

MEMO 30/89  
Not attributable

Brussels, 1 June 1989

UNITED STATES-COMMUNITY RELATIONS

441.2(103)

\* BACKGROUND

Contacts between the Community and the United States are very frequent. Consultations between officials, frequent visits by Ministers and Members of the Commission, and close contacts through the Commission Delegation in Washington and the US Mission in Brussels have taken place since the founding of the Community.

Since 1982 there have been annual round-table meetings between the US Secretary of State accompanied by various colleagues and the President of the Commission plus the Members of the Commission concerned to review the whole range of EEC?United States relations. In 1988 it was decided to reinforce these links by holding regular meetings between the US Under Secretary for Economic Affairs and the Commission's Director?General for External Relations.

This activity has been paralleled by a progressive stepping up of the dialogue at European Political Cooperation level. In addition to meetings between the US President and the President of the Commission, there are contacts between the US State Department and the Foreign Minister of each country holding the Presidency and also the heads of political departments of the "Troika" countries.

Cooperation has grown steadily in a great number of areas, whether on a contractual basis or not.

**EURATOM-UNITED STATES**

This was the first agreement signed on behalf of the European Atomic Energy Community (Euratom), less than five months after the entry into force of the Euratom Treaty in 1958. This agreement, supplemented by another agreement in November of the same year, establishes a framework for cooperation on peaceful uses of nuclear energy, including the supply of nuclear fuel to the Community by the United States. At the end of the 1970s, the United States Government proposed updating parts of the agreements relating to safeguards throughout the nuclear cycle. Talks between the two parties are still going on. On 7 July 1986 the Community and the United States signed a joint declaration of intent on research into radiation protection. A scientific and technical cooperation agreement on thermonuclear fusion was signed at the end of 1986.

**ENVIRONMENT AND SAFETY AT WORK**

In 1974 the Commission and the US Administration agreed to hold regular consultations between officials and, where necessary, take joint action on environmental issues. In 1979 it was decided to hold meetings of experts on various aspects of health and safety at work. Two other sectors were pinpointed for future cooperation: the treatment of hazardous waste and air pollution.

#### ADVANCED TECHNOLOGY

In 1983 the Commission and the United States set up a working party to look at the situation in the field of advanced technology and pinpoint sectors for cooperation. Since then the two sides have exchanged information on questions of mutual interest.

In 1987 and 1988 information was exchanged in the field of telecommunications, particularly concerning standards, public procurement, competition and statistics.

#### FISHERIES

An agreement on access by Community fishermen to United States fishing zones was signed in February 1977. The agreement has been renewed for the period 1984-89.

#### \* ECONOMIC AND TRADE LINKS

There are close economic links between the Community and the United States, regulated at multilateral level by the rules of GATT and the OECD: they are the world's leading economic and trading powers.

In 1987, European investment in the United States amounted to about US\$ 160 million, while that of the United States in the Community was US\$ 122 million.

They are also linked by the size of their combined industrial output: some 35% of world steel production, 55% of world car production and 70% of world aircraft production.

Statistics show that the United States is both the EEC's number one supplier and its biggest customer. In 1988 the Community imported from the United States goods worth ECU 67.9 billion, 17.7% of total imports from outside the Community, and exported goods worth ECU 71.5 billion, 19.8% of its total exports.<sup>1</sup>

The statistics place in context, if not the underlying reasons for trade conflicts between the two sides, then at least their importance.

Over the years the Community has regularly run up a trade deficit with the United States, at times reaching high levels, as in 1980, when it was ECU 18 billion. As a result of fluctuations in the dollar, this trend was reversed so that in 1987 the Community had a surplus of ECU 15.7 billion, which was reduced to ECU 3.6 billion in 1988. The opening months of 1989 suggest that a certain equilibrium has been achieved in the balance of trade between the two.

#### \* MATTERS OUTSTANDING

Given the scale of economic and trading links between the Community and the United States, it is inevitable that problems will arise. These are not, however, sufficient to overshadow the importance of the special relationship between the Community and the United States. A number of these problems have been resolved: (i) steel in 1986; (ii) preferences

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<sup>1</sup> Provisional figures, excluding Greece.

accorded by the Community to citrus fruit from the Mediterranean countries with which the Community had concluded preferential agreements; (iii) the consequences for US cereal exports of the enlargement of the Community to include Spain and Portugal; (iv) the conflict over Community export refunds for pasta products.

Other more recent problems have yet to be satisfactorily resolved, namely:

- Trade Act

On 23 August 1988 the President of the United States signed the "Omnibus Trade and Competitiveness Act", after vetoing previous versions of the bill. The Community nevertheless considers that the provisions:

- (I) confirm that the United States is tending to interpret international trade rules unilaterally;
- (II) still enable the United States administration to take measures against its trading partners, even if the GATT rules have not been violated.

The Council (General Affairs) meeting of 29 September 1988 adopted a statement in which it expressed "serious concern at the protectionist potential of the "Omnibus Trade and Competitiveness Act of 1988" as well as those provisions thereof which could lead to greater recourse to unilateral measures by the United States which would be inconsistent with the Punta del Este declaration and with our common commitment to the multilateral trading system". The Community will monitor the situation closely and will insist on its rights within GATT if its interests are affected by implementation of this law. (See also IP(89) 379)

In January the United States identified the Community as a trading partner with which negotiations on telecommunications should be opened as a matter of priority. The Community agreed to continue bilateral talks, excluding any negotiations, which should be undertaken only in a multilateral forum.

- Airbus

The United States challenges the subsidies received by Airbus and, in March 1987, requested discussions in the framework of the GATT Committee on Trade in Civil Aircraft. The purpose of these discussions is to find a common interpretation of Articles 4 (public procurement) and 8 (Government support) of the GATT Code on Civil Aircraft. After several meetings at expert level two meetings were held at ministerial level, in London on 27 October 1987 and in Konstanz, Germany, in March 1988, to try to negotiate a solution to the problem.

However, in March this year the United States decided to request, in the framework of the GATT Code on Subsidies, consultations concerning the plan to restructure the German aircraft industry. The plan met, to a great extent, the United States' demands for a reduction of the public stake in the Airbus programme. During the discussions the Community stated that the circumstances did not justify a complaint, but that it was prepared to resume bilateral negotiations to find a lasting solution.

- Semi-conductors

The Community has protested against the agreement concluded on 30 July 1986 between the United States and Japan on semi-conductors. In its opinion, some aspects of this agreement go against the rules of international trade and threaten the Community's legitimate interests. Two aspects of the agreement are of particular concern: the arbitrary increase in the price of semi-conductors on the Community market and US firms' privileged access to the Japanese market.

The Community therefore asked for a GATT panel to be set up in March 1987. The panel's conclusions, published in 1988, largely upheld the Community's complaint and the Community insisted that Japan implement them.

- Community Directive on hormones

Following the entry into force on 1 January of the external provisions of the Community Directive prohibiting the use of hormones in meat, the United States retaliated that same month by imposing 100% customs duties on a number of Community products in order to offset the loss of its traditional exports of meat to the Community.

The Community responded by adopting counter-measures, the application of which was deferred in February when a Commission-US Administration Task Force was given the task of formulating a certification system applicable to the United States and compatible with the Community Directive. In May a solution began to emerge, which should lead to a resumption soon of US meat exports to the Community and to a reduction in the retaliatory measures applied to the Community. The Task Force is continuing its work in an attempt to resolve the problems which remain.

- Superfund; customs user fee

The Community has complained to GATT about certain US import measures which, claims the Community, are discriminatory. They include the "superfund", a tax on oil imports, and the "customs user fee", which is in practice a supplementary customs duty. These two measures were condemned by GATT panels. The Community expects the US authorities to adapt their regulations to comply with the panels' reports.

- Waiver

The Community asked for a GATT panel to be set up on the application of the waiver which the United States has been entitled for use under the GATT since 1985, enabling it to limit its imports of certain agricultural products. The Community's request is concerned initially with sugar and sugar products.

The Community considers that it is important to verify the way in which the United States has applied this waiver, which was originally granted to enable it to reorganize some of its agricultural markets.

The United States set its 1988 import quota for sugar at 800 000 tonnes. The Community, however, imported 1.8 million tonnes in 1987 including, as every year, 1.4 million tonnes from ACP States at guaranteed prices.

In May the United States agreed to the setting-up of such a panel.

- Soya

Following a petition filed by the American Soybean Association (ASA), under section 301 of the 1984 US Trade Act, concerning Community aid for oilseeds and protein products used in animal feed, the United States Government made a formal request on 20 January for consultations under Article XXII (1) of the General Agreement.

There have since been three rounds of consultations and, in June 1988, a panel was set up at the request of the United States.

This panel will soon be able to start work, following an agreement on its terms of office reached on 19 May by the Commission and the US Administration. The Community, however, continues to be most concerned by the threat of sanctions due to come into force on 5 July under the 301 procedure.

- Canned fruit

In August 1988 the United States attacked the way the Community applies the 1985 agreement on canned fruit. Although the Commission agreed to discuss this matter with the US Administration in depth, on 11 May the United States threatened to impose retaliatory measures on the Community with effect from 1 July. In order to clarify matters, the Commission will soon present to the Council a proposal amending the regulation concerned; this should also resolve the conflict with the United States on this issue.

TRADE BY PRODUCT GROUP  
1987 - ECU million(\*)

	Community Imports	Community exports	Balance
Agricultural products	3448	2013	- 1435
Tobacco, beverages	721	2217	+ 1496
Raw materials (Including oilseeds)	5616	672	- 4944
Mineral fuels	2085	3412	+ 1327
Animal and vegetable oils	135	109	- 26
Chemical product	5979	5395	- 594
Basic manufactures	3884	10527	+ 6644
Vehicles and transport equipment	23445	32149	+ 8704
Other manufacturered products	7030	11200	+ 4170
Not classified	3870	4205	+ 335
<b>TOTAL</b>	<b>56213</b>	<b>71899</b>	<b>15607</b>

Source : EUROSTAT

(\*) The ecu/dollar exchange rate varles dally as the various EC currencies which make up the ecu fluctuates against the dollar. One ecu was worth US \$ 1.2 in 1973, US \$ 1.39 in 1980, US \$1.12 in 1981, US \$ 0.98 in 1982, US \$ 0.89 in 1983, US \$ 0.83 in 1984, US \$ 0.75 in 1985, US \$ 0.98 in 1986 and US \$ 1.12 in 1987.

TRADE BETWEEN THE COMMUNITY ON TWELVE  
AND THE UNITED STATES,  
BROKEN DOWN BY COUNTRIES.

- ECU million -

1987

	IMPORTS	EXPORTS	BALANCE
FRANCE	7803	9023	1220
BELGIUM/LUXEMBOURG	3697	3740	43
NETHERLANDS	6145	3583	-2562
GERMANY	11483	24086	12603
ITALY	5677	0671	3905
UNITED KINGDOM	14275	15796	1521
IRELAND	1714	1075	- 639
DENMARK	1119	1636	517
GREECE	310	384	74
PORTUGAL	572	513	- 59
SPAIN	3328	2392	- 936
TOTAL	56212	71899	15687

1988<sup>(1)</sup>

FRANCE	10749	10495	- 254
BELGIUM/LUXEMBOURG	4366	3876	- 490
NETHERLANDS	6963	3809	- 3154
GERMANY	13030	22031	9001
ITALY	6535	9642	3107
UNITED KINGDOM	12279	15823	- 2456
IRELAND	1895	1217	- 678
DENMARK	1131	1396	265
GREECE			
PORTUGAL	622	540	- 82
SPAIN	4339	2677	- 1662
TOTAL	67909	71506	3597

(1) excluding Greece.

