

UNITED STATES / COMMUNITY RELATIONS

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* BACKGROUND

Although there is no formal agreement setting out a general framework for relations between the Community and the United States, contacts between the two sides 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. In 1981, it was decided to step up dialogue at political level and since then a large US ministerial delegation led by the US Secretary of State has met each year a Commission delegation headed by the President of the Commission. The next meeting of this type is to be held on 9 December.

The ground rules applied to the bilateral relationship between the Community and the United States are those of multilateral organizations such as GATT and the OECD.

In trade, the general GATT rules apply, notably the most-favoured-nation clause. Thanks to these rules, the GATT Contracting Parties have been able to set up a relatively transparent non preferential structure for trade tariffs and, through the GAT rules and codes, the Parties accept binding arrangements for most other matters concerning trade. In terms of quantitative restrictions, trade has been almost totally liberalized.

However, while there is no overall agreement between the Community and the United States, cooperation has grown steadily in very many areas and in some instances specific agreements have been concluded.

EURATOM-US

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 and 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 to examine various aspects of health and safety at work. Two other sectors were pinpointed for future cooperation : the treatment of dangerous 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 the field of telecommunications, joint discussions have led to the setting-up of various working parties (on 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 : they are leaders in the world economic and trading system. Alone, they account for over 30 % of world trade, and thus have a major responsibility for the management of the system. Between them, they account for over 40% of world GDP.

In 1987, European investment in the United States amounted to about (US\$ 160 billion, while United States investment in the Community was US\$ 122 billion). 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.

The Community and the United States are major markets for each other. Total US trade (exports + imports) with the Community of Twelve stands at US\$ 148.1 billion (132 billion ECU) against US\$ 131 billion and US\$ 116 billion for trade with Canada and Japan respectively. The 1987 figures show that the European Community was the United States' leading export market, worth US\$ 60.6 billion (24%) compared with Canada (US\$ 59.8 billion, 23.7%) and Japan (US\$ 28.2 billion). With the exception of 1986 and 1987 there has been remarkable growth in bilateral trade between the Community and the United States over a number of years. Community imports have more than doubled, 25.7 billion ECU in 1977 to 56.2 billion Ecu in 1987. In the corresponding period, exports to the United States rose from 20.5 billion ECU to 71.8 billion ECU.

Over the years, the Community has regularly run up a trade deficit with the United States. At times, this deficit has reached high levels, as in 1980, when it was almost 18 billion ECU. However, because of the strength of the US dollar, the trend has been reversed and in 1987 the Community had a surplus of 15.7 billion ECU.

* SPECIFIC RECENT PROBLEMS

The Community and the United States have managed to settle in the last few years a number of problems that were blighting relations between them.

STEEL

From early 1985 onwards, steel was a major bone of contention between the Community and the United States. Following a number of rounds of negotiations, the last of which ended in September 1986, virtually all the Community's steel exports to the United States (about 6 million tonnes a year) are now covered by arrangements which will expire in September 1989.

This solution was reached in successive stages. The Community and the United States first negotiated a carbon steel arrangement in 1982. Under this arrangement, exports of ten steel products accounting for 80 % of all Community exports of steel to the United States were restricted to a given proportion of US steel consumption. The arrangement also covered 17 products that were not restricted ; 16 of them became subject to restraint following a round of negotiations which ended in August 1985. The Community and the United States agreed to subject semi-finished products to restraint in September 1986.

An arrangement covering tubes and pipes was concluded in January 1985. It restricted Community exports of these products to 7,6 % of presumed US consumption except in cases where US industry was not able to meet domestic demand. The initial arrangement covered 1985 and 1986 and has also been extended until 1989.

Some special steels (stainless steel) used to be subject to unilateral US measures, to which the Community responded by taking retaliatory action. The measures on both sides have now been abolished, and the products in question have been included in the steel agreement expiring in 1989.

MEDITERRANEAN PREFERENCES

In August 1986 the Community and the United States managed to put an end to a long-running dispute going back 15 years which concerned the United States' objections to the tariff preferences accorded by the Community to citrus fruit from the Mediterranean countries with which the Community had concluded preferential agreements.

Under the arrangement :

- the United States recognized the Community's Mediterranean agreements and undertook not to make any further complaints about the preferences for Mediterranean citrus fruit ;

- the Community made concessions in the form of tariff reductions or quota increases on citrus fruit and almonds, and the United States did the same for products affecting the Mediterranean Member States, notably olives and olive oil.

ENLARGEMENT

In March 1986, the United States raised objections about the implementation by Spain and Portugal of the provisions on agriculture in the Accession Treaty. It claimed that these provisions were adversely affecting their maize, sorghum and soya exports to Spain and Portugal.

In January 1987, at the end of particularly difficult negotiations in which each side resorted to retaliatory and counter-retaliatory measures, the parties signed a four-year interim agreement. The agreement provides for an all-comers' quota on the Spanish market of 2 million tonnes of maize and 300.000 tonnes of sorghum at a reduced levy and a slight reduction in customs duties on a range of industrial and processed agricultural goods, and does away with the reservation of 15% of the Portuguese cereals market for Community exporters.

PASTA PRODUCTS

In August 1987, the Community and the United States managed to find a satisfactory solution to a conflict on pasta products which had existed for several years. The United States disputed the legality of export refunds for Community pasta products. The dispute was settled in August 1987 with a solution which does not challenge the principle of the Community refunds. This system involves importing the raw material, durum wheat, without payment of a levy and exporting an equivalent amount in pasta products without a refund. The United States, for its part, has undertaken not to take any measures against European exports of pasta products and not to reopen the dispute at GATT level.

TRADE ACT :

On 23 August the President of the United States signed the "Omnibus Trade and Competitiveness Act", after vetoing previous versions of this law. While acknowledging that the adopted text is less protectionist than the previous ones, 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;
- (iii) increase the danger of protectionist measures being taken under pressure from lobbying;
- (iv) run counted at least to the spirit, if not the letter of the standstill commitments made at Punta del Este.

The Council (General Affairs) meeting of 29 September 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.

**Echanges par groupe de produits
1987 - Millions d'Ecus (*)
Eur 12**

	Importations CE	Exportations CE	Balance CE
Agriculture	3448	2013	- 1435
Tabac, boissons	721	2217	+ 1496
Matières premières (y compris les graines oléagineuses)	5616	672	- 4944
Combustibles minéraux	2085	3412	+ 1327
Huiles d'origine végétales et animale	135	109	- 26
Produits chimiques	5979	5395	- 584
Produits manufacturés de base	3884	10527	+ 6644
Machines et matériel de transport	23445	32149	+ 8704
Autres produits manufacturés	7030	11200	+ 4170
Non classés ailleurs	3870	4205	+ 335
TOTAL	56213	71899	15607

Source: EUROSTAT

(*) Le taux de change ECU/dollar varie chaque jour en fonction de la variation des différentes monnaies CE qui composent l'ECU vis-à-vis du dollar. Un ECU valait 1,2 dollar US en 1973, 1,39 en 1980, 1,12 en 1981, 0,98 en 1982, 0,89 en 1983 et 0,83 en 1984, 0,75 en 1985, 0,98 en 1986 et 1,15 en 1987.

**ECHANGES PAR PAYS
ENTRE LA COMMUNAUTE A DOUZE ET LES ETATS-UNIS**

- millions d'Ecus -

1986

	IMPORT	EXPORT	SOLDE
FRANCE	7958	8985	1027
BELGIQUE/LUXEMBOURG	3712	3714	1
PAYS-BAS	6509	3914	-2595
R.F. ALLEMAGNE	11747	25943	14196
ITALIE	5796	10673	4877
ROYAUME-UNI	13960	15462	1502
IRLANDE	1526	1117	-409
DANEMARK	1150	1901	751
GRECE	349	408	59
PORTUGAL	657	514	-143
ESPAGNE	3278	2519	-759
TOTAL	56642	75150	18508

1987

	IMPORT	EXPORT	SOLDE
FRANCE	7803	9023	1220
BELGIQUE/LUXEMBOURG	3697	3740	43
PAYS-BAS	6145	3583	-2562
R.F. ALLEMAGNE	11483	24086	12603
ITALIE	5677	9671	3905
ROYAUME-UNI	14275	15796	1521
IRLANDE	1714	1075	- 639
DANEMARK	1119	1636	517
GRECE	310	384	74
PORTUGAL	572	513	- 59
ESPAGNE	3328	2392	- 936
TOTAL	56212	71899	15687