

NEWS

Chamber of Commerce of the United States

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NATIONAL CHAMBER URGES WHITE HOUSE TO FIGHT THREAT OF ENLARGED EUROPEAN COMMON MARKET TO U. S. TRADE

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WASHINGTON, Oct. 29 -- Much of the restrictionist trend prevailing in Congress can be traced to a feeling that the European Economic Community is turning away from the reciprocal trade policies pursued for 30 years by this country, the Chamber of Commerce of the United States said today.

A call for reversal of that trend was contained in a set of recommendations developed by a special National Chamber task force and sent to the White House.

The Chamber recommended that President Nixon issue a policy statement making it clear that while continuing to favor the EEC political objective of unity, the Administration will oppose enlargement of the Common Market at the economic expense of the United States and other countries.

The Chamber said the statement ought to reflect a strong U. S. commitment to the General Agreement on Tariffs and Trade (GATT) with a declared intention to fully use GATT rights which are available to contracting parties.

"It must be emphasized that not only the interests of the United States are at stake, but those of all trading countries," the Chamber statement of recommendations declared. "And further, that those interests represent major policy concerns, not just technical considerations."

Special emphasis should be placed upon the reduction of levels of protection under the Common Agricultural Policy, particularly internal grain prices, the Chamber said.

Among other things, the Chamber added, the White House policy statement should reiterate the U. S. government's obligation to protect its trading rights under provisions of the Trade Expansion Act of 1962, and should also announce that in the future the U. S. will insist upon prompt and full compensation for violations of GATT rules and bindings.

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The Chamber task force, set up in August under the chairmanship of Dr. Richard J. Goodman, vice president, Cook Industries, Inc., Washington, D. C., said the Administration's policy statement should be followed by an insistence on meetings with the EEC and other major trading powers to explore the multilateral impact of the Community's expansion of membership.

And the U. S. should press for a major multilateral effort to:

- a. Gradually eliminate or reduce existing non-tariff barriers to trade and prevent creation of new trade barriers.
- b. Work with the EEC and other trading powers to harmonize in a non-discriminatory manner national policies that affect world trade, both industrial and agricultural.
- c. Establish multilateral guidelines for national measures aimed at imports from low income countries.

The Chamber said that "forthright action by the U. S. remains the best hope for a truly expansive and reciprocal international trading system."

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Recommendations of the
Chamber of Commerce of the United States
on
U.S.-EEC RELATIONS

One of the most encouraging developments in the world today concerns the growth and prosperity of the European Economic Community. The Community's progress has produced benefits in terms of political stability, increased economic activity and growth in world trade that should justify the United States' traditional support for the goal of European unity.

At the same time, the Community's expansion has produced some avoidable strains in world trading relationships with particular portent for key sectors of U.S. export activity.

Specifically, the National Chamber refers to a range of problems with the EEC which include levels of protection and subsidies associated with the Common Agricultural Policy, emerging non-tariff barriers resulting from harmonization plans, as well as the preferences contained in many of the Community association agreements. In addition, border taxes affect U.S. exports to the member countries using them while forgiveness of indirect taxes on Community exports has adverse effects on third country trade flows. The Chamber maintains that insofar as those activities contravene the provisions or the spirit of the GATT and other agreements, the world's trading nations should make a special and immediate effort to curtail those activities and to prevent their emergence in the future. Clearly, the European Economic Community, the world's greatest trading power bloc, is no longer in need of protective devices beyond those permissible by the GATT.

What is at stake is more than the adverse effects on U.S. industrial and agricultural export markets -- the entire international system of multilateral, reciprocal and non-discriminating trading relationships, so painstakingly built up for the past thirty years, is in jeopardy. The resurgence of restrictionist sentiment in the U.S. Congress is due in no small part to the feeling that the EEC is turning its back on the multilateral, reciprocal approach to trade policy.

This must be reversed.

The National Chamber believes that a prompt initiative by the Administration can succeed in restoring trade policy relations between the EEC and the U.S. to a level consistent with the realities of the times. Only such an initiative will provide the basis for an international trading system that will firmly ensure the continued progress of all nations. Accordingly, it is recommended that the United States initiate the following measures:

1. A clear, unequivocal policy statement by the Administration on the importance of European unity being achieved on the basis of open and liberal trade relations. While continuing to favor the political objective of unity, the Administration should make it clear that enlargement of the Common Market should not be at the economic expense of other countries.

Such a statement should clarify the Administration's prior statement of February 18, 1970, on relations with the EEC, so as to avoid the impression that U.S. support for European unity implies a willingness to undergo economic sacrifice on the part of the United States. A strong U.S. commitment to the GATT should be asserted with the declared intention of fully utilizing the GATT rights which are available to contracting parties. It should be stated that the United States is willing to face competitiveness arising from the rationalization of Community industries, but will not accept unnecessary costs due to adverse economic consequences of Community actions which contravene the principles of multilateral liberal trade and the GATT.

It must be emphasized that not only the interests of the United States are at stake, but those of all trading countries. And further, that those interests represent major policy concerns, not just technical considerations.

In a more specific sense, the Administration statement should go on to:

- a. Specify those levels of protection adopted under the Common Agricultural Policy, particularly the level of internal grain prices, which provide obstacles to optimum world trade development and to detail their shortcomings. Special emphasis should be placed on the reduction of such levels of protection in connection with proposed enlargement of the Community at the time of accession of new members rather than after accession takes place.

- b. Express the United States' strong opposition to Community association agreements that are contrary to GATT Article XXIV.
- c. Identify those internal Community practices, particularly in the area of taxation, which have the net result of adversely distorting third countries' trading relations with the Community.
- d. State the United States government's obligation to protect its trading rights through resort to legally provided sanctions such as Section 252 of the Trade Expansion Act of 1962.
- e. Announce that in the future the U.S. will insist on prompt and full compensation in response to indicated violations of GATT rules and bindings.

This statement should be issued at the earliest opportunity. It will serve to convince the EEC that the U.S. is committed to a positive trade policy posture. With this established, the way lies open to discussions between the U.S., the EEC and other trading powers. Such talks can be sparked by two further United States initiatives, as follows:

2. The United States should insist on meetings with the EEC and other major trading powers to explore the multilateral impact of the Community's membership expansion. These meetings should be parallel with the EEC's bilateral discussions on European enlargement. They could be informal, but they ought to be undertaken in reference to GATT rules which provide specific rights and obligations.

3. Separate from these initiatives, the U.S. should also press for a major multilateral effort to:

- a. Gradually eliminate or reduce existing non-tariff barriers to trade and prevent creation of new trade barriers.
- b. Work with the EEC and other trading powers to harmonize in a non-discriminatory manner national policies that affect world trade, both industrial and agricultural.
- c. Establish multilateral guidelines for national measures aimed at imports from low income countries.

A multilateral effort is especially urgent in order to ensure that new international certification and harmonization plans are non-discriminatory, open to all nations, and capable of being harmonized among nations in order to reduce non-tariff barriers.

The immediate objective of the multilateral talks should be the establishment of rules and procedures rather than comprehensive, highly finished products. It should result in early establishment of a process of international consultation and coordination in many fields, subject to some international codes and to reforms in GATT itself.

This program must not be postponed no matter how laborious and protracted it may appear, for it would begin to solve some problems and forestall the development of new ones. Most important it would reestablish with GATT members a means of influencing the evolution of the EEC itself.

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In recommending these measures to the Administration, it needs to be emphasized that both within and without the EEC trading powers are looking to the U.S. to reassert its traditional leadership role in trade policy.

The need is great and the time is pressing -- forthright action by the U.S. remains the best hope for a truly expansive and reciprocal international trading system.

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