keeping relations from deteriorating. The Summit meeting and others attended by accompanying Foreign Ministers of the countries involved also took time to discuss the recent invasion of Lebanon by Israeli forces and they called for all parties to heed the appeal by the United Nations Secretary General for an end to hostilities.

The Versailles economic summit ranged over such subjects as economic policies, export credits, North-South relations, high interest rates and new technologies. It was also agreed that the next meeting would be held in the United States.

Relatively few concrete results emerged from the meetings, but there was substantial agreement on the difficult issue of American policies toward high interest rates and intervention on international money markets, East-West trade and credits and North-South relations, where the United States agreed to global negotiations with the developing countries. A group was also formed to consider host President Francois Mitterand's appeal for a special effort to harness new technologies to provide a stimulus toward economic recovery.

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## **EC Foreign Ministers Meeting June 20-22**

*The Foreign Ministers of the European Communities issued the following statement at the end of their three day meeting held in Brussels:—*

The Foreign Ministers Council has taken note with grave concern of the announcement on June 11 by the United States Department of Commerce of preliminary determinations in their countervailing investigations against Community steel exports to the United States. This decision will disrupt traditional trade flows, virtually eliminate steel exports of substantial value from certain Member States. It should be viewed against the general background of escalating trade disputes between the United States and the Community, not just in relation to steel, but also to agriculture, export credits and textiles.

The Community has over these last few years adopted a number of difficult, painful and far-reaching measures in order to restructure its steel industry. It has already reduced and will continue to reduce production capacity very considerably: all aids granted by national governments to their steel industry must be submitted to the Commission and authorized: only aids which contribute to restructuring and reduction of capacity will be authorized: no aids will be authorized after 1985. The recent decision by the Department of Commerce will undermine the Community's efforts toward restructuring in so far as they will seriously aggravate all problems leading to a lowering of prices on the international community market, growing unemployment, and consequent pressures for increased aid.

The E.C. Foreign Ministers Council has noted with particular concern that the Department of Commerce preliminary determinations constitute a major innovation in

world trading rules in that they reflect a series of extreme and unilateral findings on subsidies with far-reaching implications for many countries and industries currently exporting to the United States. In the Council's view these Department of Commerce decisions did not take adequate account of the reasoned case submitted by the Commission and will result in significant trade disruption and preempt future GATT policy under the subsidies code if they become US policy for all countervailing duty investigations. For that reason the Community is calling for an immediate meeting of the GATT subsidies committee. At that meeting it is the Community's intention to contest certain of the Department of Commerce decisions (e.g. as to what programs constitute subsidies and the method used for calculating the level of subsidies). The subsidies code procedures provide for the possibility of the Community being authorized to take counter measures if its contention meets with general acceptance.

The Community intends to take the occasion of the forthcoming meeting of the OECD Steel Committee to challenge the compatibility of the US action with the aims and commitments of the OECD Consensus on steel.

The United States action on alleged subsidies to Community steel exports to the United States has led the Council to consider the United States system of DISC (whereby export subsidiaries of a wide range of United States firms are in effect deferring for an indefinite period of time payment on part of US corporate income tax). The GATT has found that this practice, which costs the US Treasury approaching one billion dollars a year, must be regarded as an export subsidy. The Commission will therefore put forward proposals for consideration at the next meeting of the Council as to the actions which the Community might take under the GATT rules.

The attention of the Council has

also been drawn to the recent decision of the United States Administration to extend sanctions on the export of oil and gas equipment to the Soviet Union through the adoption of new regulations to include equipment produced by subsidiaries of US companies abroad as well as equipment produced abroad under licenses issued by US companies. This action taken without any consultation with the Community implies an extraterritorial extension of US jurisdiction which in the circumstances is contrary to the principles of international law, unacceptable to the Community and unlikely to be recognized in courts in the EEC.

These United States actions not only have grave consequences for international trade but in the case

of steel clearly represent an attempt to overturn, in the interests of one contracting party, the general balance of advantage reached in the Tokyo Round in the rules dealing with subsidies and countervailing duties. The Council deeply regrets the unilateral nature of the US response to these problems, and considers that, in view of the implications for what was decided at the Versailles Summit in the field of international trade, and in particular the importance attached to the Ministerial meeting of the GATT planned for November of this year, action is needed at the highest levels to find solutions through constructive discussions.



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