

INFORMATION

EUROPEAN COMMISSION  
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TELECOPY NO.: 5156  
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TO: Mr. Paemen, DG I

DATE: 8 July 1991

FROM: Richard Wright

ADDRESSEE PLEASE COPY TO:

MM. Giola, Keck, Abbott, Dugimont, De Pascale, Beseler,  
 Avery, Salerno, Richardson, DG I  
 MM. Schaub, Ortun, Carvalho, DG III  
 Mr. Petersen, DG IV  
 Mr. Erdmenger, DG VII  
 Sent separately to Paris Delegation.

*441.2(103)  
 Special*

Subject: Shipbuilding - Demarche on Gibbons Bill (HR 2056)

Delegation and NL Embassy here delivered the attached demarche today to State (to Mr. Hecklinger, Principal Deputy Assistant Secretary in the Bureau of Economic and Business Affairs) who took note of our arguments. He told us the Administration was opposed to the Bill and that a statement of Administration policy was in its final clearance phase. It should be ready for tomorrow's hearing on the Gibbons Bill.

NB: Sweden, Finland, Norway and Japan associated themselves with the demarche.

Finally we sent letters to Reps. Gibbons and Crane outlining our position on the Bill.

We will inform you of the outcome of the hearing as soon as possible.

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*AVB*  
 Andreas van Agt



DELEGATION OF THE COMMISSION OF THE EUROPEAN COMMUNITIES

8th July, 1991

The Honorable  
Sam Gibbons  
Chairman  
International Trade Subcommittee  
House Ways and Means Committee  
2204, Rayburn House Office Building  
Washington, D.C. 20515

*Dear Sam*

We are writing to you to express our concerns about HR 2056, the "Shipbuilding Trade Reform Act of 1991" which would have the effect, inter alia, of imposing unilateral trade sanctions against certain foreign built ships allegedly benefiting from subsidies, when such vessels call at US ports. These sanctions could go as far as banning the entry into US ports of all ships operated by a shipowner who maintains, in his fleet, an allegedly subsidised ship and could unjustifiably affect shipping markets, shipbuilding contracts and US external trade.

We should like to recall that, on a US initiative, the EC and other OECD countries have been negotiating intensively over a number of months to reach an agreement to eliminate trade distorting practices in the Shipbuilding sector. At the OECD Ministerial meeting of 4-5 June, Ministers recognised the progress made in these negotiations, welcomed the fact that all Parties are firmly committed to concluding a balanced agreement and emphasised the need to maintain momentum in the negotiation so that a draft agreement could be reached by July 1991. We believe our mutual interests would best be served by completing these negotiations. We are very concerned, therefore, that such efforts would be undermined by the provisions HR 2056 which are contrary both to the objectives underlying the OECD negotiations and to international trade law.

/.....

In this context we recall that the GATT permits retaliatory measures to be taken only in accordance with the provisions of the General Agreement and with the authorisation of GATT Contracting Parties. Autonomous action is envisageable only under certain specific circumstances (e.g. measures to combat dumping) and then only in accordance with the relevant GATT codes. In our view HR 2056 will undermine the multilateral trading system and have serious repercussions on the Uruguay Round negotiations.

Finally, we point out that if other countries were to follow the US approach by adopting comparable provisions to combat practices and policies of which they disapprove, the world's shipping industry and commerce would be faced with major disruption to the detriment of all trading partners.

*Sincerely yours*

*h.o. Cornelis P. van Briel*  
Andreas van Agt  
Head of Delegation

*Hans Meesman*  
\_\_\_\_\_  
Johan Meesman  
Ambassador of the Netherlands



The Delegation of the Commission of the European Communities and the Embassy of the Netherlands present their compliments to the Department of State and have the honour to refer to HR 2056, the "Shipbuilding Trade Reform Act of 1991" sponsored by Representative Gibbons (D-FI) which would have the effect, inter alia, of imposing unilateral trade sanctions against certain foreign built ships allegedly benefiting from subsidies, when such vessels call at US ports. These sanctions could go as far as banning the entry into US ports of all ships operated by a shipowner who maintains, in his fleet, an allegedly subsidised ship and could unjustifiably affect shipping markets, shipbuilding contracts and US external trade.

The European Community recalls that, on a US initiative, the EC and other OECD countries have been negotiating intensively over a number of months to reach an agreement to eliminate trade distorting practices in the Shipbuilding sector. At the OECD Ministerial meeting of 4-5 June, Ministers recognised the progress made in these negotiations, welcomed the fact that all Parties are firmly committed to concluding a balanced agreement and emphasised the need to maintain momentum in the negotiation so that a draft agreement could be reached by July 1991. In the light of this communique the European Community expects the US Administration to vigorously oppose HR 2056 whose provisions are contrary both to the objectives underlying the multilateral negotiations currently being conducted in the OECD and to international trade law.

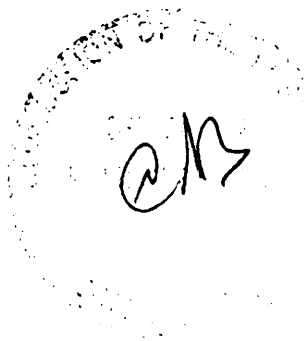
In this context the European Community recalls that the GATT permits retaliatory measures to be taken only in accordance with the provisions of the General Agreement and with the authorisation of the GATT contracting parties. Autonomous action is envisageable only under certain specific circumstances (eg measures to combat dumping) and then only in accordance with the GATT codes. The US Administration will not fail to understand that the adoption of HR 2056 will undermine the multilateral trading system and have serious repercussions on the Uruguay Round negotiations.

Finally, the European Community points out that if other countries were to follow the US approach by adopting comparable provisions to combat practices and policies of which they disapprove, the world's shipping industry and commerce would be faced with major disruption to the detriment of all trading partners.

For these reasons the European Community urges the United States Government to oppose HR 2056.

The Embassies of Finland, Norway, Sweden and Japan fully associate themselves with this démarche.

The Delegation of the Commission of the European Communities and the Embassy of the Netherlands avail themselves of this opportunity to renew to the Department of State the assurance of their highest consideration.



Washington, D.C.  
8th July, 1991

