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"TACT IN US-EC TRADE"

Following is reprinted from THE JOURNAL OF COMMERCE, November 18, 1981:

Chicken and other trade wars may not be deadly, but they can be unpleasant. Trade wars start for one very good reason. One side is convinced the other side is cheating it out of its fair share of the business. The U.S. poultry industry has recently complained to the U.S. Office of the Special Trade Representative that European chickens are taking an "undue share of the Middle East and Far East chicken markets." The industry is upset because it believes European chickens are getting more than their fair share of these markets only because they are being subsidized at home. The European Commission disagrees and is curious as to how the Americans are going to measure what an undue market share is.

As protectionist pressures increase, the chicken complaint is only one of many trade problems that have been popping up between the United States and the European Community since the beginning of the year. It is, however, one of the few which has involved U.S.-EC export competition in third markets. Although a strong dollar is supposed to hurt American exports, U.S. outcries about unfair foreign competition continue to center around foreign imports hurting U.S. industries, not around U.S. exports being hurt by foreign competition abroad. Historically industries are more apt to blame imports for lost jobs. It is much harder to blame someone else's exports for lost jobs and damage from import injury is also more visible. How many American workers know -- or care -- that Arabs are eating more European chickens than U.S. chickens. Yet all U.S. autoworkers know that Americans are driving more Japanese cars than domestic cars.

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U.S.-EC exchanges on trade problems can and have been nasty. But so far the Reagan Administration has kept the tone at a manageable level. One of the most encouraging signs of trans-Atlantic compromise on trade is the decision to shelve the U.S. and EC complaints about how the other side defers or rebates taxes on its exports.

For the past nine years the Europeans have charged that U.S. companies get an unfair tax advantage by putting earnings from exports in tax free domestic international sales corporations. The Americans have countercharged that European companies engage in similar, if not more offensive, tax rebates on their exports by shifting their earnings from exports into international sales corporations located in tax havens. But the whole issue, which once again threatened to be dredged up, is nearing settlement.

But real trade problems between the United States and the European Community notably on steel, textiles and agricultureal products persist. So it was of some comfort to hear U.S. Special Trade Representative William Brock mention the word "tact" to characterize how the United States intends to deal with the European Community.

What exactly the Administration means by tact is being demonstrated in the case of steel. The U.S. steel industry has been threatening to bring anti-dumping and anti-subsidy cases against European steel exporters. But to try to prevent the U.S. steel industry from acting like a bull in a china shop and seriously damaging trade relations with the European Community, the Commerce Department said it would handle the anti-dumping and anti-subsidy investigations itself.

To prove to representatives of the European Community that the Reagan Administration isn't just giving in to pressures from the U.S. steel industry, the Commerce Department has told the U.S. industry that it would either investigate dumping charges or monitor the trigger price mechanism, but it will not do both. The TPM is meant to alert the Commerce Department if there is a sudden surge in imports. Gary Harlick, Deputy Assistant Commerce Secretary, reminded the steel industry that when the trigger price mechanism was reinstituted last year it was as a substitute not as a supplement of "their filing of dumping and subsidy complaints".

The Reagan Administration is bending over backward to stick to a quasi-free trade policy in spite of increased protectionist pressures at home -- in Congress -- and abroad. In the case of the multi-fiber arrangement, for example, which is up for renewal at the end of this year, the Administration has assumed the role of a moderate mediator in spite of both Congressional pressures and a tougher EC position.

While the European Community has failed to reach a common position on the textile issue, some EC Trade Ministers -- under pressure from their domestic industries -- are pushing for an agreement with stiffer terms against textile imports from the developing countries. But the Administration is holding firm on its middle-of-the-road position.

Of course, messy contradictions persist. The Americans would prefer if the Europeans didn't help the Russians build the Trans-Siberian gas pipeline. But so far -- perhaps in the name of free trade -- the Americans are being polite about it. The Americans would also prefer if the Europeans didn't subsidize their agricultural exports. But the Reagan Administration isn't doing as well as it had hoped in cutting subsidies to its own farmers. So in all fairness it can only be sympathetic to the political problems faced by EC member governments that are trying to reform the EC Common Agricultural Policy.

As long as the Reagan Administration, with a little help from its European allies, can exercise tact and restraint, the tide of protectionism can be managed.

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